Equity Research

WELLS FARGO

Company Update — November 18, 2025

Retailing, Specialty Softlines, and E-commerce

NIKE, Inc.

"Bull vs. Bear" Recap: LT vs. NT Keeps the Debate Going

Our Call

Debate remains unsettled b/w shorter and longer-term investors. Bears seem NT focused (*noisy NT reads, choppy 2H potential*) while Bulls seem focused on higher-level checkpoints (*Classics wind-down, innovation*), confirming NKE is on the right path.

Yesterday morning, we hosted a "Bull vs. Bear" debate with ~60 investors to discuss contrasting investment views on NKE, following our recent u/g to OW. Our discussion was vibrant, with participation on both sides as we dug into NT setup, FY27/FY28 EPS power, trends in China and the potential for a specialty running tailwind. Overall, however, we believe NKE remains a show-me story (esp at current valuation) though we do believe Bears are becoming less-convicted.

Key Debate #1: Near-Term Noise. The key Q—ongoing NT "noise" and how it impacts the story, as NKE cycles elevated NA wholesale closeout (mgmt warned of a non-linear recovery). Unsurprisingly Bulls are focused more on FY27 and beyond (the timing of a return to growth) while Bears are focused on "what could surprise to the downside NT"—looking for any negative shift in tone next print. Bulls simply looking for incremental progress (imperfect results not a game changer).

Key Debate #2: Is $3 Enough? We see 2 debates here: **1)** the right EPS power FY27 and beyond (hearing a range of $2 to $3) and **2)** is $3 in EPS enough to get investors off the sidelines? Interestingly, debate w/in the debate, we heard arguments that "$3 is a matter of when, not if" (from neutral investors) *and* we heard $3 is a "stretch." Regardless, Bulls argue that NKE hitting $3 is more than just a number, it would suggest NKE's hitting its KPIs (which would at a min demand more attention).

Key Debate #3: Does NKE Need to Get China Working? Perhaps the most un-resolved debate as even Bulls are cautious on China. That said, Bulls also argued that **1)** recent supplier data offers some indication that liquidation efforts are in fact winding down and **2)** China's now ~15% of the biz, down from ~25% at peak. Bears countered that, regardless of size, the "math" doesn't work for NKE to recapture a low-to-mid teens OM (and is more likely high DD).

Key Debate #4: Another Leg to Spec Run? The key "unexpected topic"—we heard from Bulls that NKE's accelerating its push into the Spec Run channel w/ a broader selection of product (beyond Peg and Vomero). Bulls argue the channel's excited, key as spec run is NKE's strongest biz right now. Bears countered that NKE had to "buy their way in" LY with sig mktg spend and wondered if the new offerings would resonate beyond performance and translate into lifestyle (where NKE's currently deficient).

Overweight

Price Target: $75.00

Ticker	NKE
Upside/(Downside) to Target	**19.9%**
Price (11/18/2025)	**$62.56**
52 Week Range	$52.28 - 82.44
Market Cap (MM)	$92,526
Enterprise Value (MM)	$91,341
Average Daily Value (MM)	$894
Dividend Yield	2.5%

$ (May) EPS	Q1	Q2	Q3	Q4	FY
2026E	0.49 A	0.39 E	0.46 E	0.35 E	1.70 E
2027E	0.64 E	0.55 E	0.65 E	0.52 E	2.40 E

Source: Company Data, Wells Fargo Securities estimates, and Factset.
NA = Not Available, NC = No Change, NE = No Estimate

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Wells Fargo Express Takeaways

NIKE, Inc. (NKE) | Rating: Overweight | Price Target: $75.00
Analyst: Ike Boruchow

Financials

FY (May) $ ESTIMATES	2025A	2026E	2027E
EPS			
Q1	0.70 A	0.49 A	0.64 E
Q2	0.78 A	0.39 E	0.55 E
Q3	0.54 A	0.46 E	0.65 E
Q4	0.14 A	0.35 E	0.52 E
AN	2.16 A	1.70 E	2.40 E
Rev. (MM)	46.31B A	47.06B E	49.15B E
EBIT (MM)	3,778.0 A	3,010.3 E	4,058.3 E
EBITDA (MM)	4.59B A	3.81B E	4.89B E
FCF (MM)	3,268.0 A	3,004.6 E	4,100.1 E

WELLS FARGO vs. CONSENSUS			
Consensus Estimate	3.06 A	1.64 E	2.49 E
Difference from Consensus		3.4%	(3.7)%

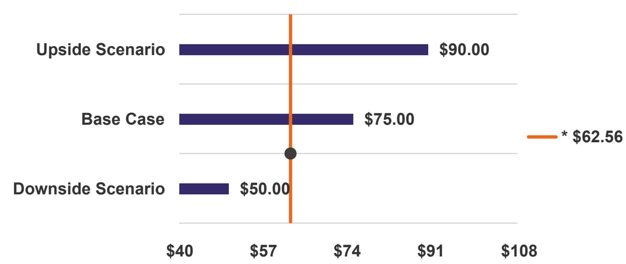
VALUATION			
P/E	28.9x	36.8x	26.1x
EV/Revenue	2.0x	1.9x	1.9x
EV/EBIT	24.2x	30.3x	22.5x
EV/EBITDA	19.9x	24.0x	18.7x
EV/FCF	28.0x	30.4x	22.3x
FCF Yield	3.5%	3.2%	4.4%

Consensus Estimate: EPS; Source: FactSet
Source: Company Data, Wells Fargo Securities estimates, and Factset.
NA = Not Available, NE = No Estimate

Investment Thesis

We rate NKE Overweight. We believe a few things are happening: **1)** Visibility is improving into NKE's revamped strategies (numbers are bottoming), **2)** Material green shoots are appearing (innovation) and **3)** Significant headwinds from "Classics" clean up should start to dissipate in the coming quarters. We can finally begin to map out realistic "return to growth" forecasts, while sizable margin levers likewise take hold.

Risk vs. Reward – Upside/Downside Price Target Scenarios



**As of 11/18/25*
Source: Wells Fargo Securities, LLC estimates and Factset.

Base Case | $75.00

Our $75 price target is based on a ~30x P/E on our FY27E EPS. This is a slight premium to NKE's history, closer to a "recovery" multiple on trough earnings which we believe accurately reflects current headwinds vs. upside potential.
We believe that ongoing opportunities for rev growth, margin expansion and FCF generation justify our target multiples, though we do see many near-term puts and takes around revenue/margin.

Upside Scenario | $90.00

Our $90 Bull Case reflects a 30x P/E on ~ $3.00 FY27 EPS (*above our forecasts*).

Factors that would contribute to the Bull Case scenario include:

(1) Classics headwinds have peaked

(2) GM declines inflect materially in 2H

(3) Non-Classics Footwear growth + Apparel growth drives revenue upside

(4) Overseas markets get "clean" by FY end

Downside Scenario | $50.00

Our $50 Bear Case reflects a 25x P/E on ~ $2.00 FY27 EPS (*below our forecasts*).

Factors that would contribute to the Bear Case scenario include:

(1) Prolonged franchise management actions combined with longer timeline on innovation

(2) A higher level of brand investment is needed to turn NKE around

(3) NKE gains back only some of its lost transitory GMs, while seeing deleverage in other cost lines on the weaker top-line growth.

(4) China becomes a structural problem

Upcoming Catalysts

- Reads on US Wholesale channel
- Color on China

Company Description

NIKE, Inc., based in Beaverton, Oregon, is a leading global designer, marketer, and distributor of athletic footwear, apparel, equipment, and accessories across a range of sports and activities. NKE products are sold at various sporting goods retailers, as well as company-operated stores and websites.

Investment Thesis

Key themes surrounding the company include:

1. **King of the Hill.** Just over one year ago NKE named their next leader—a 30+ year NKE veteran, Elliot Hill returns to the company and has played out several initiatives where he'd like to focus. One of the first things CEO Hill spoke about in this regard is the culture. While this is a fairly broad statement, Hill elaborated on his view that "culture" is about several key dynamics that need to be in place in order to drive the Nike brand—putting sport back at the center of everything they do, taking insights from their athletes and turning that into great product and improving storytelling behind their consumer led marketplace (with Direct and Wholesale working together). Elaborating further, over the years NKE had shifted to a mentality of a tech company vs. sports company. Too much reliance on data and analytics, which was a mistake. This led to poor decision-making and created the current marketplace issues that exist today. "*We've been in this situation before and will work our way through it over time.*" Certainly not pleased with their financial performance over the past few years, Hill has stated that the strategy was off, execution was off and while the organization did put a number of actions into place 12+ months, he believes there remains several areas where they simply need to move faster.
2. **More on Recent Initiatives. 1)** NKE (and Hill) is **reigniting their culture** by leading with sports (with more athlete and team collaborations) and inviting more consumers into the sport world — while putting athletes at the center of decisions again (pivoting away from lifestyle). Notably, they are shifting back towards having the mentality of a sports company (and away from a tech company) with a greater focus on art vs. science. **2)** Shifting into sport-led teams (which move at a faster pace) to **accelerate a complete product portfolio** across 10 different sports spanning footwear, apparel, equipment, and accessories (and analyzing how growth in each separate category rolls up to the total company) — with opportunities not only from product innovation but also merchandising. **3)** Shifting investments back towards creating demand for brands (with demand creation close to 10% of revenue) by creating **strong marketing stories** and emotionally connecting with consumers during important sports moments and product launches—with the teams currently building anticipation for new launches and **shifting spend from performance marketing to brand marketing. 4) Building back an integrated marketplace (wholesale)**, after it was de-prioritized due to a focus on digital revenue, and managing inventory across the marketplace by **liquidating aged inventory** to create space to sell new assortments and innovation coming in Fall and Holiday 2025. **5) Investing in specialty channels**, including running and football (soccer)—and **engaging with wholesale partners** to build out a pipeline off innovative products across all sports and price points, while reducing weeks of supply to increase full-price selling.
3. **China Remains a Headwind (No Longer a Tailwind).** After several years of very strong growth China slowed materially post-COVID on a number of issues. Local companies like Anta (Salomon also gets a tailwind from its Anta association) and Li Ning have raised their own game in terms of sneaker technology, are able to price well below Nike—and have benefited from a cultural shift to China-centric companies. At the same time newer competitors like On and Hoka have also captured share in China on the rise of trail and road running, at the expense of basketball. These companies' focus on sport/technology has led to lifestyle success as well—mirroring broader trends in athletic participation. We expect the sales headwind to persist through summer 2026 (FY27) and believe any improvement in profitability is driven more by margin normalization rather than a return to growth. That said, recapture potential is significant—with operating margins down (1,500)bps over the last four years and (725)bps over the last two.
4. **Financial Headwinds Could Start to Slow in 2H26.** While not out of the woods yet (we forecast an additional $1.5B of clearance through 1Q27) we do believe the rate of change slows for NKE after 2Q26 ($800M of the remaining $1.5B). Further, we do see greenshoots in footwear ex-Classics (+25% YoY 1Q26) and NKE's "Rest of Business" (+3% in 1Q26). However, we see GM recapture as the key near-term driver. NKE has absorbed a significant amount of cost, in multiple ways, cleaning up Classics footwear (we estimate $6B total revenue headwind). These include impacts to **1)** channel mix and margin rates within channels—incremental sell-in to closeout, **2)** ASP driven declines in Nike Direct—both stores and online, **3)** through inventory and sales reserves and inventory obsolescence charges, and on **4)** fixed costs. In a more bullish scenario we can build to revenues of $47.0B and $50.5B FY26/FY27 (vs St $46.8B and $49.2B), with GM 42.2% and 44.5% (vs St 41.6% and 43.0%)—driving EPS in the $2 and $3 range (vs St $1.64 and $2.49).

The Bull vs. Bear "Tug of War"

Below, we illustrate how we think the buyside is positioning its thesis—detailing the current Bull and Bear arguments on NKE shares.

Exhibit 1 - The Bull vs Bear "Tug of War"

The Bull Case….

We believe that investors who are bullish on NKE shares are focused on: **(1)** favorable risk-reward at current levels—NKE remains one the strongest softlines brands in the space that, while experiencing some transitory challenges, still has the key long-term opportunities intact; **(2)** "new" CEO Elliot Hill is aggressively cleaning inventory and removing stale product from the market, **(3)** numbers have been reset and sentiment remains low; and **(4)** with marketplace inventories eventually clean NKE can refocus on growth, now driven internally through sport—which allows for focused innovation, marketing and community connection.

The Bear Case….

On the other hand, investors who are bearish on NKE shares are likely focused on: **(1)** NT outlook to remain choppy—global demand very different across geographies and each on separate timelines; **(2)** China is structurally challenged with headwinds persisting longer than expected; **(3)** NT issues exacerbated by strong competitors such as ON and HOKA in the US and local brands in China (along with recent strength by Salomon and Arc'Teryx; and **(4)** global sport and fitness has transitioned more towards trail running and outdoor sport relative to "indoor" sports where NKE has historically found success.

Financial Outlook

FY26E: Our FY26E EPS estimate is $1.70 representing EPS -21.5%. We are projecting total sales +1.6%. We are projecting gross margin down ~135bps, to 41.4%, and we expect SG&A to grow +2.0% in dollars, to ~35%. As a result, we expect operating margin to contract ~175bps, to 6.4%.

FY27E: We forecast FY27 EPS of $2.40 representing EPS +41.3%. We're projecting total sales +4.4% and gross margin up ~100bps to 42.4%. We expect SGA to grow +2% in dollars but see (80)bps of leverage to 34.1%. As a result we forecast operating margin to expand +186bps to 8.3%

Financials

Exhibit 2 - NKE Income Statement

In $millions except per-share data	FY25	1Q26	2Q26E	3Q26E	4Q26E	FY26E	1Q27E	2Q27E	3Q27E	4Q27E	FY27E	FY28E
Revenues	**$46,309**	**$11,720**	**$12,373**	**$11,383**	**$11,584**	**$47,060**	**$12,126**	**$12,833**	**$11,954**	**$12,234**	**$49,146**	**$52,772**
Cost of sales	26,519	6,777	7,408	6,647	6,779	27,611	6,924	7,544	6,833	7,049	28,349	30,031
Gross profit	19,790	4,943	4,965	4,736	4,805	19,449	5,202	5,289	5,121	5,185	20,797	22,741
Demand creation	*4,689*	*1,188*	*1,324*	*1,142*	*1,303*	*4,957*	*1,259*	*1,377*	*1,200*	*1,368*	*5,204*	*5,542*
Operating overhead	*11,399*	*2,828*	*2,941*	*2,785*	*2,895*	*11,449*	*2,828*	*2,970*	*2,813*	*2,924*	*11,535*	*11,708*
Total SG&A	16,088	4,016	4,265	3,927	4,198	16,406	4,087	4,347	4,012	4,292	16,739	17,250
Other expense/(income)	(76)	23	10	0	0	33	0	0	0	0	0	0
Operating income	**3,778**	**904**	**691**	**809**	**607**	**3,010**	**1,114**	**942**	**1,109**	**893**	**4,058**	**5,491**
EBITDA	*4,586*					*3,808*					*4,888*	*6,376*
Interest expense	(107)	(18)	(20)	(20)	(20)	(78)	(25)	(25)	(25)	(20)	(95)	(85)
Pretax income	3,885	922	711	829	627	3,088	1,139	967	1,134	913	4,153	5,576
Income tax expense	666	195	142	157	116	611	199	169	198	160	727	976
Net income	3,219	727	568	671	511	2,478	940	798	936	753	3,426	4,600
Diluted EPS	**$2.16**	**$0.49**	**$0.39**	**$0.46**	**$0.35**	**$1.70**	**$0.64**	**$0.55**	**$0.65**	**$0.52**	**$2.40**	**$3.30**
Diluted shares outstanding	1,488	1,479	1,476	1,468	1,457	1,459	1,472	1,460	1,449	1,439	1,428	1,394
MARGIN ANALYSIS												
Gross margin	42.7%	42.2%	40.1%	41.6%	41.5%	41.4%	42.9%	41.2%	42.8%	42.4%	42.4%	43.1%
y/y change (bps)	*(197)*	*(319)*	*(349)*	*12*	*121*	*(134)*	*72*	*109*	*123*	*91*	*99*	*71*
Demand creation as % of sales	*10.1%*	*10.1%*	*10.7%*	*10.0%*	*11.2%*	*10.5%*	*10.4%*	*10.7%*	*10.0%*	*11.2%*	*10.6%*	*10.5%*
Overhead as % of sales	*24.6%*	*24.1%*	*23.8%*	*24.5%*	*25.0%*	*24.3%*	*23.3%*	*23.1%*	*23.5%*	*23.9%*	*23.5%*	*22.2%*
Total SG&A as % of sales	34.7%	34.3%	34.5%	34.5%	36.2%	34.9%	33.7%	33.9%	33.6%	35.1%	34.1%	32.7%
y/y change (bps)	*321*	*(66)*	*205*	*1*	*(114)*	*12*	*(56)*	*(59)*	*(94)*	*(115)*	*(80)*	*(102)*
Operating margin	**8.2%**	**7.7%**	**5.6%**	**7.1%**	**5.2%**	**6.4%**	**9.2%**	**7.3%**	**9.3%**	**7.3%**	**8.3%**	**10.4%**
Tax rate	17.1%	21.1%	20.0%	19.0%	18.5%	19.8%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%
Net margin	7.0%	6.2%	4.6%	5.9%	4.4%	5.3%	7.8%	6.2%	7.8%	6.2%	7.0%	8.7%
GROWTH ANALYSIS												
Total Revenue	-9.8%	1.1%	0.2%	1.0%	4.4%	1.6%	3.5%	3.7%	5.0%	5.6%	4.4%	7.4%
Constant-FX Revenue (+HSD-LDD Target, June '21)	**-9.1%**	**-0.5%**	**-1.4%**	**-2.5%**	**2.7%**	**-0.3%**	**3.3%**	**3.7%**	**5.0%**	**5.6%**	**4.4%**	**7.4%**
Gross profit	-13.8%	-6.0%	-7.9%	1.3%	7.5%	-1.7%	5.2%	6.5%	8.1%	7.9%	6.9%	9.3%
Demand creation	9.4%	-3.1%	18.0%	5.0%	4.0%	5.7%	6.0%	4.0%	5.0%	5.0%	5.0%	6.5%
Overhead	-4.3%	0.2%	2.0%	-0.5%	0.0%	0.4%	0.0%	1.0%	1.0%	1.0%	0.8%	1.5%
Total SG&A	-0.7%	-0.8%	6.5%	1.0%	1.2%	2.0%	1.8%	1.9%	2.2%	2.2%	2.0%	3.1%
Operating income	**-46.0%**	**-28.5%**	**-50.4%**	**-2.1%**	**105.0%**	**-20.3%**	**23.3%**	**36.4%**	**37.1%**	**47.1%**	**34.8%**	**35.3%**
Net income	-46.8%	-30.8%	-51.1%	-15.4%	142.2%	-23.0%	29.3%	40.4%	39.4%	47.4%	38.3%	34.3%
EPS	**-45.3%**	**-29.8%**	**-50.6%**	**-14.7%**	**145.6%**	**-21.5%**	**29.9%**	**41.8%**	**41.2%**	**49.3%**	**41.3%**	**37.5%**
Shares	-2.8%	-1.5%	-1.0%	-0.8%	-1.4%	-1.9%	-0.5%	-1.1%	-1.3%	-1.2%	-2.2%	-2.4%

Source: Company data and Wells Fargo Securities, LLC Estimates

Investment Thesis, Valuation and Risks

NIKE, Inc. (NKE)

Investment Thesis

We rate NKE Overweight. We believe a few things are happening: **1)** Visibility is improving into NKE's revamped strategies (numbers are bottoming), **2)** Material green shoots are appearing (innovation) and **3)** Significant headwinds from "Classics" clean up should start to dissipate in the coming quarters. We can finally begin to map out realistic "return to growth" forecasts, while sizable margin levers likewise take hold.

Target Price Valuation for NKE: $75.00 from NC

Our $75 price target is based on a ~30x P/E on our FY27E EPS. This is a slight premium to NKE's history, closer to a "recovery" multiple on trough earnings which we believe accurately reflects current headwinds vs. upside potential.

We believe that ongoing opportunities for rev growth, margin expansion and FCF generation justify our target multiples, though we do see many near-term puts and takes around revenue/margin.

Risks to Our Price Target and Rating for NKE

Downside risks: **(1)** new innovation (along w/ franchise reset) does not drive topline; **(2)** global demand remains tepid; and **(3)** the transition back to wholesale from DTC causes more material headwinds to profits in the NT. Upside risks include a positive turn in Chinese consumption trends and better than expected performance in US clearance activity on both sales and margins.

Companies Mentioned in Report

Company Name	Ticker	Last Price (11/18/25)	Rating
NIKE, Inc.	NKE	$62.56	Overweight

Source: Wells Fargo Securities LLC Estimates, FactSet

Required Disclosures

I, Ike Boruchow, certify that:
1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and

2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

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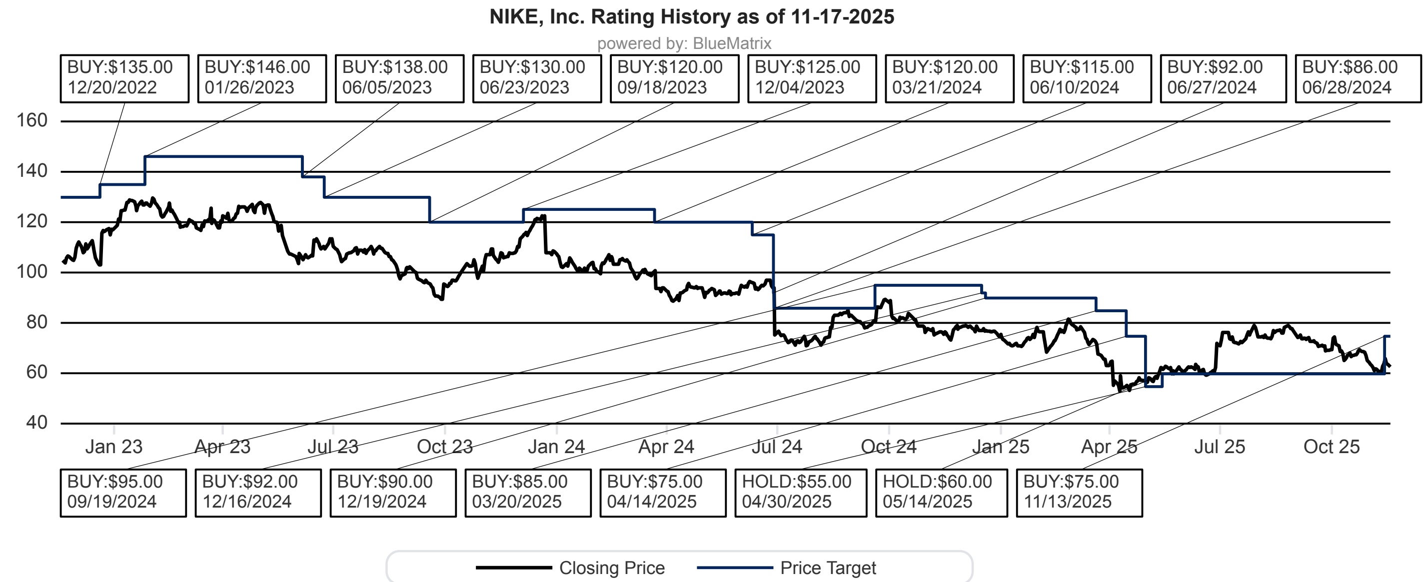
Additional Information Available Upon Request



Initiation (I); Drop Coverage (D); Overweight (BUY); Equal Weight (HOLD); Underweight (SELL); Suspended (SR); Not Rated (NR); No Estimate (NE)

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STOCK RATING

OW=Overweight: Total return on stock expected to be 10%+ over the next 12 months. (BUY)

EW=Equal Weight: Total return on stock expected to be -10% to +10% over the next 12 months. (HOLD)

UW=Underweight: Total return on stock expected to lag the Overweight- and Equal Weight-rated stocks within the analyst's coverage universe over the next 12 months. (SELL)

NR=Not Rated: The rating and price target has been removed due to lack of fundamental basis to support the recommendation or due to legal, regulatory or company policy considerations.

FINRA regulation requires member firms to assign ratings to one of three rating categories: Buy, Hold and Sell. In accordance with FINRA regulation and solely to satisfy those disclosure requirements in the ratings distribution table and ratings history chart contained in these Required Disclosures, our rating of Overweight corresponds to a Buy rating; Equal Weight corresponds to a Hold rating; and Underweight corresponds to a Sell rating.

As of November 17, 2025

51.8% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Overweight. (BUY)
41.0% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Equal Weight. (HOLD)
7.3% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Underweight. (SELL)
Wells Fargo Securities, LLC has provided investment banking services for 46.1% of its Equity Research Overweight-rated companies. (BUY)
Wells Fargo Securities, LLC has provided investment banking services for 43.5% of its Equity Research Equal Weight-rated companies. (HOLD)
Wells Fargo Securities, LLC has provided investment banking services for 36.1% of its Equity Research Underweight-rated companies. (SELL)

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