

Nike to report Q2 earnings amid weak DTC trends, mixed sentiment

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Nike Inc (NYSE:NKE, XETRA:NKE) will report its fiscal second quarter results on December 18, with UBS analysts expecting a relatively muted reaction from Wall Street despite signs of uneven momentum across the athletic footwear and apparel brand's key markets.

The firm repeated its 'Neutral' rating and a \$71 price target, writing that they "don't expect Nike's print to change Street estimates or the stock's price-to-earnings ratio (P/E) much."

Wall Street consensus estimates call for Q2 revenue to decline 1.7% to \$12.15 billion, while earnings per share are expected to fall from \$0.78 to \$0.37.

UBS believes investor expectations heading into the report appear to center on three elements: Q2 results showing low-single-digit revenue decline, Q3 guidance showing continued softness, and management offering directional commentary that points toward sequential improvement by the fourth quarter.

A central issue for investors is whether the company can deliver sequential improvement in sales growth through fiscal 2026, the analysts noted, but their latest checks point to a slower and less linear recovery, the firm believes.

According to UBS, global sales momentum through November was "lackluster," with decelerating direct-to-consumer trends in North America and Europe. The analysts wrote that this suggests "Nike's sales growth recovery may be taking longer than previously thought and is playing out in a non-linear way."

Looking ahead, UBS expects Nike's Q3 guidance to reflect continued softness, projecting sales down low single digits year over year and an implied EPS outlook of \$0.20 to \$0.40, below the sell-side consensus of \$0.47. As with recent quarters, the analysts don't expect Nike to issue formal fiscal-year 2026 guidance.

Options markets are pricing in a move of nearly 9% around earnings, but UBS said it expects volatility to remain closer to Nike's historical average of about 6%.

Sentiment toward the stock has weakened in recent months and is now mixed on investor concerns about soft DTC trends and the durability of wholesale growth, the firm wrote. UBS noted that its Quant Team's crowding data shows Nike has shifted toward a short-crowded profile, while shares have fallen 14% over the past three months.

UBS' fieldwork points to continued inconsistency across regions. The analysts believe US DTC sales growth in Q2 was weak and "decelerated significantly" quarter over quarter, while Europe also saw softer DTC trends. China remains pressured, and Nike's global Google search growth fell 8% on average in Q2, consistent with the prior quarter.

Shares of Nike traded up 4.4% at about \$66 on Wednesday afternoon, but are down about 13% in the year to date.

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