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# Nike Equity Research


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Nike's Stronger Results Show Execution Is Paying Off: React

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(Bloomberg Intelligence) -- RECENT EVENT REACTION: Nike's better-than-expected fiscal 1Q results, with sales up 1% and inventories down 2%, demonstrate that the plan to win back shoppers through wholesale and product is paying off. North America sales were a standout, with FX-neutral up 4%, as was the wholesale segment, with reported sales up 7% vs. consensus for a 2% decline. We await comments on the margin impact of tariffs for the year and very early reads of the NikeSKIMS collaboration. (09/30/25)

1. Nike Turnaround Underway, Execution Still Key: Equity Outlook

THESIS: Nike has made progress working down unwanted inventory, paving the way for market-share gains with new products and partnerships. Execution of CEO Elliott Hill's "Win Now" strategy is key to driving sustained top-line growth by returning the company to its core, with a focus on innovation. China is a key region, though trends there remain choppy. Shorter lead times, refined wholesale partnerships, strategic pricing and digital engagement are levers to help Nike capitalize on early demand signals and reduce discounted sales. The impact of tariffs on costs and demand are headwinds. (09/30/25)

## Financial Review

**Earnings**

2. Nike Aided by Innovation; Tariffs Still Weigh: Earnings Outlook

Post-1Q Earnings Outlook: Nike's better-than-expected fiscal 1Q shows that its efforts to refocus on product innovation and sports are delivering results, with the performance business up by double digits and the Amazon partnership and new NikeSkims brand performing well. Still, 2Q sales could fall by low-single digits as it laps Win Now actions, while gross margin may drop 300-375 bps with 175 bps of tariff headwinds. Markdowns to clear excess inventory have borne fruit, with Air Force One stockpiles normalizing and inventories down 2% in 1Q.

Reported 1Q sales rose 1%, with those in North America, EMEA and APLA returning to gains, while Greater China's remained weak. For the year, tariffs may be a $1.5 billion headwind, up from $1 billion previously, and pose a 120-bp hit to gross margin (75 bps prior). (09/30/25)

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Highlights From Recent Results:

- FX-Neutral Sales Down 1%, With North America Up 4%, EMEA Up 1%, Greater China Down 10% and Asia Pacific-Latin America Up 1%
- Nike Brand FX-Neutral Digital Sales Down 12%; Nike-Owned Stores Down 1%, Wholesale Sales Up 7%
- Gross Margin Contracted 320 Bps on Higher Markdowns, Shifts in Channel Mix, Tariffs; 2Q Seen Down 300-375 Bps
- SG&A Expenses Down 1% on Lower Marketing
- EPS of 49 Cents Beat Consensus; Fiscal 2Q Sales May Decline by Low-Single Digits

Additional Resources:

- Earnings Release | DOCV »
- Earnings Call Transcript | DOCV »

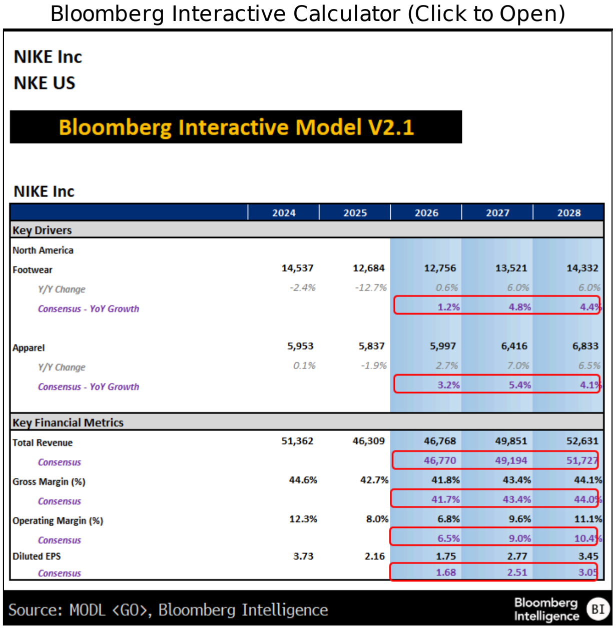
**Long-Term Drivers**

3. Nike's Fiscal 2026 Sales Set to Slip; Gross Margin May Contract

Nike's sales could drop slightly in fiscal 2026, based on consensus, amid a weaker global economy and its effort to clear elevated inventory, though its focus on sports and a new product pipeline might provide partial offsets. Digital-product innovation and expanding physical-retail concepts can help. Sales in 1Q may drop by mid-single digits, based on guidance. Gross margin could decline 350-425 bps in 1Q, including 100 bps from tariff impacts, due to higher markdowns to clear excess inventory. Longer term, margin may expand as sales recover in China, the company's most profitable region.

The Bloomberg Interactive Calculator uses Bloomberg's detailed consensus estimates to create an integrated three-statement financial model. (07/11/25)

Bloomberg Interactive Calculator (Click to Open)



NIKE Inc
NKE US

Bloomberg Interactive Model V2.1

NIKE Inc

| | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|
| **Key Drivers** | | | | | |
| North America | | | | | |
| Footwear | 14,537 | 12,684 | 12,756 | 13,521 | 14,332 |
| *Y/Y Change* | -2.4% | -12.7% | 0.6% | 6.0% | 6.0% |
| *Consensus - YoY Growth* | | | 1.2% | 4.8% | 4.4% |
| Apparel | 5,953 | 5,837 | 5,997 | 6,416 | 6,833 |
| *Y/Y Change* | 0.1% | -1.9% | 2.7% | 7.0% | 6.5% |
| *Consensus - YoY Growth* | | | 3.2% | 5.4% | 4.1% |
| **Key Financial Metrics** | | | | | |
| Total Revenue | 51,362 | 46,309 | 46,768 | 49,851 | 52,631 |
| *Consensus* | | | 46,770 | 49,194 | 51,727 |
| Gross Margin (%) | 44.6% | 42.7% | 41.8% | 43.4% | 44.1% |
| *Consensus* | | | 41.7% | 43.4% | 44.0% |
| Operating Margin (%) | 12.3% | 8.0% | 6.8% | 9.6% | 11.1% |
| *Consensus* | | | 6.5% | 9.0% | 10.4% |
| Diluted EPS | 3.73 | 2.16 | 1.75 | 2.77 | 3.45 |
| *Consensus* | | | 1.68 | 2.51 | 3.05 |

Source: MODL <GO>, Bloomberg Intelligence

## Focus Idea

**Focus Idea**

Nike Revamp Gains Traction; Tariffs Delay Big Payoff: BI Focus

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Updating Focus Idea: Nike’s long-term outlook is improving as its turnaround begins to pay off, aided by normalizing inventories, though tariffs and weak consumer sentiment push most of our consensus-topping scenario into 2027. The revamp can bolster consumer engagement through innovation and new products, reviving momentum in running and lifestyle. Fiscal 2026 sales may only modestly exceed analyst expectations, but we project nearly $1 billion in sales upside for 2027. CEO Elliott Hill’s product track record and the Nike-SKIMS launch should help reinforce momentum.

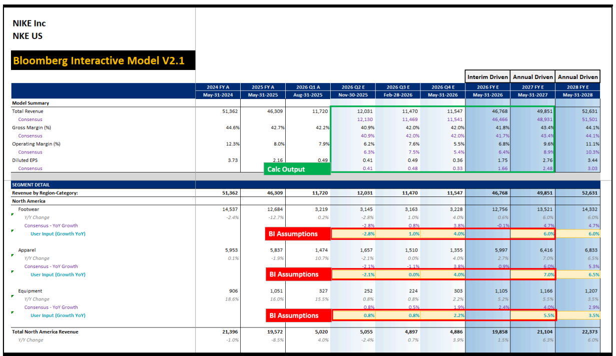
Original Thesis (April 2024): Nike's sportswear lead can dominate the channel through product innovation and sports, which could end more than two years of downward earnings-estimate revisions and drive fiscal 2026 revenue at least $1 billion ahead of consensus. The return of major sporting events, accelerated innovation and expectations for upbeat forecasts at its analyst meeting in 2H are catalysts. (10/06/25)

## 4. Product Innovation, Sports Key to Better Sales

Nike's growing focus on innovation can be a catalyst that drives revenue growth in the sports and lifestyle categories. Trends might remain lackluster in the near term as its Win Now strategy takes time to drive a turnaround through a better product pipeline. Until then, the launch of the Pegasus Premium and Vomero 18 running shoes, Kobe Protro, 24.7 apparel collection and expansion of the Air franchise are early signs that the company is making progress freshening its lineup. Expanded involvement in sports around the world and continued initiatives in women and wholesale remain factors that could aid fiscal 2H26 sales and put 2027 revenue above MODL consensus of $48.9 billion. A new brand in collaboration with Skims is an added opportunity.

Economic and geopolitical headwinds remain risks. (10/06/25)

Bloomberg Interactive Calculator




Source: Bloomberg Interactive Calculator, Bloomberg Intelligence

## 5. Sales Have Several Catalysts for 2027 Upside

We believe these catalysts could act as important triggers for this idea in coming months. (10/06/25)

Timeline of Key Catalysts:

- Summer 2024: Paris Olympics, Euro 2024 Expand Reach, Add Brand Momentum, Product Innovation (Delivered)
- 2025-26: Strategic Partnerships Might Push Fiscal 2030 Wholesale Revenue Target Above $33.6 Billion
- 2026: Postponed Investor Day Could Set New Five-Year Targets Above Consensus
- 2025-27: Nike Likely to Add New Athletes, Teams to Roster
- June 2027: Fiscal 2027 Sales May Top Consensus

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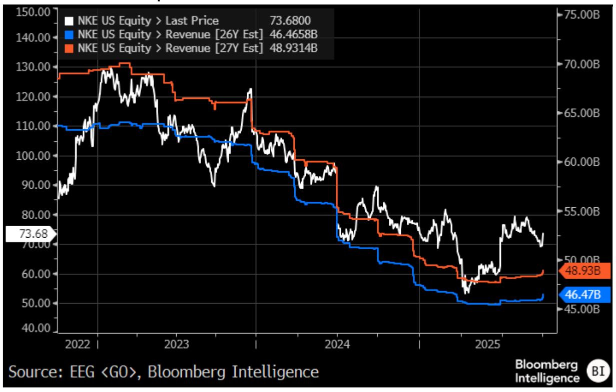
6. Downward Revisions Appear to Be Finished

Years of downgrades have likely come to an end, with the latest projecting a slight gain in fiscal 2026 revenue for Nike, and estimates might start to come up after its stronger fiscal 1Q. The reduced sales consensus looks achievable at a minimum, with innovation and sports events offering potential to boost brand momentum. With downward revisions ebbing, projections can begin to reflect fiscal 2026 improvements. We expect a slight upside to consensus for fiscal 2026 sales on a stronger 2H, while 2027 sales could reach $50 billion. A greater focus on wholesale partnerships, especially with Foot Locker, might improve assortment and spur growth. Its Amazon.com partnership and new NikeSKIMS brand can also fuel sales.

Consensus sees a low-single-digit sales gain for fiscal 2026 and a mid-single-digit increase in 2027. (10/06/25)

Sales Expectation Fiscal 2026-27, Stock Price




7. Innovation Push Needed to Jump-Start Sales

Rising expenses to create new products and fuel innovation can help Nike increase brand buzz and drive longer-term sales growth. Such costs as a portion of revenue have started to climb and still top pre-pandemic levels of almost 10%, with fiscal 2025 reaching 10.1%. Early initiatives from the recent launch of the Pegasus Premium and Vomero 18 shoes and expansion of the Air franchise, with a new innovation platform coming in fiscal 2026, can bring newness to the assortment. This is key as the company works to pare its classic franchises as a portion of the total footwear mix by 10 percentage points, with its Air Force One inventory already normalizing.

The new NikeSKIMS collaboration, launched in late September amid tariffs, is a big opportunity to capture share in women's and build sales. (10/06/25)

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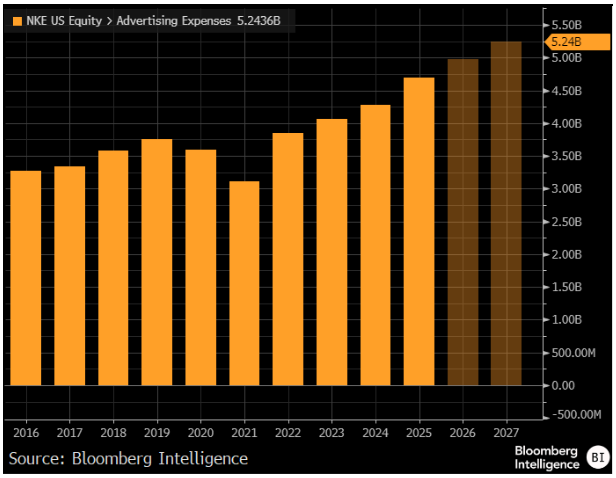
Demand Creation Expense

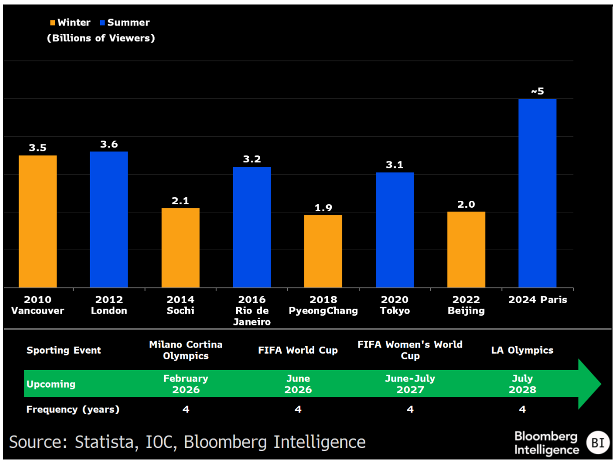



8. Sporting-Events Pipeline Could Drive Enthusiasm

Though this is a slower sports year, March Madness, the UEFA Women's Euro 2025 and other events have been opportunities for Nike to build momentum and fuel brand buzz, especially after its deal to sponsor USA gymnastics through 2028. In soccer, Nike is losing Liverpool and the Portugal national team but recently signed Germany and continues to sponsor France, along with club teams Chelsea, Paris Saint-Germain and FC Barcelona.

Nike showed its dominance at the 2024 Paris Olympics, sponsoring more athletes and spending more on the games than it had in years past, capturing over 60% of the total share of voice during the games. It also outfitted 13 of the 32 teams in the 2022 Men's World Cup in soccer and the 2023 Women's World Cup. This year, it sponsored six teams in both the UEFA Women's Euro and FIFA Club World Cup. (10/06/25)

Olympic TV Viewership, Key Sports Events




9. Endorsements, Sponsorships Bolsters Sales Outlook

Nike's use of top athletes and teams to promote products can drive sales. Cristiano Ronaldo's endorsement aids the soccer franchise, while those by Luka Doncic and Jayson Tatum of its Jordan brand boost its already strong hold in basketball. Along with a lifetime contract with LeBron James and the Kobe brand relaunch, these moves reinforce Nike's loyalty and reputation

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in the sport. Nike also sponsored teams in the Paris Olympics, including the US, and will replace Adidas as the German national soccer team sponsor in 2027.

The company won a 10-year pact in 2019 for all Major League Baseball teams' uniforms and extended its contract with the National Football League to 2028. It secured the National Basketball Association uniform deal in 2017, and that has recently been extended to 2037. (10/06/25)

Select Nike Top-Athlete Endorsements

| Tennis | Basketball | Soccer | Football | Running | Golf |
|---|---|---|---|---|---|
| Serena Williams | LeBron James | Cristiano Ronaldo | Russell Wilson | Eliud Kipchoge | Brooks Koepka |
| Naomi Osaka | Kevin Durant | Erling Haaland | Dak Prescott | Sha'Carri Richardson | Michelle Wie |
| Aryna Sabalenka | Giannis Antetokounmpo | Kylian Mbappe | Saquon Barkley | Christian Coleman | Rory McIlroy |
| Carlos Alcarez | Paul George | Jamal Musiala | Baker Mayfield | Faith Kipyegon | Nelly Korda |
| Jannik Sinner | Russell Westbrook | Marcus Rashford | | Dina Asher-Smith | Scottie Scheffler |
| Qinwen Zheng | Zion Williamson | Sophia Wilson | | Shelly-Ann Fraser-Pryce | |
| | Luka Doncic | Alexia Putellas | | Sifan Hassan | |
| | Jayson Tatum | Catarina Macário | | | |
| | Shai Gilgeous-Alexander | | | | |
| | Ja Morant | | | | |
| | Devin Booker | | | | |
| | Victor Wembanyama | | | | |
| | Sabrina Ionescu | | | | |
| | A'ja Wilson | | | | |
| | Caitlin Clark | | | | |
| | JuJu Watkins | | | | |

Source: Bloomberg Intelligence

10. Nike Trades at a Premium to Historical Valuation

Nike's multiple of 38x forward price-to-earnings tops its five-year average of 31x, aided by better-than-expected fiscal 1Q earnings and a turnaround plans that's beginning to advance. The company trades at a 92% premium to athleisure peers due to its size and top position in sportswear-industry sales, led by dominance in key sports like basketball and wider reach in US and international markets. Still, deeper markdowns, channel-mix shifts and higher costs from tariffs on imports to the US could crimp margins.

The stock traded near $74 a share on Oct. 1, down 1.9% year to date on weaker consumer sentiment, though shares have jumped since the company reported better fiscal 1Q earnings. New CEO Elliott Hill, a Nike veteran, could help revive sales and earnings, though tariffs are an added hurdle. (10/06/25)

Nike Relative Valuation

vs Comps | Group Dynamics | vs Self

Metric BF P/E — Peers Benchmarked Against Group Average — 3M 6M 1Y 2Y 5Y

| | Name | Current Metric | Prem | Hist Avg | Diff | # SD | 3M Trend | Low | Range | High |
|---|---|---|---|---|---|---|---|---|---|---|
| | Peer Group Average | 19.8x | | | | | | | | |
| 1) | Lululemon Athletica Inc | 13.6x | -31% | 44% | -75% | -2.1 | | -42% | | 99% |
| 2) | On Holding AG | 32.0x | 62% | 142% * | -81% | -1.1 | | 55% | | 483% |
| 3) | Deckers Outdoor Corp | 15.6x | -21% | 2% | -23% | -1.0 | | -38% | | 61% |
| 4) | adidas AG | 18.5x | -7% | 52% | -59% | -0.8 | | -21% | | 443% |
| 5) | Columbia Sportswear Co | 17.0x | -14% | -18% | 4% | 0.4 | | -36% | | 9% |
| 6) | VF Corp | 17.4x | -12% | -24% | 11% | 0.5 | | -59% | | 36% |
| 7) | NIKE Inc | 38.0x | 92% | 42% | 50% | 2.3 | | 2% | | 113% |
| 8) | Wolverine World Wide Inc | 17.1x | -13% | -47% | 33% | 2.4 | | -70% | | 1% |
| 9) | Under Armour Inc | 38.2x | 93% | -5% * | 99% | 3.2 | | -44% | | 125% |
| 10) | Puma SE | 204.6x | -- | 9% | -- | -- | | -54% | | 244% |
| 11) | Amer Sports Inc | 33.6x | 70% | -- | -- | -- | | -3% | | 144% |

Current vs 5Y Average Historical Premium; 5Y Historical Premium Range (● Current ◆ Hist Avg)

Source: EQRV <GO>, Bloomberg Intelligence

## Key Topics

### Near-Term Outlook Choppy

Nike's Fiscal 2026 Sales May Drop as It Works to Clear Inventory

A weaker economy and lower direct-to-consumer sales are weighing on Nike, with consensus expecting total revenue to fall by low-single digits in fiscal 2026, with low- to mid-single-digit declines in 1H while sales in 2H could revert to gains. Gross margin might contract on higher markdowns to clear elevated inventory, tariff headwinds and shifts in channel mix, partly offset by price hikes and cost-mitigation efforts. (07/21/25)

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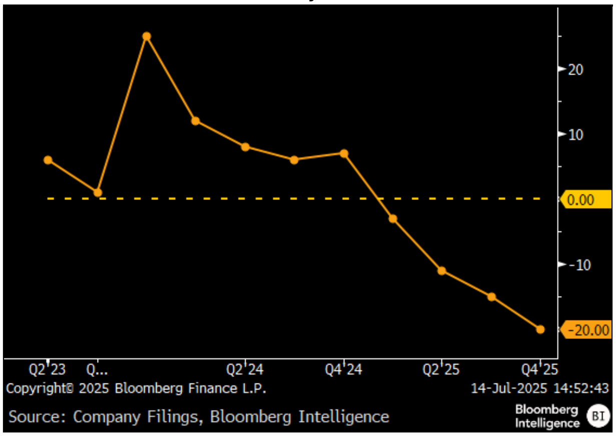
11. China Sales in Flux on Weaker Economic Backdrop

Sales in China may remain pressured amid economic uncertainty and elevated markdowns to clear inventory. Still, a focus on sports in the region, along with strong digital sales through a partnership with Tmall and hyper-local product launches, can provide a partial offset. FX-neutral sales in China fell 20% in fiscal 4Q yet could improve throughout 2026. Weaker China revenue can also squeeze margins as the nation typically generates the highest profitability among all regions. Operating margin in China fell 628 bps in fiscal 2025. Direct revenue in the region fell 15% in 4Q on a 31% drop in digital and 6% decrease in stores, while wholesale revenue plunged 24%.

Nike has the highest footwear-market share in China and is No. 2 in apparel, with 15% of Nike-brand sales coming from the nation in fiscal 2025. (07/21/25)

Greater China Currency-Neutral Sales Growth




12. Gross Margin Can Expand in Fiscal 2H

Higher markdowns on direct channel, along with wholesale channel discounts to liquidate inventory, higher product costs and shifts in channel mix weighed on Nike's fiscal 4Q gross margin, which contracted 330 bps from the prior year. With inventories just flat year over year, we need to see management realign inventories more with sales to drive a turnaround. Gross margin in fiscal 1Q could still fall 350-425 bps, with 100 bps of that tied to tariffs. However, as inventory normalizes, with the help of improving wholesale order books, the metric can expand in 2H.

Tariffs may pose a $1 billion cost, but Nike is working to reduce the amount of goods that come to the US from China, alongside other mitigation strategies like price hikes. Still, tariffs remain a wildcard. (07/21/25)

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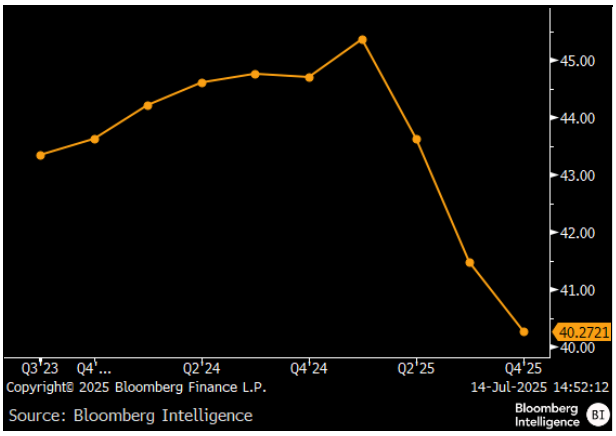
Gross Margin (%)

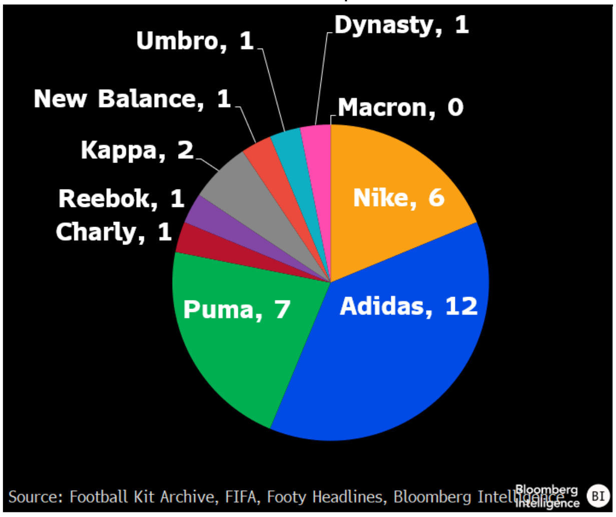



13. Sports Still a Key Influence

Nike's dominance in sports can keep fostering brand success, given its sponsorship of some of the highest-ranked teams and players in key leagues. During NCAA basketball's "March Madness" in 2025, Nike and its Jordan label sponsored 41 of 68 teams, down from 42 in 2024. It also outfitted six of the 32 teams in FIFA Club World Cup 2025, including the top two teams and six of the 16 squads in 2025 Women's UEFA Euro. The Paris 2024 Olympics last summer helped strengthen the brand, and it recently made a deal to sponsor the USA Gymnastics team through 2028.

Nike also sponsors tennis players Aryna Sabalenka of Belarus, ranked No. 1 in women's, top men's player Jannik Sinner of Italy and Carlos Alcaraz of Spain, rated second. This boosts the company's status at key tennis events like Wimbledon and the US Open. (07/21/25)

FIFA Club World Cup Kit Makers




**Regions At Fore**

Nike Sales May Fall on Economy, Markdowns; Wholesale, DTC Key

Nike's sales may drop by a low-single-digit percentage in fiscal 2026, based on consensus, as economic weakness and higher markdowns to clear excess inventory crimp sales. Growth is expected to turn positive in 2H. Innovative products can help, but improving wholesale and

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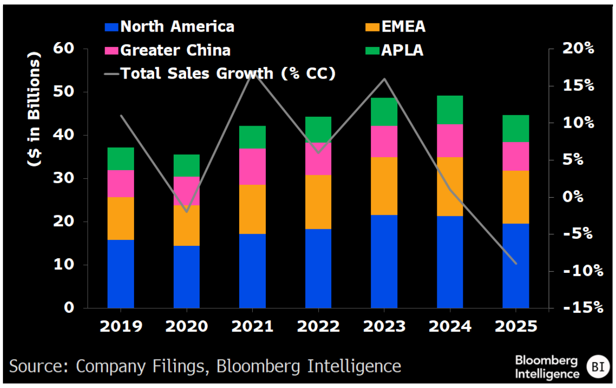
direct-to-consumer momentum remains key to long-term growth and maintaining the top spot in global sportswear. (07/23/25)

14. Sales May Stay Muted in Near Term

Nike revenue growth could drop by low-single digits in fiscal 2026, based on consensus, but is expected to turn positive in 2H as the company's reset progresses and inventories normalize. Tariffs remain a concern, though improving order books, with holiday orders up at wholesale, can help. Online revenue may keep falling as the channel mix is reshuffled toward more wholesale, and online offerings are reduced. Gross margin might be pressured amid lower full-priced selling in 1H, but could expand in 2H as initiatives pay off. Innovative product launches remain vital, and coupled with more features on its e-commerce platforms, may spur digital growth over time.

North America is 44% of Nike brand sales, followed by Europe, the Middle East and Africa (27%), Greater China (15%) and Asia-Pacific and Latin America (14%). (07/23/25)

Nike Sales by Region




15. North America Crucial for Further Gains

North America is an important region for Nike, at 44% of sales, and growth will be driven by innovation, speed to market and digital. Footwear may be supported by platform innovations and new products. In apparel, the opportunity is vast and fueled largely by women's, where the company is underrepresented relative to men's. In fiscal 4Q, North America currency-neutral sales fell 11%, stemming from a 25% drop in digital and 8% decrease in wholesale as stores rose 3%. For fiscal 2026, consensus sees a low-single-digit sales decline. Yet wholesale momentum could build longer term and turn positive in fiscal 2026 as the brand reconnects with its partners and improves assortment at these retailers after it gives discounts to liquidate inventory.

New York and Los Angeles are among Nike’s top 12 cities and key to growth. (07/23/25)

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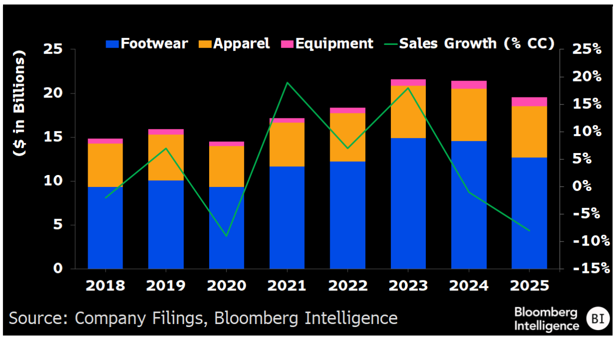
North American Annual Sales

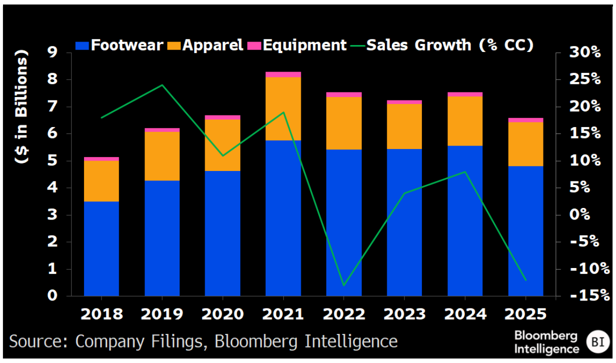



16. China Is Nike’s Biggest Opportunity Abroad

An expanding middle class, spending power and rising interest in sports are catalysts for Nike's long-term growth in China despite economic weakness and elevated markdowns in the region crimping near-term results. In fiscal 4Q, FX-neutral sales fell 20% as digital dropped 31%, stores were down 6% and and wholesale slid 24%. Returning brick-and-mortar and e-commerce traffic to gains is key to rebuilding momentum, and greater discounts in the region to clear excess inventory can help, with inventory already down 11% in the region in fiscal 2025. Consensus sees China FX-neutral fiscal 2026 sales down by high-single digits.

Investments in an innovation center in Shenzhen and digital and supply-chain capabilities with a new enterprise resource planning system, along with increasing local customization of style and fit, may help. (07/23/25)

Greater China Annual Sales Growth




17. EMEA Matters for Nike, With Five of 12 Key Cities

Nike's EMEA sales may fall by low-single digits in fiscal 2026, based on consensus, amid economic uncertainty and a weaker lifestyle business, but product innovation, strategic wholesale partnerships and Express Lane benefits can partly offset this. A focus on digital is key, as elevated member engagement and buying are needed for long-term gains. In fiscal 4Q, currency-neutral sales fell 10% on a 36% drop in digital and 4% decline in wholesale, while stores rose 5% as new and premium products in running and training and women's footwear helped drive the gain. Building momentum in its new sportswear franchises like the Shox and Vomero 5 can also help.

The region hosts five of Nike's 12 key cities -- Paris, Milan, London, Berlin and Barcelona -- and gains in these locations would be a key driver. (07/23/25)

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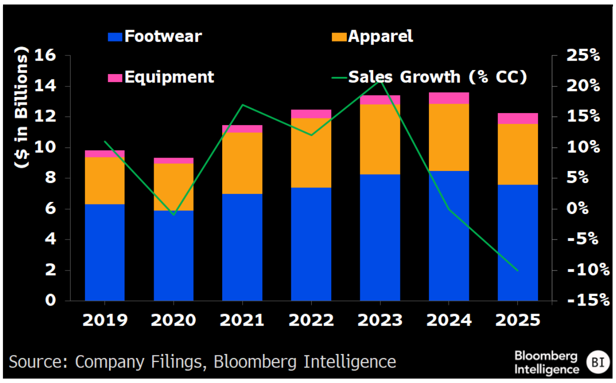
EMEA Annual Sales Growth

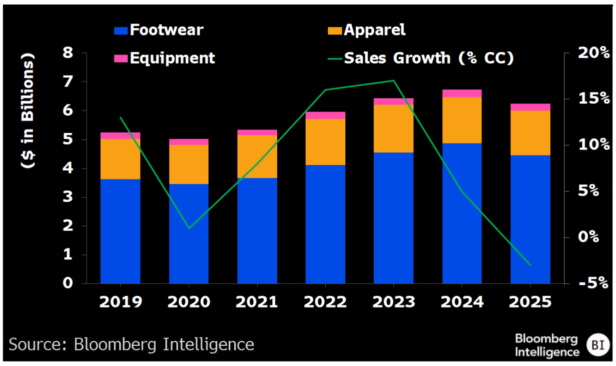



18. APLA Sales Crimped Amid Digital Weakness

Despite an emerging middle class, Nike's dominance in Asia-Pacific and Latin America (APLA) might not be enough to offset weaker online sales, which could cause currency-neutral revenue in the region to slip slightly in fiscal 2025. Those fell 3% in fiscal 4Q, with Nike Direct decreasing 1% and Nike Digital 6%. Stores revenue was up 4%, while wholesale declined 5% as weaker lifestyle-product sales crimped digital gains across the company. The performance segment in the region returned to growth in the quarter, bolstered by running and training demand. Flipkart and Myntra may continue to help drive brand momentum in India.

Soccer remains a key sport in APLA, and digital is also integral to success through owned and third-party channels like Flipkart and Zozotown. (07/23/25)

APLA Annual Sales Growth




**Rebalancing Wholesale**

Nike's Wholesale Refocus Underway; Direct-to-Consumer Still Key

Nike's bigger wholesale push leads us to believe its previous direct-to-consumer (DTC) penetration target of 60% of sales is unlikely as it emphasizes meeting customers where they are. Digital remains a focus, and e-commerce sales may rebound when unwanted inventory is cleared, driving higher full-price selling. Better wholesale partnerships with differentiated retailers are catalysts. (07/22/25)

19. Expanding Wholesale Can Drive Gains

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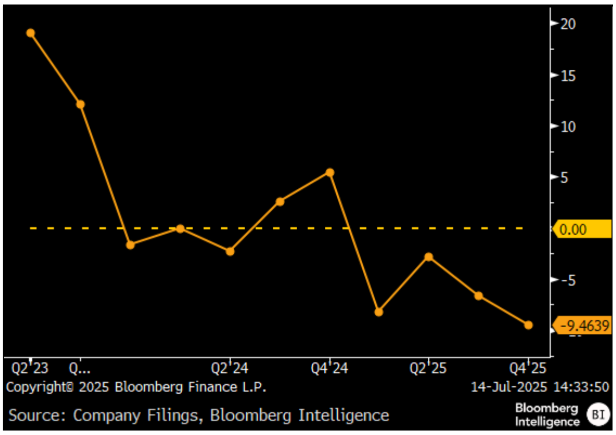
Nike is elevating and revamping its wholesale offerings to differentiate itself and improve assortments in a bid to win mind and wallet share. A greater focus on breadth of products by different business segments can help attract new shoppers and expand the reach of its new innovations. A multibrand basketball concept at Foot Locker, HomeCourt, may help spur Nike and Jordan basketball sales, while an elevated women's fitness concept at Dick's Sporting Goods could draw more female shoppers.

In fiscal 4Q, currency-neutral wholesale sales fell 9%, with inventory expected to be healthy by the end of 1H amid progress with its wholesale partners. In fiscal 2026, wholesale sales could return to growth and rise by low-single digits, based on consensus. (07/22/25)

Wholesale Revenue Year-Over-Year Growth

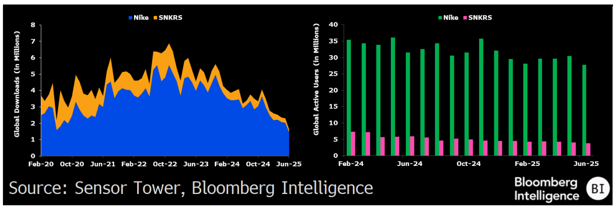



20. Reigniting Digital Strength Can Help

Nike's home-workout apps may aid loyalty, but its engagement with shoppers through its mobile retail apps is key to driving a higher share of spending and retention. Nike's membership tools create more personalized experiences for consumers on the app, though fiscal 4Q still had softer traffic, with digital sales down 26%. Returning its digital offering to a more premium platform after half of the channel has been promotional is key to longer-term gains. Nike's decision to resume selling on Amazon.com after a six-year absence reflects a strategic effort to recapture market share and broaden distribution efficiency.

The Nike app, along with the SNKRS app, which offers limited, exclusive sneaker styles that often sell out, have recently seen declines in app downloads and active users, based on Sensor Tower data. (07/22/25)

Monthly App Downloads, Active Users (iOS, Android)




21. Mono-Brand, Smaller Stores Aid Digital Growth

Nike's investment in smaller, digitally enabled mono-brand stores with integrated online-to-offline capabilities might spur e-commerce sales growth, though it's no longer focusing on reaching its prior direct and digital penetration targets. Its digitally enabled Live, Rise and Unite locations are

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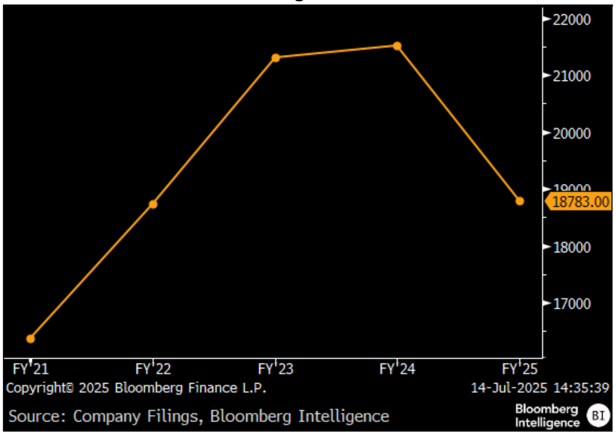
designed to create premium consumer experiences. The live concept drives inventories from consumer preferences, and digital demand in the surrounding area can help. In fiscal 4Q, Nike-owned store sales turned positive, rising 2%. Nike is continuing to test new retail concepts.

The Jordan World of Flight stores are basketball-focused premium retail concepts where consumers can create social media, test new products and pick up shoes purchased on the SNKRs app. (07/22/25)

Sales Through Nike Direct




**Women's Market Opportunity**

Nike Has Room to Expand Further in Women's Sports Shoes, Apparel

Nike, already the largest women's athletic brand, has a chance to gain an even bigger portion of the fragmented sportswear market with designs specifically for the segment, along with targeted sponsorships and marketing. The company continues to dominate in sports bras, and its new leggings and footwear offerings could help it capture share. (07/24/25)

22. Room to Build Share in Fragmented Market

Nike's long-term opportunity remains in women's apparel and footwear, and the category can improve after a 6% sales decline in fiscal 2025. Investment in product creation and events like the UEFA Women's Euro 2025 could help expand women's sportswear, with the category making up only 24% of 2025 sales. Women's global sportswear was a $146 billion opportunity in 2024 and 36% of total sportswear sales, based on Euromonitor data. Though Nike is the largest women's athletic brand globally, with about $8.6 billion in revenue, it holds just a 6% share since the category is fragmented.

The company could boost share in sports bras and plus sizes. Its Go, Zenvy and Universa leggings, sold for $100 and up, coupled with its Motiva and Free Metcon shoes, could help. (07/24/25)

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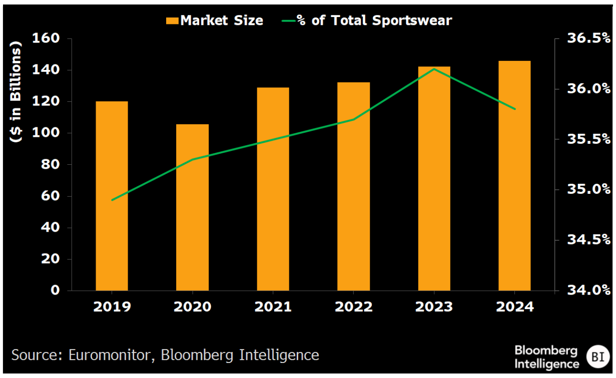
Global Women's Sportswear Market

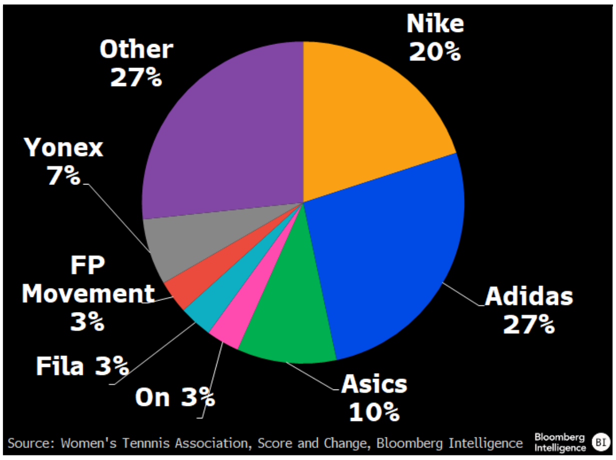



23. Leading Women Tennis Players on Board

Nike's push to secure leading female athletes could help accelerate visibility in women's sportswear globally, contributing to higher top-line growth. Nike wooed Naomi Osaka from Adidas in 2019 to extend its reach and awareness in women's tennis. She went on to win the 2020 US Open. Sponsoring six out of the top 30 women's tennis players -- all in the top 10, including No. 1 Aryna Sabalenka -- can drive cultural relevance and help gain credibility. Serena Williams and Maria Sharapova remain with the brand, endorsing its products and building awareness globally.

The US Open in August is another chance for Nike to remain top of mind after the other grand slam tennis tournaments this year. (07/24/25)

Tennis Clothing Sponsors of Top 30 Women




24. Adding Shoe Endorsements, Product Lines

Nike's momentum in women's wear can build as it expands endorsements and product support. In 2023 the company unveiled its Phantom Luna cleat, designed for women. Its Sabrina basketball shoe with player Sabrina Ionescu has spurred WNBA sales, and the Jordan brand's collaboration with Teyana Taylor, Nike's its new A'One shoe with A'Ja Wilson and a coming shoe with Caitlin Clark can drive gains. Nike could expand women's share in China through events like Sportchella and Nike Super Brand Week with TMall.

The launch of a women's basketball program, along with entering women-led stores like Urban Outfitters and Aritizia, can help extend reach, notably with younger shoppers. Its Go and Zenvy

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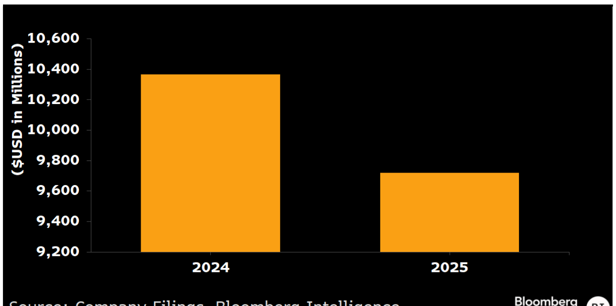
leggings, Motive and Free Metcon Shoes and Alate bras can spur sales as well. Women's basketball sales rose over 50% in fiscal 2025. (07/24/25)

Women's Revenue



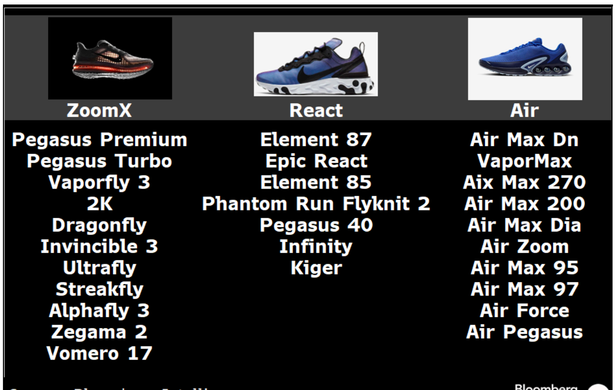

Source: Company Filings, Bloomberg Intelligence

25. Power Platforms Show Continued Strength

Nike's ability to expand power franchises across lifestyle and performance products, and into women-focused designs, is a sales and margin catalyst. Created initially for performance, Nike Air, React and ZoomX are among its largest power franchises, with the potential to push into other items. Early initiatives from the launch of the Pegasus Premium shoe and expansion of the Air line with Dynamic Air tech, which will be integrated into other Air styles, along with the Air Max Muse launch, have been received well. The Kobe line can keep drawing shoppers.

Nike's Spark Flyknit, with a comfortable dual-density foam midsole, resonates with the need for a lifestyle shoe that can be worn all day. Its Motiva walking shoe has strong sell-through and became a top-five performance style since its May 2023 launch. (07/24/25)

Select Nike Power Platforms




Source: Bloomberg Intelligence

**Sport Endorsements Key**

Nike's Endorsements, Sponsorships Poised to Build Market Share

Nike's bet on sponsorships and collaborations with top athletes and coaches could aid market share. Signing players like Giannis Antetokounmpo and Zion Williamson for the Jordan basketball brand, plus a German national team soccer-uniform contract, may boost sales. Building awareness can help drive revenue in less-penetrated markets and categories. (07/25/25)

26. Doncic, Williamson Can Help Boost Jordan Sales

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Endorsements of the Jordan brand by Luka Doncic, Jayson Tatum and Zion Williamson, among others, can boost sales and reinforce Nike's loyalty and reputation in basketball. Tatum's shoe launched in 4Q23 and is Jordan's lightest for the sport. Jordan in 4Q21 introduced Williamson's signature model, the Zion 1, which is in its fourth iteration. Shai Gilgeous-Alexander's new signature Converse shoe is another opportunity. Sabrina Ionescu's Sabrina 1 has taken share in the entire US men's and women's basketball market, and the Sabrina 3 is coming soon. A'Ja Wilson's A'One shoe and the signing of Caitlin Clark might also help.

A lifetime contract with LeBron James, Antetokounmpo's endorsement and the fiscal 2024 launch of the Kobe brand also support Nike's basketball lead. (07/25/25)

Select NBA Players Promoting Nike

| Athlete | Team | Signature Shoe |
|---|---|---|
| LeBron James | LA Lakers | LeBron XXII |
| Kevin Durant | Houston Rockets | KD18 |
| Giannis Antetokounmpo | Milwaukee Bucks | Giannis Freak 6, Giannis Immortality 4 |
| Paul George | Philadelphia 76ers | PG 6 |
| Russell Westbrook | Denver Nuggets | Jordan One Take 5 |
| Zion Williamson | New Orleans Pelicans | Zion 4 |
| Luka Doncic | LA Lakers | Luka 4 |
| Jayson Tatum | Boston Celtics | Tatum 3 |
| Shai Gilgeous-Alexander | Oklahoma City Thunder | SHAI 001 |
| Ja Morant | Memphis Grizzlies | Ja 2 |
| Devin Booker | Phoenix Suns | Book 1 |

Source: Bloomberg Intelligence

## 27. Teaming With Top Athletes Around World

Nike's use of top athletes to promote running, tennis, soccer and football gear supports market-share gains. The company is building its brand in soccer through a lifetime contract with Cristiano Ronaldo and endorsements by Kylian Mbappe and Marcus Rashford. It backed nine of the 24 teams in the UEFA Euro 2024, four of the 16 in the 2024 Copa America, six in the Women's UEFA Euro 2025 and six in the FIFA Club World Cup 2025. Nike had a strong presence at the 2024 Paris Olympics across an array of sports as the official outfitter for the US Olympic and Paralympic teams.

This year is off to a strong start, with golfer Rory McIlroy winning the Masters and Jannik Sinner winning Wimbledon in tennis. Tiger Woods' departure may signal a de-emphasis on golf. (07/25/25)

Select Endorsements

| Tennis | Basketball | Soccer | Football | Running | Golf |
|---|---|---|---|---|---|
| Serena Williams | LeBron James | Cristiano Ronaldo | Russell Wilson | Eliud Kipchoge | Brooks Koepka |
| Naomi Osaka | Kevin Durant | Megan Rapinoe | Dak Prescott | Sha'Carri Richardson | Michelle Wie |
| Aryna Sabalenka | Giannis Antetokounmpo | Kylian Mbappe | Saquon Barkley | Christian Coleman | Rory McIlroy |
| Carlos Alcarez | Paul George | Aitana Bonmatí | Baker Mayfield | Faith Kipyegon | Nelly Korda |
| Jannik Sinner | Russell Westbrook | Jamal Musiala | Josh Allen | | Scottie Scheffler |
| | Zion Williamson | Marcus Rashford | | | |
| | Luka Doncic | Rodri Hernandez | | | |
| | Jayson Tatum | Erling Haaland | | | |
| | Shai Gilgeous-Alexander | | | | |
| | Ja Morant | | | | |
| | Devin Booker | | | | |
| | Victor Wembanyama | | | | |
| | Sabrina Ionescu | | | | |
| | A'ja Wilson | | | | |
| | Caitlin Clark | | | | |

Source: Bloomberg Intelligence

## 28. Endorsers Help Win US, Overseas Uniform Deals

Nike's visibility through endorsements is key to sealing contracts in the US and elsewhere, amplifying the brand's reputation and increasing sales. Nike won a 10-year pact in 2019 for all Major League Baseball team uniforms and extended its deal with the National Football League by another eight years to 2028. It won the National Basketball Association uniform contract in 2017, which recently was extended until 2037. The company sponsored Team USA's attire for the 2024 Summer Olympics.

Nike replaced Adidas for the German national team's kit for 2027, garnering royalties through athletes in the company's endorsement stable. Nike has renewed its deal as Paris Saint-

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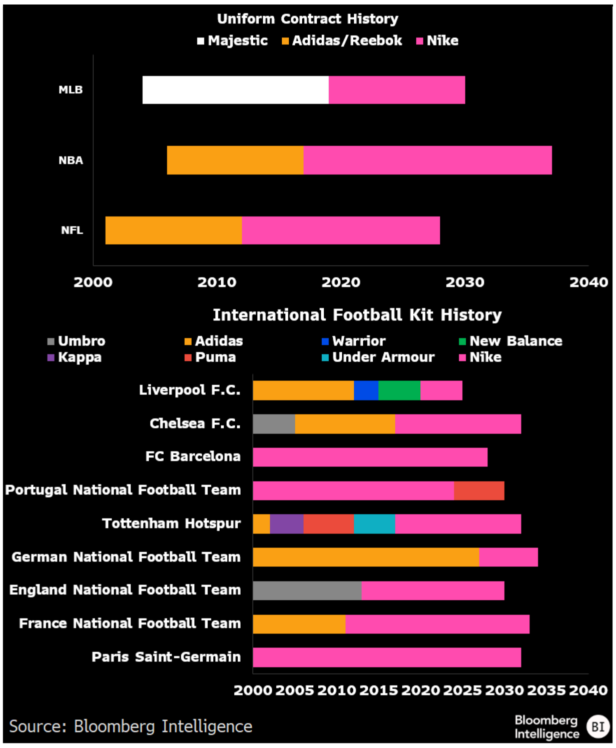
Germain's uniform provider until 2032. We'll monitor the company's soccer endorsements after it lost Portugal and Liverpool this year. (07/25/25)

US, International Uniform Contract History




## Chart Book

### Company

Nike Near Term Weakness Likely Ahead of Fiscal 2026 Turnaround

Nike's sales and margin may continue to struggle in the near term as it works to clear aged and excess inventory, but sales could return to gains in fiscal 2026 as its efforts begin to pay off. North America will remain the company's largest segment, though sales there may fall by low-double digits in fiscal 2025, outpacing expected declines in the Greater China and the Asia Pacific Latin America units. Greater breadth of products at its wholesale partners may boost sales in that segment, which comprises more than half of revenue. Markdowns will likely crimp margin until fiscal 2026 while the brand finishes clearing elevated inventory and drives higher full-price selling.

To access the latest available data or chart, please click on the links below the images. (01/17/25)

29. Footwear Generates Over Two-Thirds of Nike Brand Sales

(01/17/25)

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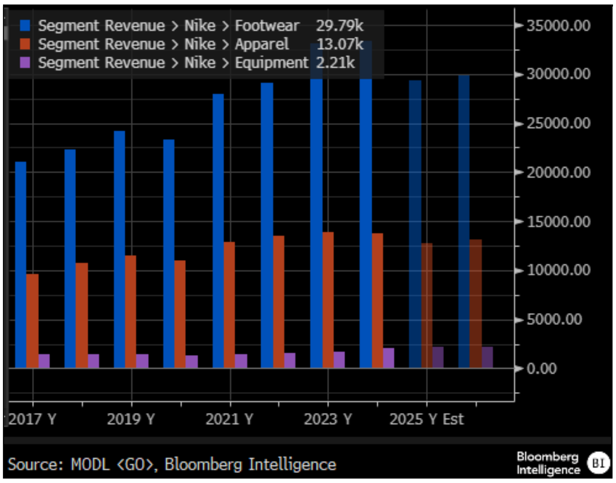
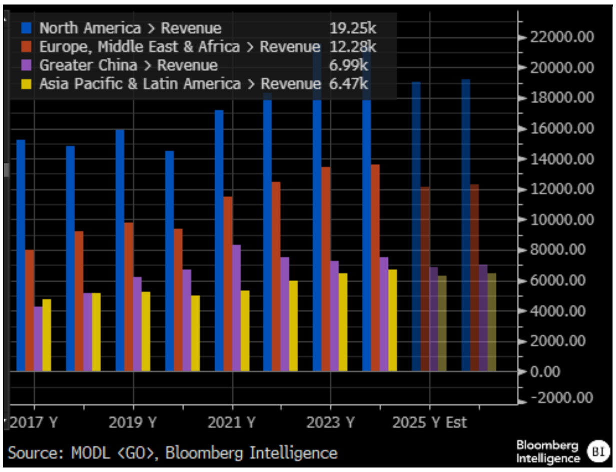
Segment Revenue Breakdown ($ Million)




## 30. North America to Remain Nike's Biggest Region

(01/17/25)

Segment Revenue Breakdown ($ Million)




## 31. Wholesale Remains More Than Half of Sales

(01/17/25)

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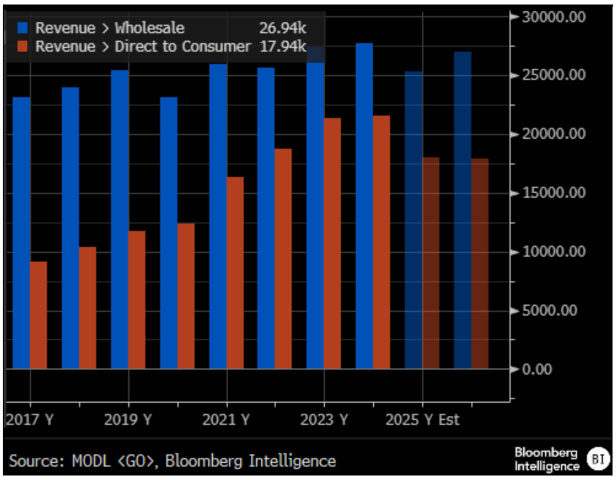
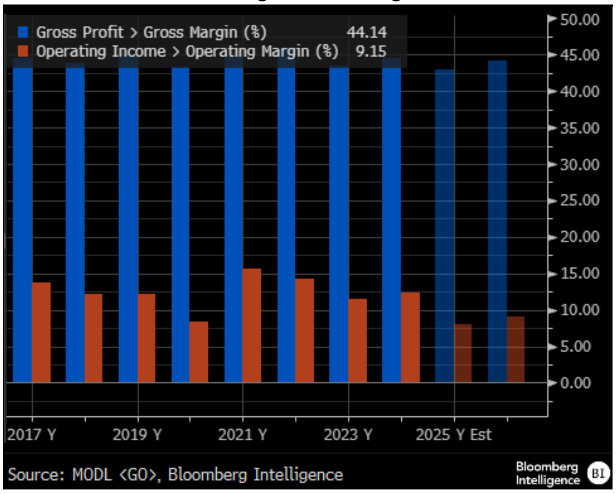
Segment Revenue Breakdown ($ Million)




32. Margins to Fall on Discounts, Channel Shifts

(01/17/25)

Gross Margin, Ebit Margin (%)




33. Higher Markdowns Can Help Curb Inventory

(01/17/25)

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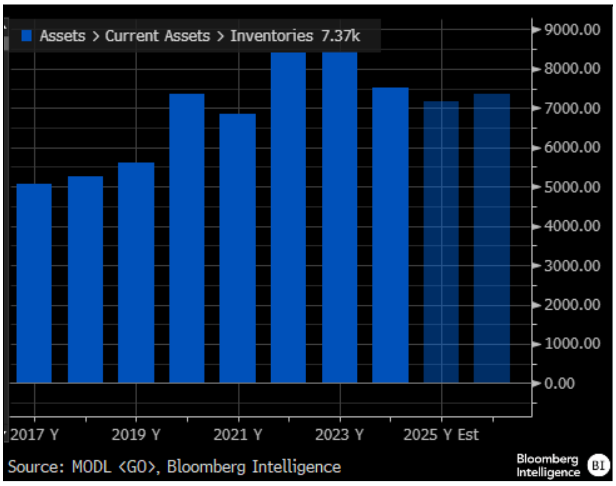
Nike Inventory




**Peers**

Nike Retains Largest Share Despite Growth Metrics Trailing Peers

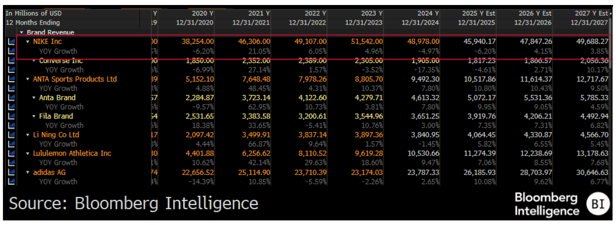
Nike's sales growth may trail peers in the near term as it uses markdowns to clear excess inventory, potentially crimping gross margin. The decline in the latter may be partly offset by lower product, warehousing and logistical costs. This could help position the company for a turnaround in fiscal 2026, aided by higher full-price selling and new products. Though Nike's global sportswear market share remains higher than rivals, with Euromonitor pegging it at 15.7%, its refocus on wholesale channels could be a boon, along with its key roster of well-known athletes.

To access the latest available data or chart, please click on the links below the images. (01/21/25)

34. Sales Growth Lags Athleisure Peers Amid Nike Weakness

(01/21/25)

Athleisure Sales Growth



| In Millions of USD<br>12 Months Ending | Y<br>19 | 2020 Y<br>12/31/2020 | 2021 Y<br>12/31/2021 | 2022 Y<br>12/31/2022 | 2023 Y<br>12/31/2023 | 2024 Y<br>12/31/2024 | 2025 Y Est<br>12/31/2025 | 2026 Y Est<br>12/31/2026 | 2027 Y Est<br>12/31/2027 |
|---|---|---|---|---|---|---|---|---|---|
| Brand Revenue | | | | | | | | | |
| NIKE Inc | 00 | 38,254.00 | 46,306.00 | 49,107.00 | 51,542.00 | 48,978.00 | 45,940.17 | 47,847.26 | 49,688.27 |
| YOY Growth | 5% | -6.20% | 21.05% | 6.05% | 4.96% | -4.97% | -6.20% | 4.15% | 3.85% |
| Converse Inc | 00 | 1,850.00 | 2,352.00 | 2,389.00 | 2,305.00 | 1,905.00 | 1,817.23 | 1,866.57 | 2,056.36 |
| YOY Growth | 5% | -6.99% | 27.14% | 1.57% | -3.52% | -17.35% | -4.61% | 2.71% | 10.17% |
| ANTA Sports Products Ltd | 39 | 5,152.10 | 7,648.48 | 7,978.26 | 8,805.70 | 9,492.30 | 10,517.86 | 11,614.37 | 12,717.67 |
| YOY Growth | 3% | 4.88% | 48.45% | 4.31% | 10.37% | 7.80% | 10.80% | 10.43% | 9.50% |
| Anta Brand | 57 | 2,284.87 | 3,723.14 | 4,122.60 | 4,279.71 | 4,613.32 | 5,072.17 | 5,531.36 | 5,785.33 |
| YOY Growth | 5% | -9.57% | 62.95% | 10.73% | 3.81% | 7.80% | 9.95% | 9.05% | 4.59% |
| Fila Brand | 54 | 2,531.65 | 3,383.58 | 3,200.61 | 3,544.96 | 3,651.25 | 3,919.76 | 4,206.21 | 4,492.94 |
| YOY Growth | 5% | 18.38% | 33.65% | -5.41% | 10.76% | 3.00% | 7.35% | 7.31% | 6.82% |
| Li Ning Co Ltd | 17 | 2,097.42 | 3,499.91 | 3,837.14 | 3,897.36 | 3,840.95 | 4,064.45 | 4,330.87 | 4,566.70 |
| YOY Growth | 3% | 4.44% | 66.87% | 9.64% | 1.57% | -1.45% | 5.82% | 6.55% | 5.45% |
| Lululemon Athletica Inc | 30 | 4,401.88 | 6,256.62 | 8,110.52 | 9,619.28 | 10,530.66 | 11,274.39 | 12,238.69 | 13,178.63 |
| YOY Growth | 1% | 10.62% | 42.14% | 29.63% | 18.60% | 9.47% | 7.06% | 8.55% | 7.68% |
| adidas AG | 74 | 22,656.52 | 25,114.90 | 23,710.39 | 23,174.03 | 23,787.33 | 26,185.93 | 28,703.97 | 30,646.63 |
| YOY Growth | 4% | -14.39% | 10.85% | -5.59% | -2.26% | 2.65% | 10.08% | 9.62% | 6.77% |

Source: Bloomberg Intelligence

35. Gross Margin Trails; Higher Full-Price Selling May Help

(01/21/25)

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Athleisure Peers Gross Margin (%)

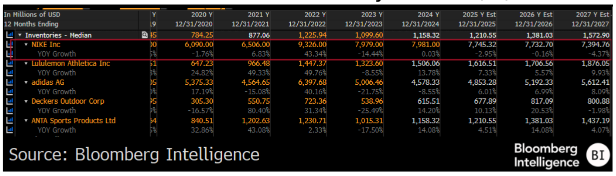
| In Millions of USD<br>12 Months Ending | 2020 Y<br>12/31/2020 | 2021 Y<br>12/31/2021 | 2022 Y<br>12/31/2022 | 2023 Y<br>12/31/2023 | 2024 Y<br>12/31/2024 | 2025 Y Est<br>12/31/2025 | 2026 Y Est<br>12/31/2026 | 2027 Y Est<br>12/31/2027 |
|---|---|---|---|---|---|---|---|---|
| Gross Margin % - Median | 48.90 | 51.15 | 47.25 | 48.38 | 50.23 | 50.63 | 50.91 | 51.47 |
| NIKE Inc | 43.10 | 45.90 | 42.90 | 44.60 | 43.60 | 44.05 | 44.88 | 45.21 |
| YOY Growth | -2.05% | 6.50% | -6.54% | 3.96% | -2.24% | 1.04% | 1.89% | 0.73% |
| Lululemon Athletica Inc | 56.00 | 57.70 | 56.20 | 58.60 | 58.91 | 58.80 | 58.87 | 59.06 |
| YOY Growth | 0.18% | 3.04% | -2.60% | 4.27% | 0.53% | -0.19% | 0.13% | 0.31% |
| adidas AG | 49.66 | 50.70 | 47.30 | 47.50 | 50.40 | 50.95 | 51.51 | 52.05 |
| YOY Growth | -4.50% | 2.08% | -6.70% | 0.42% | 6.11% | 1.09% | 1.09% | 1.05% |
| Deckers Outdoor Corp | 56.96 | 52.30 | 53.00 | 58.70 | 56.45 | 57.05 | 56.42 | 56.84 |
| YOY Growth | 5.33% | -8.18% | 1.34% | 10.75% | -3.83% | 1.05% | -1.10% | 0.75% |
| ANTA Sports Products Ltd | 58.15 | 61.64 | 60.20 | 62.60 | 62.99 | 63.23 | 63.52 | 65.50 |
| YOY Growth | 5.74% | 5.99% | -2.33% | 3.99% | 0.62% | 0.39% | 0.46% | 3.13% |
| Show All Peers | | | | | | | | |

Source: Bloomberg Intelligence

36. Inventories Drop More Than Peers as It Clears Excess

(01/21/25)

Athleisure Peers Inventory Growth (%)



| In Millions of USD<br>12 Months Ending | 2020 Y<br>12/31/2020 | 2021 Y<br>12/31/2021 | 2022 Y<br>12/31/2022 | 2023 Y<br>12/31/2023 | 2024 Y<br>12/31/2024 | 2025 Y Est<br>12/31/2025 | 2026 Y Est<br>12/31/2026 | 2027 Y Est<br>12/31/2027 |
|---|---|---|---|---|---|---|---|---|
| Inventories - Median | 784.25 | 877.06 | 1,225.94 | 1,099.60 | 1,158.32 | 1,210.55 | 1,381.03 | 1,572.90 |
| NIKE Inc | 6,090.00 | 6,506.00 | 9,326.00 | 7,979.00 | 7,981.00 | 7,745.32 | 7,732.70 | 7,394.76 |
| YOY Growth | -1.76% | 6.83% | 43.34% | -14.44% | 0.03% | -2.95% | -0.16% | -4.37% |
| Lululemon Athletica Inc | 647.23 | 966.48 | 1,447.37 | 1,323.60 | 1,506.06 | 1,616.51 | 1,706.56 | 1,876.05 |
| YOY Growth | 24.82% | 49.33% | 49.76% | -8.55% | 13.78% | 7.33% | 5.57% | 9.93% |
| adidas AG | 5,375.33 | 4,564.65 | 6,397.68 | 5,006.46 | 4,578.33 | 4,853.28 | 5,192.33 | 5,612.41 |
| YOY Growth | 17.19% | -15.08% | 40.16% | -21.75% | -8.55% | 6.01% | 6.99% | 8.09% |
| Deckers Outdoor Corp | 305.30 | 550.75 | 723.36 | 538.96 | 615.51 | 677.89 | 817.09 | 800.88 |
| YOY Growth | -16.57% | 80.40% | 31.34% | -25.49% | 14.20% | 10.13% | 20.53% | -1.98% |
| ANTA Sports Products Ltd | 840.51 | 1,202.63 | 1,230.71 | 1,015.31 | 1,158.32 | 1,210.55 | 1,381.03 | 1,437.19 |
| YOY Growth | 32.86% | 43.08% | 2.33% | -17.50% | 14.08% | 4.51% | 14.08% | 4.07% |

Source: Bloomberg Intelligence

## Industry Themes

### The Tariff Threat

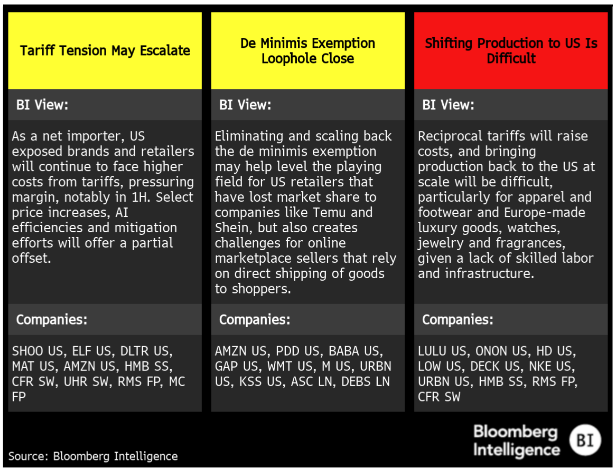
Rising Tariffs May Raise Retail Costs in 2H, Prices for Shoppers

Retailers might hike prices to offset tariffs and protect profits, with E.L.F., Primark and Coty particularly exposed. Those with diverse sourcing face less risk. Ending China's de minimis exemption is raising prices at Temu, AliExpress and Shein. Luxury brands can more easily pass along costs, while Amazon.com's cloud and ad segments offer flexibility. (08/01/25)

37. Three Keys for Tariff Effects on Retail

(08/01/25)

Key Drivers



| Tariff Tension May Escalate | De Minimis Exemption Loophole Close | Shifting Production to US Is Difficult |
|---|---|---|
| **BI View:** | **BI View:** | **BI View:** |
| As a net importer, US exposed brands and retailers will continue to face higher costs from tariffs, pressuring margin, notably in 1H. Select price increases, AI efficiencies and mitigation efforts will offer a partial offset. | Eliminating and scaling back the de minimis exemption may help level the playing field for US retailers that have lost market share to companies like Temu and Shein, but also creates challenges for online marketplace sellers that rely on direct shipping of goods to shoppers. | Reciprocal tariffs will raise costs, and bringing production back to the US at scale will be difficult, particularly for apparel and footwear and Europe-made luxury goods, watches, jewelry and fragrances, given a lack of skilled labor and infrastructure. |
| **Companies:** | **Companies:** | **Companies:** |
| SHOO US, ELF US, DLTR US, MAT US, AMZN US, HMB SS, CFR SW, UHR SW, RMS FP, MC FP | AMZN US, PDD US, BABA US, GAP US, WMT US, M US, URBN US, KSS US, ASC LN, DEBS LN | LULU US, ONON US, HD US, LOW US, DECK US, NKE US, URBN US, HMB SS, RMS FP, CFR SW |

Source: Bloomberg Intelligence

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## 38. Rising Tariffs Are Headwinds; 2H Will Have Higher Prices

A 30% tariff on Chinese goods during the 90-day pause remains well below the 145% imposed prior, offering some relief, but still adds costs for retailers, curbing margins. As tariffs in other countries rise beyond the 10% implemented during the pause, challenges in 2H will intensify, potentially triggering additional sourcing changes once new levies are finalized. Vertically integrated retailers are more at risk due to their inability to share product costs, while online marketplaces are less affected given lack of inventory ownership, Scale also helps protect the larger brands, which have greater buying power. (08/01/25)

% of US Apparel, Footwear Imports (2024)

| | % of US Imports | | | % of US Imports | |
|---|---|---|---|---|---|
| | Apparel | Footwear | | Apparel | Footwear |
| China | 24% | 33% | Peru | 1% | 0% |
| European Union | 5% | 11% | Nicaragua | 2% | 0% |
| Vietnam | 15% | 34% | Norway | 0% | 0% |
| Taiwan | 1% | 0% | Costa Rica | 0% | 0% |
| Japan | 0% | 0% | Jordan | 2% | 0% |
| India | 9% | 2% | Dominican Republic | 1% | 0% |
| South Korea | 1% | 0% | United Arab Emirates | 0% | 0% |
| Thailand | 1% | 0% | New Zealand | 0% | 0% |
| Switzerland | 0% | 0% | Argentina | 0% | 0% |
| Indonesia | 4% | 10% | Ecuador | 0% | 0% |
| Malaysia | 0% | 0% | Guatemala | 1% | 0% |
| Cambodia | 4% | 3% | Honduras | 2% | 0% |
| United Kingdom | 0% | 0% | Madagascar | 0% | 0% |
| South Korea | 0% | 0% | Myanmar (Burma) | 0% | 0% |
| Brazil | 0% | 1% | Tunisia | 0% | 0% |
| Bangladesh | 7% | 1% | Kazakhstan | 0% | 0% |
| Singapore | 0% | 0% | Serbia | 0% | 0% |
| Israel | 0% | 0% | Egypt | 1% | 0% |
| Philippines | 1% | 0% | Saudi Arabia | 0% | 0% |
| Chile | 0% | 0% | El Salvador | 1% | 0% |
| Australia | 0% | 0% | Côte d'Ivoire | 0% | 0% |
| Pakistan | 4% | 0% | Laos | 0% | 0% |
| Turkey | 2% | 0% | Botswana | 0% | 0% |
| Sri Lanka | 2% | 0% | Trinidad and Tobago | 0% | 0% |
| Colombia | 0% | 0% | Morocco | 0% | 0% |

Source: OTEXA, Bloomberg Intelligence

Bloomberg Intelligence BI

## 39. Athleisure Brands Can't Outrun Higher Tariffs; Costs to Rise

Contributing Analysts Abigail Gilmartin (Retail)

Footwear and Athleisure companies' greater production exposure to South Asian countries, particularly Vietnam, put their margins at risk given the addition of tariffs higher than the 10% pause rate. Though companies may be able to mitigate some of the risk via price increases and supplier negotiations, higher costs appear unavoidable and will likely still be a drag to margins. Nike sources about 50% of its footwear from Vietnam and On over 90%. Steve Madden, HeyDude and Skechers, which source more than 40% from China, face greater risks, though they're likely able to quickly adjust their supply chains.

Ending the de minimis exemption for China levels the playing field by targeting low-cost Chinese sellers like Temu and Shein, which might have to raise prices. Bulk shipping via PDD and Alibaba could offset some costs. (08/01/25)

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Sourcing, US Sales Exposure

| | | | | | | | | 2024 Sales Exposure to: | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | China | Vietnam | Cambodia | Bangladesh | Indonesia | Germany | Other | Americas | North America | US |
| Sourcing Exposure | | | | | | | | | | |
| Nike | | | | | | | | | 43% | |
| Footwear | 18% | 50% | | | 27% | | 5% | | 28% | |
| Apparel | 16% | 28% | 15% | | | | 41% | | 12% | |
| Adidas | | | | | | | | | 22% | |
| Footwear | 14% | 39% | | | 32% | | 15% | | | |
| Apparel | 16% | 18% | 23% | | | | 43% | | | |
| Accessories | 23% | | | | | | 77% | | | |
| Puma | 30% | 26% | 13% | 12% | 5% | | 14% | | 24% | |
| On | | | | | | | | 64% | | |
| Footwear | | 91% | | | 9% | | 0% | | | |
| Apparel/Accessories | 7% | 61% | | | | | 32% | | | |
| Birkenstock | | | | | | 95% | 5% | 52% | | |
| Crocs | | | | | | | | | | |
| Crocs | 10% | 51% | | | | | 39% | | 56% | |
| HeyDude | 58% | | | | | | 42% | | | |
| Steve Madden | 58% | | | | | | | | | 81% |
| Skechers | 40% | 40% | | | | | 20% | | | 38% |
| Allbirds Footwear | | 100% | | | | | 0% | | 76% | |
| Wolverine Worldwide | 22% | 53% | 10% | 8% | 8% | | 0% | | | 54% |
| Lululemon | | 40% | 17% | 7% | 11% | | 25% | | 61% | |
| Columbia | | | | | | | | | | 61% |
| Footwear | 20% | 75% | | | | | 5% | | | |
| Apparel | | 40% | | 20% | 15% | | 25% | | | |
| Deckers | Low | Majority | | | Some | | | | | 67% |
| VF Corp | | | | | | | | 52% | | |

Note: Deckers does not disclose specific sourcing but noted it has moved most of its footwear sorucing from China to Vietnam and is starting to diversify into Indonesia; Skechers stats from 2Q24 EC, Steve Madden from 4Q24 EC;Puma & Wolverine stats from 2023

Source: Company Filings, Bloomberg Intelligence

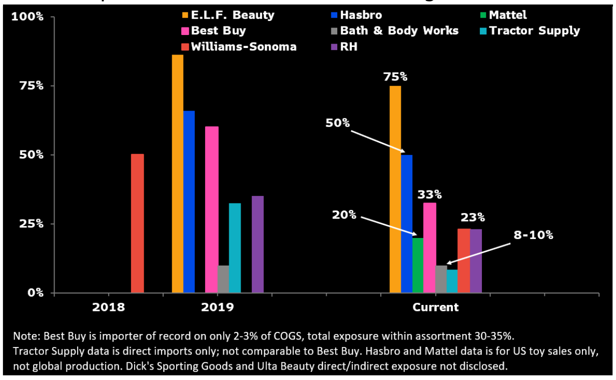
40. E.L.F., Hardlines Face Margin Pressure, Even With Price Hikes

Contributing Analysts Lindsay Dutch (REITs, Consumer Hardlines)

E.L.F. Beauty is the most vulnerable to tariffs on Chinese imports in our coverage, with 75% of its supply chain tied to the country and limited options to quickly diversify or share costs with retailers. Toymakers Hasbro and Mattel, which continue to cut exposure to China, are better-positioned but will also face margin pressure in 2H through 2026. That's even with higher prices and shifts in production or sourcing. Exposure to other countries is mostly lower across our coverage.

Retailers like Best Buy have less direct control than manufacturers over inventory sourced from China or other countries. Still, tariffs and resulting price hikes will be a headwind for profit this year, even as exposure to China has dropped to 30-35% from near 60% at the start of the year. Bath & Body Works' domestic platform faces the least risk. (07/31/25)

Exposure to China (Manufacturing or COGS)




Source: Company Filings, Bloomberg Intelligence

41. Home Depot, Lowe's Well Positioned to Navigate Tariffs

Contributing Analysts Drew Reading (Homebuilders)

Home Depot and Lowe's size and sourcing diversification in the past several years have them positioned to navigate tariff uncertainty. Home Depot sources a majority of its products from the US and no single country will account for more than 10% of purchases in the next year. Lowe's gets 60% of products from the US, with China accounting for roughly 20% of purchasing volume. Both retailers will keep diversifying, while taking a portfolio approach to pricing.

Floor & Decor has also diversified away from China, with 18% of products sold coming from the country vs. 50% in 2018. It plans to reduce this to mid- to low single digits by year-end. Still,

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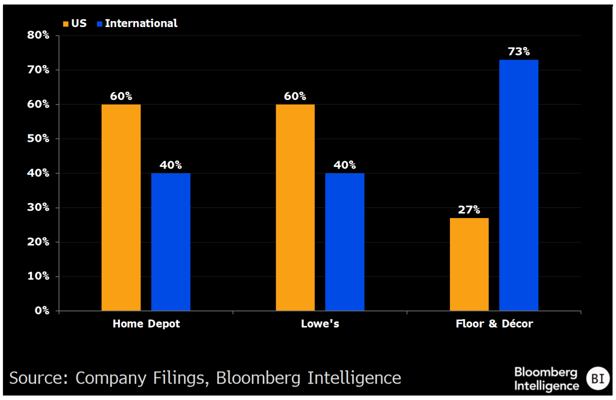
73% of the retailers products are from outside the US, creating greater risk to profit. Management believes it can mitigate most of the effect. (07/31/25)

Where are Products Sourced?



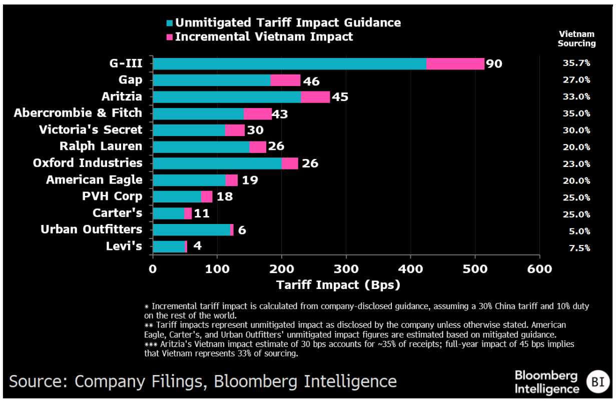

42. What a 20% Vietnam Tariff Means for Margins

Contributing Analysts Mary Ross Gilbert (Retail)

G-III, Gap, Abercrombie & Fitch and Victoria's Secret are most exposed to US tariffs on goods made in Vietnam, with a margin impact of up to 90 bps, based on our calculations, if levies are finalized at 20% from 10%. These retailers source 27-36% of their US receipts from Vietnam, the top such hub for most apparel retailers since a shift away from China when duties were implemented in 2019. Gap indicated it plans to reduce its Vietnam sourcing to no more than 25% by year-end. Aritzia said a 20% tariff would pare margins by 30 bps for the rest of 2025 (about 45 bps annualized, based on our analysis).

DKNY and Karl Lagerfeld parent G-III, which sources 36% from Vietnam, faces an additional hit of 90 bps. Ralph Lauren, sourcing 20% of its US business (43% of total sales) from Vietnam, could see a 26-bp squeeze. (07/31/25)

Tariff Margin Hit Calculator -- Vietnam Up to 20%




43. Tariffs to Hit Swiss-Made Most in Top-Luxury Ranks

Contributing Analysts Deborah Aitken (Consumer Products) & Andrea Ferdinando Leggieri (Consumer Products)

Robust gross margins of the highest luxury brands Hermes, Prada and Brunello Cucinelli mean they're among the best-placed to pass on US tariffs to consumers via price hikes. Our analysis suggests additional mid-single-digit US price hikes may be sufficient to offset the levies. In contrast, the likes of Burberry, Ferragamo, Hugo Boss, Pandora and Zegna are leaning on cost

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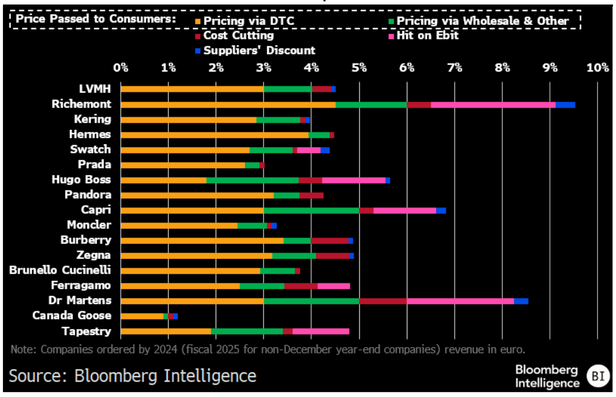
cuts as a partial offset. A few peers, including Swiss watchmakers Richemont, Rolex and Swatch, face steeper tariffs and may rely on suppliers and wholesalers for support, though only top-end brand ranges look able to pull off double-digit US price hikes.

Ebit of aspirational brands (Capri, Dr. Martens, Hugo Boss and Pandora) exposed to higher made-in-Asia tariffs could be hit on limited pricing scope and may lower inventory until store traffic picks up. (08/07/25)

BI Scenario: Price-Hike Split to Offset US Tariffs




## 44. Tariffs May Force 10-15% Lift in US Fashion Retail Prices

Contributing Analysts Tatiana Lisitsina (Retail) & Charles Allen (Retail)

Thin margins limit mass-market apparel retailers from offsetting US tariffs, making price hikes of 10-15% likely, based on our analysis of supply-chain exposure. Inditex, with its midrange pricing, supply-chain flexibility and low China exposure, appears best placed to raise prices yet needs it the least vs. value retailers H&M, Primark, Asos and Boohoo, which are constrained by the need to keep prices low. H&M began shifting sourcing in late 2024 to cut its China exposure, yet is holding denim and basics prices to stay competitive. JD Sports is uncertain about brand partners' mitigation plans, but price hikes appear likely.

Asos and Boohoo, fully exposed after closing US warehouses and losing de minimis benefits, face the tightest margins and few options beyond price hikes. (08/07/25)

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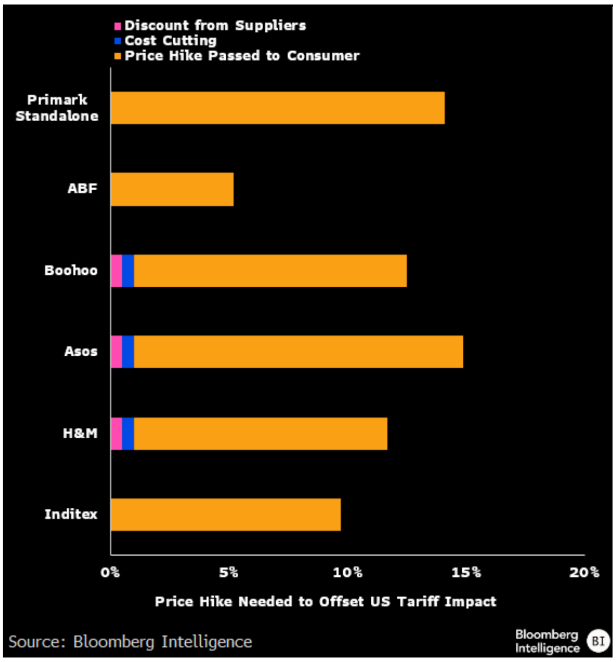
Price Hike to Offset Tariff Impact on US Revenue



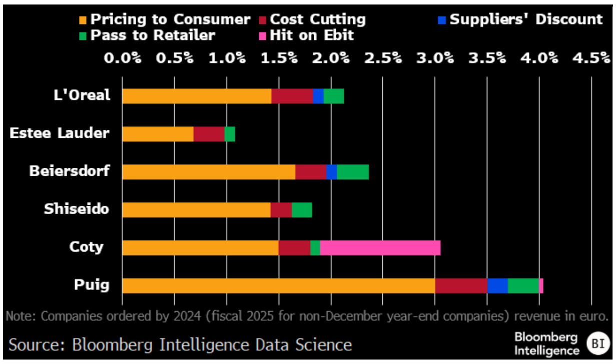

45. L'Oreal, Estee US Output Softens Tariff Hit; Puig Has Headroom

Contributing Analysts Deborah Aitken (Consumer Products) & Andrea Ferdinando Leggieri (Consumer Products)

Beauty companies may need to raise prices globally by a low single-digit percentage, plus an additional 1-4% in the US, to offset tariffs -- helped by production located near demand. Estee Lauder and L'Oreal require smaller increases due to this alignment, 70%-plus gross margins and low-cost-of-goods models. Puig faces a larger mismatch, with a greater mix of high-end fragrances imported from Europe, but has greater pricing power than most categories. Coty could struggle to rely solely on pricing, given weaker US mass-market demand. Cost-cutting could help, but Ebit growth might be pressured.

Premium brands with market-share leadership have bargaining power to pass on some tariff costs to suppliers and retailers, if required. (08/08/25)

BI Scenario: Price Hike Split to Offset US Tariffs




## Credit Primer

### Credit Primer

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## 46. Nike: Credit Outlook

Contributing Analysts Mike Campellone (Credit) & Tatiana Bellometti (Credit)

THESIS: Spreads for Nike's $8 billion of index-eligible bonds across the curve are wide of equally rated retailers, a trend that doesn't properly reflect the company's superior credit metrics, scale and liquidity. Despite tariff-related and execution-risk headwinds in fiscal 2026, which we view as temporary, Nike's solid credit profile and low leverage relative to retail peers provide a foundation for its credit ratings (A1/A+), attributes that are unlikely to reverse over the near- to medium-term. (07/22/25)

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