Equity Research

WELLS FARGO

Rating Change — November 13, 2025

Signature Research
Complex Issues, Powerful Insights

Retailing, Specialty Softlines, and E-commerce

NIKE, Inc.

Upgrading to OW w/ $75 PT; Visibility Now Improving, Lacing Up for Liftoff

Our Call

Upgrade to OW and raise PT to $75. We feel the time has come where visibility into NKE's P&L direction (*both on revs and margin*) is finally improving. In this 20+ page report, we outline our Bull Case upside drivers and potential EPS Power.

Raising Ests, Upside Scenarios Are Compelling. We raise our FY26 (*above St*) to $1.70 and FY27 to $2.40 - but more notably, through a combo of our **1)** Upside rev drivers (Classics stability + non-Classics biz growth) and **2)** Ample GM recapture (ASPs + liquidation/reserve add backs) **we show line of sight to Bull Case EPS Power of ~$2.00 and ~$3.00 over the same time periods.** Said differently, NKE has been in a negative revision cycle for 3+ years, and we see that reversing over the next 6-9 months.

Why Upgrade Now? We believe for the first time in years a few things are happening: **1)** Visibility is improving into NKE's revamped strategies (*numbers bottoming*), **2)** Material green shoots are appearing (*innovation*) and **3)** Headwinds to the biz are set to dissipate (Classics). We can finally begin to map out realistic "return to growth" forecasts, while sizable margin levers likewise take hold. Said differently, NKE has the potential to exit FY26 growing revs +3-4% with GMs expanding +200bps.

Classics Headwinds Have Peaked. We model Classics revs to decline to ~$9B in FY26 (from ~$11.5B in FY25). Classics headwind to rev peaked in 4Q (down >30%) and was likely down ~30% in 1Q. From here, 3 things inform our view that moderation is set to play-out go-fwd: **1)** industry checks confirm this view, **2)** NKE commented they're seeing stabilization in AF1/AJ1, **3)** historical sneaker search data tells us large franchise downtrends can last 40-70 months (with AF1/AJ1 currently at 63/54 months).

"Non-Classics" Back to Growth. A key today is the health of NKE's go-fwd business - and our math suggests that both footwear (ex Classics) and NKE's "rest of biz" accelerated meaningfully in 1Q. Non-Classics Footwear inflected to > 20% while rest of biz was +MSD (led by apparel). While wholesale sell-in surely accounts for a chunk of this growth, it's also clear that NKE's revamped silhouettes (*Vomero and Peg*) are driving greater volumes and should lend credibility to the turnaround efforts.

GM Visibility Is High. While GM remained in decline in 1Q, we see several key drivers which should lead to material GM recapture starting in 2H26. Namely, **1)** NA liquidation laps, **2)** Improved ASPs/FP selling on Nike Direct and **3)** Potential recapture of reserves. These should all act as tailwinds to GM from 2H26 through FY27 (*with a China GM recapture story looming in FY27*). Netting this all out: we see potential for NKE to drive upside to St GMs for the remainder of the FY in the 50-100bps range.

Overweight
Price Target: $75.00

Notable Changes $ (May)	Current	Prior	% Chg
Rating	OW	EW	▲
Price Target	$75.00	$60.00	25.0% ▲
EPS 2026	1.70	1.60	6.4% ▲
EPS 2027	2.40	2.25	6.7% ▲
Rev. (MM) 2026	47.06B	47.06B	0.0% ▲
Rev. (MM) 2027	49.15B	48.97B	0.4% ▲

Ticker	NKE
Upside/(Downside) to Target	**16.8%**
Price (11/12/2025)	**$64.20**
52 Week Range	$52.28 - 82.44
Market Cap (MM)	$94,952
Enterprise Value (MM)	$93,767
Average Daily Value (MM)	$889
Dividend Yield	2.4%

$ (May) EPS	Q1	Q2	Q3	Q4	FY
2026E	0.49 A	0.39 E	0.46 E	0.35 E	1.70 E
Prior	NC	0.40 E	0.43 E	0.26 E	1.60 E
2027E	0.64 E	0.55 E	0.65 E	0.52 E	2.40 E
Prior	0.63 E	0.53 E	0.63 E	0.44 E	2.25 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

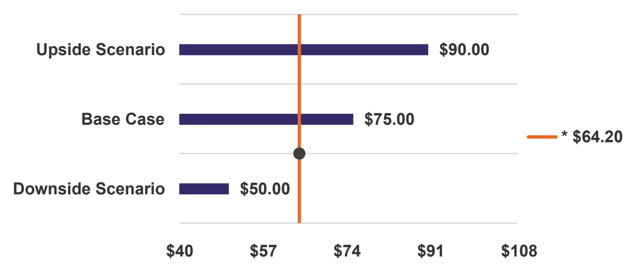
FY (May) $ ESTIMATES	2025A	2026E	2027E
EPS			
Q1	0.70 A	0.49 A	0.64 E
Q2	0.78 A	0.39 E	0.55 E
Q3	0.54 A	0.46 E	0.65 E
Q4	0.14 A	0.35 E	0.52 E
AN	2.16 A	1.70 E	2.40 E
Rev. (MM)	46.31B A	47.06B E	49.15B E
EBIT (MM)	3,778.0 A	3,010.3 E	4,058.3 E
EBITDA (MM)	4.59B A	3.81B E	4.89B E
FCF (MM)	3,268.0 A	3,004.6 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%	(74.4)%
VALUATION			
P/E	29.7x	37.8x	26.8x
EV/Revenue	2.0x	2.0x	1.9x
EV/EBIT	24.8x	31.1x	23.1x
EV/EBITDA	20.4x	24.6x	19.2x
EV/FCF	28.7x	31.2x	22.9x
FCF Yield	3.4%	3.2%	4.3%

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 11/12/25*
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.

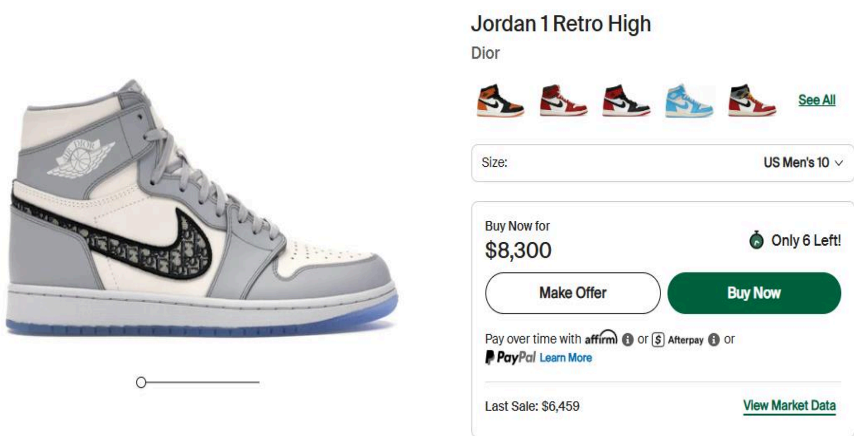
Key Point #1: Evidence Suggests "Classics" Clean Up Is Winding Down

"Classics" Calamity (First, How Did We Get Here?)

To better view current circumstances, it's important to first take a step back and understand how we got to this point. Essentially, NKE was enjoying some very "high heat" (customer demand) - really across almost all of its franchises - from a multitude of macro catalysts (fashion-trends, NBA popularity, Nike-athlete success, societal) over several years around the time of COVID (from slightly before COVID to slightly after "re-opening"). **However, NKE saw above average growth on three key "Classics" franchises - Air Jordan 1 (AJ1), Air Force 1 (AF1) and Dunk (mostly Dunk "low")**. This was driven by its decision not only to ride that wave as long as possible, but also to actively lean into it, which eventually resulted in over-saturation of those three silhouettes.

Perhaps nothing captures "Classics"-mania better than the June 2020 AJ1 "Dior." This ultra-exclusive collaboration (13K produced, with 5K going to Dior's best clients) saw 5M people sign-up to buy these $2,000 sneakers. Even to this day, they re-sell for ~$7,000 on StockX. Perhaps most famously, a relative of Vice President Kamala Harris wore a pair to the 2020 inauguration which captured a great deal of attention.

Exhibit 1 - AJ 1 "Dior" - StockX Resale



Source: stockx.com and Wells Fargo Securities, LLC

Exhibit 2 - AJ 1 "Dior" at the Biden/Harris Inauguration

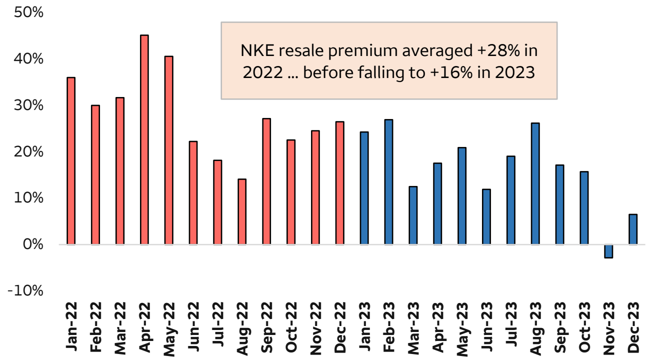
Source: x.com and Wells Fargo Securities, LLC

Two other key factors to consider, which added more fuel to the fire: 1) at the same time, NKE was moving from a wholesale-driven model to a direct model and **2)** this period also marked the peak in the sneaker resale market (driven by the popularity of Nike, broadly, and Adidas' Yeezy, YeezyBoost and UltraBoost). This is clearly reflected in NKE resale premiums we can track on StockX (*Ex 3 & 4*). The demand for sneakers, combined with an influx of stimulus cash and new technologies connecting buyers and sellers provided the perfect storm that lead to this current situation.

Ironically, the tipping point may have occurred on the 1Q24 NKE call, held September 28, 2023. On the call, then CEO John Donahoe remarked: ***"Let me offer a few examples of how we've redefined the game over the past few years. The consumer told us they wanted lifestyle product, and we delivered, growing Air Force 1, AJ-1 and Dunk to be the three largest footwear franchises in industry history."***

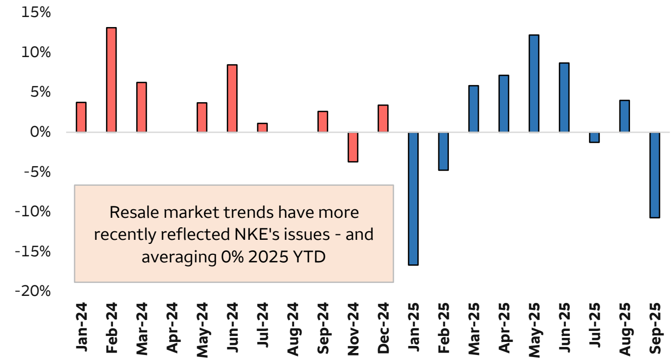
Approximately one month after those above remarks, total Nike resale premiums inflected negative for the first time in our data set (Nov '23).

Exhibit 3 - NKE Monthly Resale Premiums 2022-2023 (StockX)



Source: nicekicks.com, stockx.com and Wells Fargo Securities, LLC Estimates

Exhibit 4 - NKE Monthly Resale Premiums 2024-2025 (StockX)



Source: nicekicks.com, stockx.com and Wells Fargo Securities, LLC Estimates

To be clear, however, it's important to understand that Nike (as well as big brands, such as Adidas and Vans) has gone through cycles of over-reliance on iconic franchises to support periods of weakness (or, which may have lead to under-development). However, this time has been very different and much more significant. **We believe once the dust settles, NKE will have absorbed a total $6B headwind from market cleanup on these 3 Classics franchises**. To that point, let's dig into the math behind NKE and their Classics "peak and trough."

WFS's "Classics" Deep-Dive

Given the magnitude of Nike's three key Classic franchises (and mixed investor visibility around the direction of revenue surrounding them), we attempted to quantify the Classics peak revenue/ penetration, recent trajectory of wind-down and outlook for FY26 and FY27. More than just simple quantification on Classics revenue (which we do come up with), however, we wanted to better understand what those measured levels imply for: **1)** NKE's footwear business ex-Classics and **2)** the rest of NKE's business lines (notably apparel) **as we believe NKE could finally be at an inflection point, with building underlying momentum.** With significant interest on this crucial topic, we rolled up our sleeves and did a deep fundamental dive based on multiple channel checks, historical reference and a handful of assumptions.

<u>6 Key Takes Within Our Classics Footwear Analysis:</u>

1. Classics (AF1, AJ1, DUNK) penetration likely peaked in FY23 at ~50% of total Footwear revenue (or 1/3rd of total NKE revenue)
2. Following a steady FY24, Classics declines accelerated through FY25 - exiting the FY with Footwear penetration < 40% (or 10 points below peak)
3. 4Q25 marked the peak decline in Classics (down > 30%) which was followed by a ~30% decline in 1Q26
4. A look back on the timeline of other "fallen angels" also suggests Nike's Classics are nearing a bottom. Thus, Classics declines/headwinds could meaningfully improve through FY26 (largely due to AF1 and AJ1 hitting stability)
5. Non-Classics Footwear has materially improved as of 1Q26 (we estimate up 20%+) - which gives credibility to growth in ancillary footwear styles/silhouettes
6. When building out a reasonable wind-down on Classics and sustained growth in non-Classics Footwear, we see a Bull Case potential for NKE to exit FY26 growing revenue +3-4% (with +MSD-HSD growth potential into FY27)

Exhibit 5 - WFS NKE "Classics" Cheat Sheet

	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E
Growth Rates - YoY % Chg												
Classics Revs	-12.5%	-20.0%	-30.4%	-30.2%	-30.0%	-25.0%	-15.0%	-10.0%	-5.0%	0.0%	0.0%	0.0%
Footwear ex Classics	-9.3%	-3.8%	4.6%	-0.8%	25.3%	16.0%	8.5%	8.3%	10.0%	10.0%	12.0%	12.0%
Rest of Business	-7.6%	-2.2%	-2.4%	**-10.0%**	**2.8%**	3.0%	0.5%	2.3%	5.0%	5.0%	5.0%	5.0%
Classics "Drag"												
$ Drag - Total Revs ($M)	($518)	($803)	($1,056)	($990)	($1,087)	($803)	($364)	($229)	($127)	$0	$0	$0
% Drag - Total Revs	-4.0%	-6.0%	-8.5%	-8.9%	-9.3%	-6.5%	-3.2%	-2.0%	-1.1%	0.0%	0.0%	0.0%
Classics % of Business												
% of Footwear	**48.6%**	42.0%	33.6%	31.8%	34.2%	31.6%	27.8%	27.6%	31.0%	29.6%	25.6%	**25.4%**
% of Nike	**31.3%**	26.0%	21.5%	20.6%	21.6%	19.5%	17.9%	18.0%	20.0%	18.9%	17.1%	**17.0%**

Source: Company data and Wells Fargo Securities, LLC Estimates

Analysis Suggests NKE Absorbing a Total $6B Headwind (Through FY26)

While data points on the Classics have come out slowly, we believe we now have enough to put the bigger picture together. **First - we have the setup**: based on a triangulation of data points, we believe NKE exited FY23 with Classics at ~33% of total revenues and ~50% of footwear revenues. We believe FY23 was the Classics peak (negative commentary on AF1 had already emerged by 3Q24) - with **a)** peak footwear mix (68%) and **b)** footwear revenues growing +4% above total revenues (the largest spread since FY15 +3%).

Second - we back into FY24 data as the base: by taking commentary from 4Q25 and 1Q26, along with feedback from channel checks, we build out quarterly assumptions for FY24 and FY25. We know that Classics were down more than 20% YoY in FY25, and we know that Classics were down > 30% in 4Q25 - resulting in a ~$1B revenue headwind. NKE also finished 4Q25 down 10% from peak Classics mix (*we estimate of 39% of footwear vs our FY23 ~50% estimate*). Given the data points, we believe NKE lowered Classics from 50% / 33% (footwear / total) in FY23 to 45% / 29% by FY24, and ended FY25 at 39% / 25%.

Exhibit 6 - WFS FY24 & FY25 "Classics" Worksheet

($M)	2024					2025				
	1QA	2QA	3QA	4QA	FY	1QA	2QA	3QA	4QA	FY
Total NKE revenue	$12,939	$13,388	$12,429	$12,606	**$51,362**	$11,589	$12,354	$11,269	$11,097	**$46,309**
YoY change						*-10.4%*	*-7.7%*	*-9.3%*	*-12.0%*	*-9.8%*
FX impact						-1.1%	0.5%	-2.4%	-0.4%	-0.8%
Constant-Currency Growth						**-9.4%**	**-8.3%**	**-6.9%**	**-11.6%**	**-9.0%**
Total Footwear ($M)	$8,421	$8,607	$8,162	$8,237	**$33,427**	$7,462	$7,655	$7,208	$7,185	**$29,510**
YoY change						*-11.4%*	*-11.1%*	*-11.7%*	*-12.8%*	*-11.7%*
Constant-Currency Growth						**-10.3%**	**-11.6%**	**-9.2%**	**-12.4%**	**-10.9%**
Classics Categories	**$4,140**	**$4,016**	**$3,480**	**$3,278**	**$14,915**	**$3,623**	**$3,213**	**$2,424**	**$2,288**	**$11,547**
YoY change	*NA*	*NA*	*NA*	*NA*	*NA*	*-12.5%*	*-20.0%*	*-30.4%*	*-30.2%*	*-22.6%*
% of Footwear	49.2%	46.7%	42.6%	39.8%	44.6%	48.6%	42.0%	33.6%	31.8%	39.1%
% of Nike	**32.0%**	**30.0%**	**28.0%**	**26.0%**	**29.0%**	**31.3%**	**26.0%**	**21.5%**	**20.6%**	**24.9%**
y/y change in mix						*(74)*	*(399)*	*(649)*	*(539)*	*(410)*
Impact on NKE revs ($s)						($518)	($803)	($1,056)	($990)	**($3,367)**
Impact on NKE revs (%)						-4.0%	-6.0%	-8.5%	-8.9%	**-7.3%**
Total Footwear (ex-Classics)	$4,281	$4,591	$4,682	$4,959	**$18,512**	$3,839	$4,442	$4,784	$4,897	**$17,963**
YoY change						*-10.3%*	*-3.2%*	*2.2%*	*-1.3%*	*-3.0%*
Constant-Currency Growth						**-9.3%**	**-3.8%**	**4.6%**	**-0.8%**	**-2.1%**

Source: Company data and Wells Fargo Securities, LLC Estimates

Third - we build out FY26 and FY27 estimates: by looking back at examples of trough periods on other major franchises (*more on this later*) and applying those learnings to NKE's situation we're able to try and predict a timeline on inflection. Our own findings support management's comments on AJ1 and AF1 (stabilizing) and on Dunk (still work to do). While we do not believe Dunk is being "reduced to zero" we reiterate management's comments that Dunk was much less meaningful to the overall portfolio pre-COVID, and should become so again, post clean-up.

Thus - with evidence that AJ1 and AF1 are nearing a bottom and with a view that Dunk reductions persist for another 12+ months (*3Q25 conf call: "We intend to drive [Classics] lower in fiscal 2026, with total units planned down double-digits with the most aggressive actions on the Dunk."*) we estimate that NKE will again reduce Classics sales (20%) YoY - to $9.1B in FY26 - and **we believe Classics revenues level out around the ~$9B level in FY27E (*which would mark a sizable decline from our estimated FY23 peak of $16B+*).**

We also believe Classics revenues should mix back down to the < 20% range (total revenues) over the next 12-18 months - not just from the work NKE has/is doing on these franchises, but also from what we see as healthier underlying growth (*we discuss this in just a bit*). **Notably, our work suggests NKE could inflect back to positive CC footwear growth in 4Q26E.**

Exhibit 7 - WFS FY26 & FY27 "Classics" Worksheet

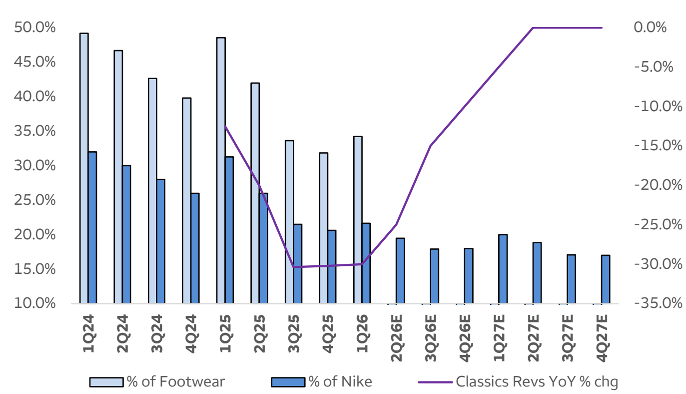
($M)	2026E					2027E				
	1QA	2QE	3QE	4QE	FY	1QA	2QE	3QE	4QE	FY
Total NKE revenue	$11,720	$12,373	$11,502	$11,457	**$47,051**	$12,048	$12,776	$12,058	$12,099	**$48,981**
YoY change	*1.1%*	*0.2%*	*2.1%*	*3.2%*	*1.6%*	*2.8%*	*3.3%*	*4.8%*	*5.6%*	*4.1%*
FX impact	1.7%	1.5%	3.5%	1.7%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Constant-Currency Growth	**-0.5%**	**-1.4%**	**-1.5%**	**1.6%**	**-0.3%**	**2.8%**	**3.3%**	**4.8%**	**5.6%**	**4.1%**
Total Footwear ($M)	$7,410	$7,629	$7,419	$7,446	**$29,904**	$7,771	$8,151	$8,062	$8,092	**$32,076**
YoY change	*-0.7%*	*-0.3%*	*2.9%*	*3.6%*	***1.3%***	*4.9%*	*6.8%*	*8.7%*	*8.7%*	***7.3%***
Constant-Currency Growth	**-2.3%**	**-1.9%**	**-0.6%**	**2.0%**	**-0.5%**	**4.9%**	**6.8%**	**8.7%**	**8.7%**	**7.3%**
Classics Categories	$2,536	$2,410	$2,060	$2,059	**$9,065**	$2,409	$2,410	$2,060	$2,059	**$8,938**
YoY change	*-30.0%*	*-25.0%*	*-15.0%*	*-10.0%*	*-21.5%*	*-5.0%*	*0.0%*	*0.0%*	*0.0%*	*-1.4%*
% of Footwear	34.2%	31.6%	27.8%	27.6%	30.3%	31.0%	29.6%	25.6%	25.4%	27.9%
% of Nike	**21.6%**	**19.5%**	**17.9%**	**18.0%**	**19.3%**	**20.0%**	**18.9%**	**17.1%**	**17.0%**	**18.2%**
y/y change in mix	*(962)*	*(653)*	*(360)*	*(264)*	*(567)*	*(164)*	*(62)*	*(83)*	*(95)*	*(102)*
Impact on NKE revs ($s)	**($1,087)**	**($803)**	**($364)**	**($229)**	**($2,482)**	**($127)**	**$0**	**$0**	**$0**	**($127)**
Impact on NKE revs (%)	**-9.3%**	**-6.5%**	**-3.2%**	**-2.0%**	**-5.3%**	**-1.1%**	**0.0%**	**0.0%**	**0.0%**	**-0.3%**
Total Footwear (ex-Classics)	$4,874	$5,219	$5,358	$5,387	$20,839	$5,361	$5,741	$6,001	$6,034	$23,138
YoY change	*27.0%*	*17.5%*	*12.0%*	*10.0%*	*16.0%*	*10.0%*	*10.0%*	*12.0%*	*12.0%*	*11.0%*
Constant-Currency Growth	**25.3%**	**16.0%**	**8.5%**	**8.3%**	**14.2%**	**10.0%**	**10.0%**	**12.0%**	**12.0%**	**11.0%**

Source: Company data and Wells Fargo Securities, LLC Estimates

Based on our math (Ex 6 and 7, above) we believe NKE absorbed an $800M headwind in 2Q25, with a similar headwind upcoming in 2Q26E, and absorbed headwinds in the $1B range 3Q25-1Q26. **All-in we see the cumulative FY25/FY26 headwind in the $6B range.**

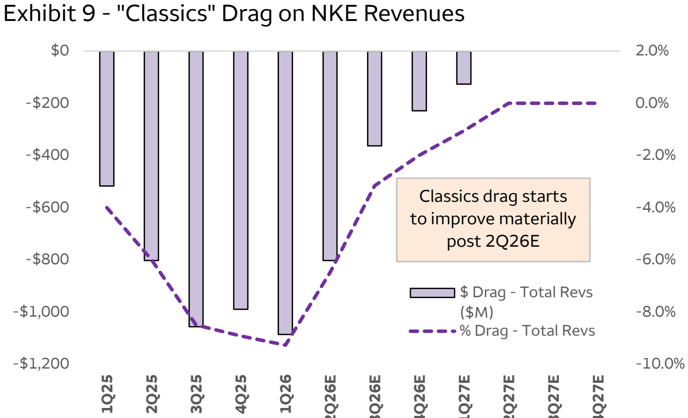
Netting this all out, we believe the 4Q25/1Q26 time-frame represents the trough period for NKE in terms of 1) Classics decline, 2) the total dollar drag on revenues and 3) the % drag on revenues. That said - we note that NKE still has heavy lifting to do NT (especially on Dunk) and want to remind investors of several moving pieces on the horizon in 2Q26 and 3Q26 (we also discuss this below) related to NA footwear clearance on sales and margins.

Exhibit 8 - "Classics" % of Total Revenues and Total Footwear



Source: Company data and Wells Fargo Securities, LLC. Estimates

Exhibit 9 - "Classics" Drag on NKE Revenues



Source: Company data and Wells Fargo Securities, LLC Estimates

A Look Back at Other "Fallen Angels" Suggests Later Innings For Classics Cleanup

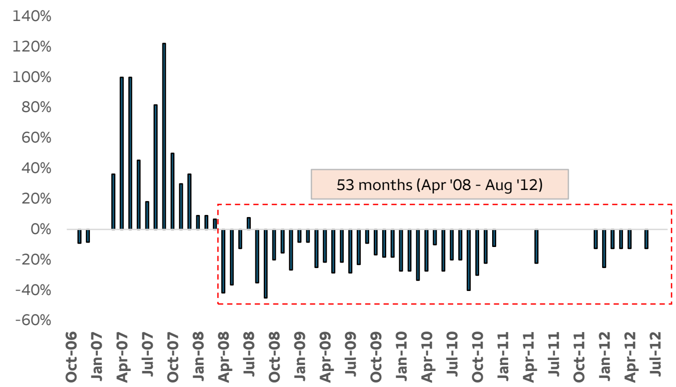
As we think about quantifying NKE's recent comments that AJ1 and AF1 clean up is largely done, with the brands "stabilizing," but with more work to do on Dunk, **we look back to two other major franchises that went through similar peak and trough periods - Vans Old Skool and Adidas' Stan Smith**. For both silhouettes, we looked back 20+ years and see 2 instances, each, of peak / trough periods defined by Google search interest.

Vans Old Skool Has Ups...and Downs

First, for Vans Old Skool we see the first trough period lasting 53 months - from April 2008 through August 2012, following several months of elevated search/interaction. The second peak and trough periods (which are easier to speak to given how recent it was) are equally telling. In the mid-Twenty-Teens Van's "Old Skool" enjoyed a solid 49-month stretch of growth in search/interaction with low-pro sneakers benefiting from fashion trends at that time (Stan Smith's saw a bump at that time too) - at the expense of Nike's high top dominated lineup. However, as Nike re-invigorated innovation and as the fashion cycle changed in Nike's favor, Vans went through a 68-month trough period, from September 2018 - April 2024. So, **when looking at Vans Old Skool over the past 20 years, we have two meaningful downtrends in search activity (2008-2012 and 2018-2024) which went on for 50-70 months.**

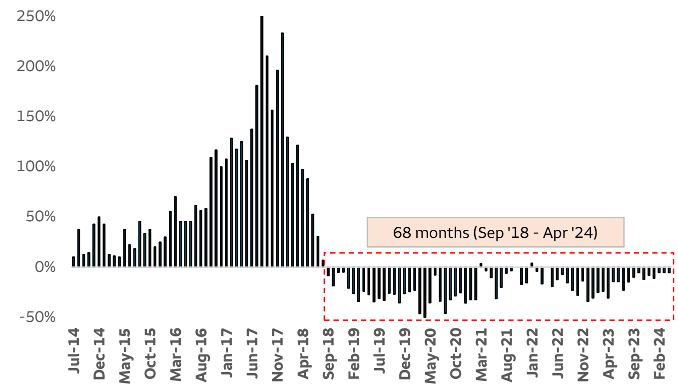
Relative to Old Skool's 49-month favorable run, Dunk actually had the longest favorable run at 50 months (Jun '19 - Jul '23) followed by AF1 at 38 months (Jun '17 - Jul '20) with AJ1 clocking-in at 26 months (Mar '19 - Apr '21). Unsurprisingly, NKE's peaks overlay with Old Skool's and Stan Smith's trough periods.

Exhibit 10 - Van's "Old Skool" First Peak & Trough (Trough 53 months)



Source: Google Trends, Company data and Wells Fargo Securities, LLC

Exhibit 11 - Van's "Old Skool" Second Peak & Trough (Trough 68 months)

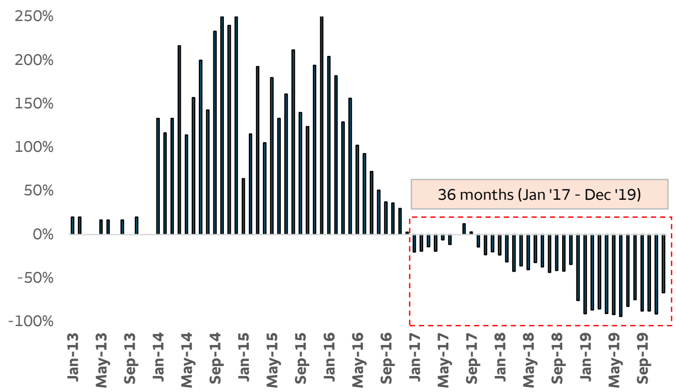


Source: Google Trends, Company data and Wells Fargo Securities, LLC

Stan Smith Gives Us Another Example

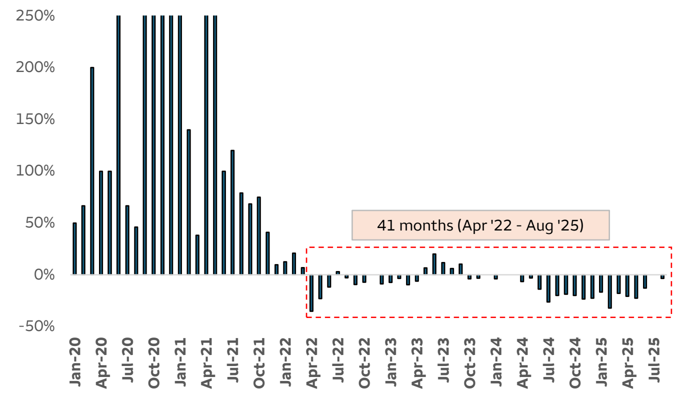
For Adidas' Stan Smith, we see a first spike in interest ranging between January 2014 through November 2016, almost three full years (35 months) - peaking in December 2015. Interestingly, after that 35-month peak we then see a 36-month trough period from January 2017 (only 1 month after that first peak period ended) through December 2019. The second peak and trough occurred almost immediately thereafter - though with a much shorter peak at 27 months (Jan '20 - Mar '22) followed by a longer trough (41 months: Apr '22 - Aug '25). **This shows us two more down cycles for a large/ recognizable footwear brand - with down cycles of 35-40 months on average.**

Exhibit 12 - Adi's "Stan Smith" First Peak & Trough (Trough 36 months)



Source: Google Trends, Company data and Wells Fargo Securities, LLC

Exhibit 13 - Adi's "Stan Smith" Second Peak & Trough (Trough 41 months)



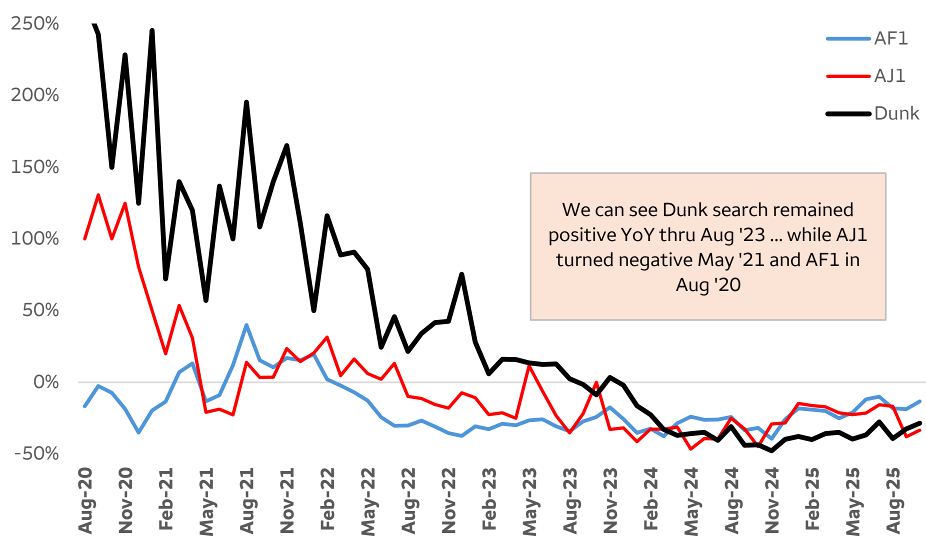
Source: Google Trends, Company data and Wells Fargo Securities, LLC

What Does This Mean for NKE?

Turning to NKE, we think about how this might help guide us on the current down spiral of their Classics. **A similar analysis shows AF1 currently in its 63rd month of YoY declines in Google search trends and AJ1 in its 54th month - each very much in line with trough periods for Old Skool, and actually already past the declines historically seen at Stan Smith**. In our view, this supports management's comments that trends in these two key franchises (*remember - AJ1 and AF1 are much larger in size / importance than Dunk*) are stabilizing and finding a bottom. That said, Dunk appears only 26 months into a correction based on Google search - which also fits with recent commentary that work on this silhouette remains.

In a silver lining for Bulls - Dunk sales were relatively immaterial to AJ1 and AF1 pre-COVID, so working that franchise down has lesser implications going forward. We believe Dunk cleanup persists through 1Q27E - another 12 or so months - which would also put that silhouette in the 40-month range on a bottoming process.

Exhibit 14 - Our Work on "Classics" Clean Up Supports Recent Commentary

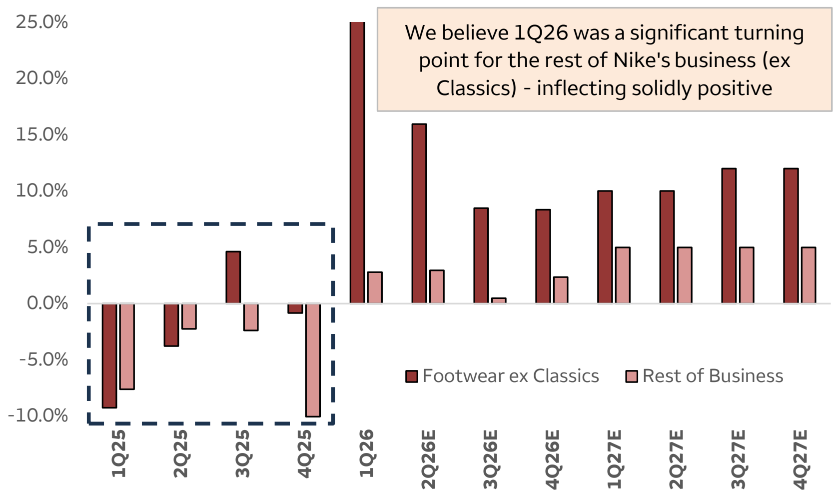


Source: Google Trends, Company data and Wells Fargo Securities, LLC

While "Classics" Are Winding Down, Much of NKE's Assortment Is Heating Up

Again, a key point of this exercise was to determine the health and the level of NKE's go-forward business (ex Classics) - and **our math suggests that both footwear (ex Classics) and NKE's "Rest of Business" both accelerated meaningfully in 1Q26 from 4Q25**. We use these reads to drive our estimates: growing Footwear ex Classics +MT% in FY26 (vs. +27% 1Q26) and "rest of business +MSD% (vs. 1Q26 +4.4%).

Exhibit 15 - Starting to See an Inflection in NKE Ex-Classics



Source: Company data and Wells Fargo Securities, LLC Estimates

Potential Upside to WFS and Street Revenue Estimates

Interestingly, **if our estimates and assumptions ultimately prove correct, our work builds to potential revenue upside for both FY26 and FY27**. We see upside potential (+1.5%) to the Street FY26 revenue estimates, and as much as +2.5% upside to the Street in FY27.

Exhibit 16 - WFS NKE Bull Case Revenues FY26 & FY27

WFS FY26 and FY27 Bull Case										
($M)	2026E					2027E				
	1QA	2QE	3QE	4QE	FY	1QE	2QE	3QE	4QE	FY
Potential NKE revenue*		$12,540	$11,642	$11,514	**$47,416**	$12,296	$13,307	$12,496	$12,364	**$50,464**
y/y change		*1.5%*	*3.3%*	*3.8%*	*2.4%*	*4.9%*	*7.1%*	*10.0%*	*7.4%*	*7.3%*
Upside vs Current Street Revs		***2.8%***	***1.9%***	***1.0%***	***1.4%***	***0.5%***	***3.8%***	***3.5%***	***2.9%***	***2.5%***

Source: Company data and Wells Fargo Securities, LLC Estimates

Key Point #2: Expect NT "Noise" in NA Wholesale

While we're turning more positive on the core business and Classics progress, it's important to keep the near-term in mind – specifically the impact of NA footwear liquidation that took place in FY25. Based on Conf Call comments, filings commentary and trend analysis across several metrics in NA, last year **we believe NKE accelerated wholesale sales to off-price and closeout accounts relative to normalized levels in order to accelerate NA market cleanup**. Our work in this section will support a view that the majority of this clean-up occurred in 2Q25 and 3Q25 (weighted to 3Q25).

- First, we look at reported data in an attempt to quantify the amount of elevated / extraordinary wholesale sales by quarter
- Second, we back this work up with CC and filing comments, as well as trend analysis
- Third, we conclude that this headwind normalizes by 4Q26E.

Quantifying the Timing and Impact of Off-Price / Closeout Liquidation

(*One note: it's helpful to remember that 2Q25 was CEO Hill's first full quarter (60 days in at time of call) – so clearing through off-price and closeout was potentially the quickest and most impactful short-term option*)

As discussed, we believe the majority of NKE's wholesale clearance occurred in 2Q25 and 3Q25. **Relative to 1Q25 (wholesale -10.7%) and 4Q25 (-8.5%) NA wholesale was essentially flat in 2Q25 (-1.2%) and, in fact, +2.4% in 3Q25**. We see a clear separation of trend in these two periods (2Q/3Q vs 1Q/4Q).

If we take the average of 1Q25 and 4Q25 as a proxy for what normalized wholesale levels might have otherwise looked like in 2Q and 3Q, we can use that baseline to estimate 2Q and 3Q assumptions for one-time clearance. On average, we believe normalized FY25 NA wholesale would otherwise be down in the -9.5% to -9% range. Using that range as our proxy, we then compare 2Q results (-1.2% YoY) and 3Q results (+2.4% YoY). This compare / contrast shows 2Q +8% vs our pro forma average and 3Q +11.5% - a strong indication that these quarters were outliers.

Exhibit 17 - Estimating the Impact of Extraordinary Wholesale Clearance

	2025				
	1QA	**2QA**	**3QA**	**4QA**	**FY**
NA Wholesale (SM)	**$2,475**	**$2,866**	**$2,499**	**$2,644**	**$10,484**
y/y change	*-10.7%*	*-1.2%*	*2.4%*	*-8.5%*	*-4.7%*
Estimates OP/Value Sales Tail/Headwind	0.0%	7.8%	11.4%	0.0%	4.8%
NA Wholesale ex-excess OP/Value Sales	**-10.7%**	**-9.0%**	**-9.0%**	**-8.5%**	**-9.5%**

Source: Company data and Wells Fargo Securities, LLC Estimates

More Data Points Support Our Conclusion

Trends in NA wholesale units and wholesale pricing also suggest out-sized sales to off-price and closeout in the aforementioned 2Q and 3Q25. We can clearly see that **1)** apparel units were strongest YoY in 2Q and 3Q (+11% and +6%) as compared to 1Q and 4Q (-12% and -9%), while **2)** apparel pricing was weakest in 2Q (-10% vs +2%).

We see similar results in footwear, down units down less in 2Q and 3Q (-6% and -8%) than 1Q and 4Q (-15% and -11%). We also see that pricing, on average in 2Q/3Q was -4.5% vs. -1.5% in 1Q/4Q. When we take these inputs together – higher units and lower ASPs, we believe this is also a strong indicator of our thesis.

Exhibit 18 - NKE NA FY25 Wholesale Trends (Units & Pricing)

	1Q25	2Q25	3Q25	4Q25
YoY Wholesale % chg				
Apparel units	-12.0%	11.0%	6.0%	-9.0%
Apparel pricing	2.0%	-10.0%	2.0%	2.0%
Footwear units	-15.0%	-6.0%	-8.0%	-11.0%
Footwear pricing	1.0%	-8.0%	-1.0%	-4.0%

Source: Company data and Wells Fargo Securities, LLC

Lastly, we believe trends in NA inventories over the FY25 quarters are informative as well. **As we show in Ex 19. - again, clear delineation of trends in 2Q/3Q vs 1Q/4Q.** NA inventory dollars increased ~$400M sequentially in 1Q25 vs 4Q24, **before contracting ($100M) in 2Q25 and then another ($300M) in 3Q25**. Inventories then increased +$90M sequentially in 4Q25 from 3Q25.

Exhibit 19 - NKE NA Inventories (FY25)

	NA Inv $ (M)	**QoQ Chg ($M)**
1Q25	$3,519	**$385**
2Q25	$3,414	**($105)**
3Q25	$3,107	**($307)**
4Q25	$3,198	**$91**

Source: Company data and Wells Fargo Securities, LLC

Supporting CC and Filing Commentary (*we'd note: no such commentary in 1Q - CC and 10-Q - or 4Q call*)

- **2Q25 CC:** In North America, Q2 revenue was down 8%. NIKE Direct declined 15%, with NIKE Digital down 22%, and NIKE stores down 3%. Wholesale declined 1% (*consider the relative out-performance of wholesale in the broader context*).
- **2Q25 CC:** *A number of these actions we had underway and Elliott has provided a perspective that we accelerate them*. And some of these actions are new actions, like moving more aggressively to reposition NIKE Direct and NIKE Digital, in particular, as a premium channel.
- **3Q25 CC:** Wholesale increased 3%, due primarily to favorable shipment timing and *increased shipments to our value partners in the third quarter.*
- **2Q25 10-Q:** changes in *channel mix and higher discounts*
- **3Q25 10-Q:** lower ASP... *Lower ASP primarily reflects higher discounts and changes in channel mix*

Conclusion

We see revenue headwinds to NA wholesale in 2Q (~8% impact) and 3Q (~11.5% impact) - with 3Q being the larger quarter. **This implies potential headwinds to total NKE revenue of 50-100bps in 2Q and 200-300bps in 3Q.** We do see these headwinds subsiding by 4Q, and we'd expect a more normalized flow by FY27 (as per our work on Classics, above), and we tease the next section, where we consider the other side of fewer, lower-quality sales.

Key Point #3: Margin Recapture is The Main NT Catalyst Ahead

With the "bad news" on looming difficult sales compares out of the way, **we turn to the "good news" in the form of highly visible GM recapture**. Here, we want to break down the recent GM drags and understand how they might start to flow back into profitability in FY26 - which should help to augment clearance winding down and core picking up. We conclude with our view of what a potential Bull Case on margin recapture could look like.

We see 5 primary drivers of FY26 GM performance (both favorable and unfavorable)

1. Lapping elevated NA off-price/closeout in 2Q26 and 3Q26
2. Recapture of sales reserves and inventory reserves
3. Resetting Nike Direct promotional levels
4. China cleanup
5. Tariffs

1. NA GM Tailwinds From Wholesale Normalization

Our work on wholesale sales suggests that 3Q26 is also the peak margin recapture quarter. **Our work points to ~30bps in 2Q26 and ~80bps in 3Q26.** To quantify the margin impact we make assumptions on:

1. A "normalized" NA wholesale rate (*+8% vs "normalized -9% FY25*)
2. The amount of elevated wholesale that won't reoccur in FY26 (*we believe some will reoccur as NKE is not fully finished with cleanup*)
3. The margin delta between "full price" wholesale and "off price/closeout" wholesale – which we forecast at 1,000bps (*or a 10% closeout margin*)

Putting these pieces together we believe NKE loses 50% of the 2Q25 sell-in and 100% of the 3Q25 sell-in, and again believe NKE GM should benefit to the tune of +30bps in 2Q26 and +80bps in 3Q26. We do not forecast any extraordinary GM recovery in 4Q26.

Exhibit 20 - NA GM Recapture - Wholesale Normalization

	2026E				
	1QA	**2QE**	**3QE**	**4QE**	**FY**
NA Wholesale (SM)	**$2,736**	**$2,984**	**$2,414**	**$2,856**	**$10,989**
y/y change	*10.5%*	*4.1%*	*-3.4%*	*8.0%*	*4.8%*
Estimates OP/Value Sales Tail/Headwind	0.0%	-3.9%	-11.4%	0.0%	-3.8%
NA Wholesale ex-excess OP/Value Sales	**10.5%**	**8.0%**	**8.0%**	**8.0%**	**8.6%**
Lost OP/Value Sales (NKE headwind %)		-0.9%	-2.5%		
Lost OP/Value Sales		**($111.2)**	**($285.3)**		
Assumed GM on OP/Vales Sales		10%	10%		
Assumed lost Gross Profit		11.1	28.5		
GM Tailwind to NKE		**0.3%**	**0.8%**		

Source: Company data and Wells Fargo Securities, LLC Estimates

Supporting CC and Filing Commentary

- **2Q25 10-Q:** NA gross margin was flat primarily due to lower ASP, reflecting product mix, changes in channel mix and higher discounts, as well as higher other costs, in part due to inventory obsolescence reserves
- **3Q25 10-Q:** NA gross margin contraction of 210 basis points primarily due to lower ASP and higher inventory obsolescence reserves. Lower ASP primarily reflects higher discounts and changes in channel mix, partially offset by product mix.

2. Reserves, Charges, Obsolescence... Oh My!

In these next two sections we move from a NA view to a total company view **to breakdown the the step-function change in GM declines from 1H25 to 2H25**. As a reminder, total company GMs were actually up +115bps in 1Q25 and down "only" 100bps in 2Q25. The situation changed considerably in 2H, with GM declining 385bps in 3Q25 and 445bps in 4Q25.

We see two large drivers of the sequential deterioration. First, the "Other" bucket comprised of inventory and sales reserves and obsolescence/charges (which we discuss here) and the impact of rightsizing Nike Direct (which we discuss next).

We acknowledge that digging into NKE's accounting and reserve balances can be difficult, but below we do our best to break down the estimates and impacts that occurred over the past 12-18 months.

First, a quick recap of the impact from reserves and obsolescence by quarter. NKE reported:

- 1Q ~60bps (or ~$70M)
- 2Q ~70bps (or ~$85M)
- 3Q ~90bps (or ~$100M)
- FY ~90bps (or ~$450M)

We calculate the total FY25 impact of ~90bps at ~$450M - which allows us to back into a 4Q25 charge of ~$200M, or ~175bps - by far the largest impact of the year.

Next (second) it's important to understand the 3 main drivers of the "Other" costs: **1)** Inventory reserves, **2)** Sales reserves and **3)** Obsolescence. We think a quick accounting recap of inventory reserves is helpful - from the NKE 10-K:

> *"If the net realizable value of inventory is estimated to be less than the cost of the inventory, a reserve is recorded equal to the difference between the cost of the inventory and the estimated net realizable value. **This reserve is recorded as a charge to Cost of sales.** As of May 31, 2025, the Company's inventory reserve was $233 million compared to $155 million as of May 31, 2024. "*

Thus, we calculate the $78M negative change in inventory reserves as -20bps of the overall -90bps impact in FY25 - leaving -70bps to explain. The impact from sales reserves is not as straight-forward, with multiple moving pieces, but we note that the step-up from $799M in FY24 to $1,277M resulted in $478M of contra-revenue (there is an offsetting adjustment to COGS). **As such, we estimate the unfavorable change in sales reserves as another -20bps - implying that obsolescence was the largest piece, at -50bps**, based on our assumptions.

Here, we'd note that NKE specifically called out *"Higher other costs (decreasing gross margin approximately 90 basis points), including higher inventory obsolescence reserves"* in the 10-K. The fact that NKE called out inventory obsolescence specifically suggests it was the biggest piece of the total 90bps, in our view (NKE also called out "discounts to liquidate aged inventory" on its 4Q25 call).

Exhibit 21 - NKE Inventory and Sales Reserves (FY24 & FY25)

Quick Recap of NKE's FY25 Charges ($M)				
	Inventory Reserve	**Total Sales Reserve** :	Sales Return Reserve &	COGS for Prod returns
FY24	$155	$1,282	$799	$331
FY25	$233	$1,834	$1,277	$528
Change	**($78)**	**($552)**	**($478)**	**($197)**

Source: Company data and Wells Fargo Securities, LLC

3. Nike Direct Normalization - the Second 2H Catalyst

"And some of these actions are new actions, like moving more aggressively to reposition NIKE Direct and NIKE Digital, in particular, as a premium channel" - CFO, Andrew Friend, 2Q25 CC

Benefits from lapping aggressive actions to clean-up Nike Direct in 2H25 represents the other significant GM driver in the back half of the year. As a reminder from above, we identified 90bps of "Other" in 3Q25 and 180bps of "Other" in 4Q25.

Interestingly, when we compare those charges to NKE's total reported declines of 385bps in 3Q5 and 445bps in 4Q25, we see approximately ~300bps left to explain in each of those quarters (385 minus 90 = 295bps and 445 minus 175 = 275bps). **We believe actions to clean up NIke Direct represent the majority - or ~250bps - of that ~300bps remainder.**

Supporting CC and Filing Commentary

- **3Q25 CC:** "due to *higher markdowns on NIKE Direct*, higher wholesale discounts, inventory obsolescence, and product costs and channel mix headwinds.
- **3Q25 10-Q:** "Lower NIKE Brand ASP (decreasing gross margin approximately 150 basis points), *primarily due to higher discounts* and changes in channel mix;"
- **4Q25 CC:** "due to higher wholesale discounts, *higher discounts in our NIKE factory stores*, supply chain costs deleverage, and channel mix headwinds"

We'd also note that Nike Digital (ostensibly its highest-margin category) was -25% YoY in NA, and that China (largely direct and at one point its highest-margin region) revenues were -21% in 4Q25 - the largest decline of the year.

4. China Cleanup *(more on China in the next section)*

To lead off - very important to remember the impact of China performance in FY25, relative to NKE's other geographies: **China -400bps vs: NA -100bps, EMEA -100bps and APLA -200bps.**

As a reminder, China GM by quarter: 1Q25 -170bps; 2Q25 -490bps; 3Q25 -580bps; 4Q25 -520bps.

So while NKE had multiple GM issues in FY25, clearly, China was a drag on overall GM.

In the context of an FY26 GM build we see China as a drag at least through the current quarter (-450bps, or -69bps to the total company) and at best neutral in 2H26 as clean up work continues, albeit against easier compares in 3Q (-760bps) and 4Q (-675bps).

Supporting 10-Q / CC Commentary

- **<u>1Q25 10-Q:</u>** “Gross margin contraction of approximately 170 basis points, largely due to unfavorable changes in standard foreign currency exchange rates, higher product costs and higher other costs, in part due to higher inventory obsolescence reserves”
- **<u>2Q25 10-Q:</u>** “Gross margin contraction of approximately 490 basis points, primarily due to unfavorable changes in standard foreign currency exchange rates, lower ASP, reflecting higher discounts and product mix” (*<u>our note</u>: starting to see impact of lower ASP show up as a catalyst*)
- **<u>3Q25 10-Q:</u>** “Gross margin contraction of approximately 580 basis points, reflecting higher inventory obsolescence reserves and unfavorable changes in standard foreign currency exchange rates, partially offset by higher ASP. Higher ASP primarily reflects strategic pricing actions” (*<u>our note</u>: feels like NKE “threw in the towel” and took write downs to try and stop the continuous discounting*)
- **<u>4Q25 CC:</u>** “Greater China executed a deeper reset of inventory relative to our other geographies with higher sales related reserves, higher discounts and supply reductions.”

Conclusion – Building Up a Reasonable FY26 Bull Case

Here, **we bring it all together and think about "what could be" were a more bullish scenario to play out for NKE over the balance of the current FY, and then compare that to Street estimates**.

Given the multitude of catalysts (both good and bad) and the timing differences we also think it's helpful to see all of the moving pieces that could play out in the coming quarters (*Ex 22 below)*. We'll start below with the negative catalysts before recapping the positive ones.

<u>Key Headwinds:</u>

• **Tariffs** = -125bps FY26 (-175bps 2Q26, -150bps 3Q26 and -50bps 4Q26; even in a "Bull Case)

• **China** = -69bps 2Q (based on China-specific GM -450bps)

• **Converse** = -30bps FY26 (-50bps 2Q, -25bps 3Q, -10bps 4Q)

<u>Key Tailwinds:</u>

• **NA Wholesale** = +35bps (+30bps 2Q and +80bps 3Q, 0bps 4Q)

• **Inventory Reserves** = +15bps FY26 (0bps 2Q, +20bps 3Q and 4Q)

• **Obsolescence** = +25bps FY26 (0bps 2Q, +25bps 3Q and +50bps 4Q)

• **Nike Direct** = +150bps FY26 (0bps2Q, +200bps 3Q and +250bps 4Q; driven mainly by ASPs)

Netting this all out: we see potential for NKE to drive upside to Street GMs for the remainder of the FY in the 50-100bps range. We can build to Bull Case GM in **<u>2Q</u>:** 41.0% (-264bps) vs St 40.4%, **<u>3Q</u>:** 43.0% (+150bps) vs St 42.1% and **<u>4Q</u>:** 42.9% (+260bps) vs St 42.0%. This would drive FY26 GM 42.2% vs. St 41.6%. If revenue also stabilizes/inflects (as discussed earlier in this report) combined with this Bull Case GM build, **this could drive EPS towards the ~$2.00 range this FY** (*we discuss this more, in our final section*).

Exhibit 22 - What Could FY26 GM Look Like in a Bull Case?

WFS FY26 Gross Margin "Bull Case Build Up"

	FY26		
	2Q	**3Q**	**4Q**
LY GM (starting point)	**43.6%**	**41.5%**	**40.3%**
Add Back			
N Amer whole	30	80	0
Reserves/Obsolescence	0	45	70
Nike Direct		200	250
China		0	0
Subtract			
China	(69)		
Tariffs	(175)	(150)	(50)
Converse	(50)	(25)	(10)

FY26 Bull Case GM

	GM	bps chg
WFS 2Q26E	**41.0%**	**(264)**
vs Street	*40.4%*	*(325)*
WFS 3Q26E	**43.0%**	**150**
vs Street	*42.1%*	*63*
WFS 4Q26E	**42.9%**	**260**
vs Street	*42.0%*	*178*

Source: Company data and Wells Fargo Securities, LLC Estimates

Key Point #4: China Cleanup Complete By Summer 2026

We dig into China separately - **we believe FY26 remains a larger clean up year than previously thought, and do not see a sustainable GM turn until FY27 (even in a Bull Case, we do not factor in much/any significant recovery)**. This view is based on channel work and multiple industry contacts/ checks. Below we look at **1)** NT macro and broader trends in sport/athletics, **2)** our thoughts on Classics clean-up and general marketplace clean-up and **3)** our view of a GM recapture timeline - we assume margins start to normalize (some) before sales potentially turn.

NT Macro Still a Headwind, and Performance Running > Lifestyle

Our checks over the past several months point to a generally constrained Chinese consumer who remains in a "wait and see" mode. We believe that any direct stimulus is more focused on housing (and related) and not on general retail. Our checks also confirm a significant rise in running participation with the Chinese government spending several billion on direct investment in trails and parks. While favorable for NKE's performance running platforms, this does extend the headwind on Classics clean-up, and suggests a more indirect investment in athletics (though our checks noted the investment potentially grows TAM from 450M people in China to 650M next few years - which would be a LT positive for NKE).

NKE Clean Up Lasting Longer Than Expected

Across our checks feedback has been consistent - inventory clean-up is lasting longer than expected, and we believe likely to persist through mid-CY26 (FY27). Jordan is still not resonating, exacerbated by the shift to running and fitness (gym openings "booming") and more frequent player movement among teams. Feedback from checks suggests discounting has not been enough to improve trends and China remains a drag w/ competition only getting stronger. To that point, our checks are of the opinion that even in running competitors had the upper-hand. They further note, while the Vomero is a good trainer, it's not necessarily appropriate for racing or everyday-wear. To close out the "bad news" our checks do not see any major innovation over the next 6-12 months.

We Agree With a Muted View on Sales Recovery, Instead We Look to GM

To be clear - even in a Bull Case we assume GM headwind here in 2Q26 (*forecasting sequential deterioration to -450bps*) before some flattening out in 2H26 on easier compares - on the view that marketplace clean up work persists through summer 2026. We also take a cautiously-optimistic view in 1H27, where we forecast China GM +75bps and +125bps in 1Q27 and 2Q27, before getting a bit more aggressive in 2H27. We then weight the China-specific GM recapture at just over 15%, based on China's % of total company gross profit in FY25. **Said another way - we do not see a meaningful improvement in trends for ~5 quarters, and even then believe that any improvement is based on some level of normalization - not on a return to growth.** This gives us confidence that NKE can simply return to a baseline, with upside optionality in a scenario where innovation / heat return quicker than expected.

Exhibit 23 - WFS: China Bull Case GM Recapture (through FY28)

China Bull Case GM Recapture

	Margin Recapture FY26	FY27	FY28	Total Recapture	Stack GM bps bps Declines	50% recapture	FY26+FY27 recapture	Implied FY28 recapture
1Q	(146)	75	224	**153**	(306)	153	(71)	**224**
2Q	(450)	125	530	**205**	(410)	205	(325)	**530**
3Q	0	200	180	**380**	(760)	380	200	**180**
4Q	0	200	138	**338**	(677)	338	200	**138**

	Weighted			
1Q	**(22)**	**11**	**34**	**23**
2Q	**(69)**	**19**	**81**	**31**
3Q	**0**	**31**	**28**	**58**
4Q	**0**	**31**	**21**	**52**

(Total Co impact)

Source: Company data and Wells Fargo Securities, LLC Estimates

When we weight these estimates for China's impact to the overall model, we see - on average - approximately +25bps benefit to NKE in FY27 and +40bps benefit in FY28. We reiterate this recapture is based more on clearance and pricing normalization following several years of clean up work, and not on a return to growth. In the last section, following, we flow these China assumptions through to the total company and build up our FY26 and FY27 EPS bull cases.

Key Point #5: WFS FY26 and FY27 EPS Bull Case Build Up

Teasing "The Drop"

Before we get to our Bull Case EPS build, we recap our work on sales + margins for a more complete picture of what a NKE Bull Case could look like in FY26 and FY27. **We start with our Bull Case revenue assumptions below, and update to include our work on the NA wholesale headwinds we detailed earlier** - as NKE cycles significant clearance to off price and discount customers from 2Q25 and 3Q25, which we see as 1-time in nature.

Revenue Build

As a refresher, we build our revenues on three components:

1) "Classics" footwear and the associated headwind (*which we believe dissipates through the FY*) - **We see 1Q 30% decline improving to -25%, -15% and -10% through the remainder of the FY**.

2) Non-Classics footwear - which we see growing in the +LDD range following a +25% growth in 1Q. We believe there is a meaningful amount of sell-in benefiting 1Q, thus **we lower the rate of**

growth expected through the FY (*to +17.5%, +12% and +10%*) mainly driven by performance run silhouettes (namely Vomero and Peg).

3) "Rest of Business" - **which we see growing in the +MSD range**. This is driven by apparel +HSD-LDD partially offset by declines in Converse.

As detailed in Section #1, with AF1/AJ1 currently in their 55-65th month of declines in Google search trends - very much in line with trough periods for past large sneaker franchise resets - we have confidence that NKE's clean up work is in fact winding down, which drives our decreasing headwind through 1Q27.

One note, within this more bullish outlook, we still need to call out the impact to revenues from lapping extraordinary off-price and closeout wholesale in NA, from 2Q25 and 3Q25. While we believe our estimates reflect the headwind (*our NA wholesale estimate is lowered to -3% from +3% prior in 3Q*), we believe the Street is not accurately capturing this headwind in 3Q.

After that, however, we see a decent amount of visibility and revenue upside over the next 12-18 months, including a scenario where total footwear inflects back to growth exiting FY26 (*+2% 4Q26*). **We can build to FY26 Bull Case revenues $47,019M (+0.5% vs St - note 1Q already reported)) and FY27 revenues $50,464M (+2.5% vs St).**

Exhibit 24 - WFS: NKE Bull Case Revenues

WFS FY26 and FY27 Bull Case

($M)	2026E					2027E				
	1QA	2QE	3QE	4QE	FY	1QE	2QE	3QE	4QE	FY
Total NKE revenue	$11,720	$12,428	$11,357	$11,514	**$47,019**	$12,296	$13,307	$12,496	$12,364	**$50,464**
YoY change	*1.1%*	*0.6%*	*0.8%*	*3.8%*	*1.5%*	*4.9%*	*7.1%*	*10.0%*	*7.4%*	*7.3%*
FX impact	1.7%	1.5%	3.5%	1.7%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Constant-Currency Growth	**-0.5%**	**-0.9%**	**-2.7%**	**2.1%**	**-0.3%**	**4.9%**	**7.1%**	**10.0%**	**7.4%**	**7.3%**
Total Footwear	$7,410	$7,629	$7,419	$7,446	**$29,904**	$7,771	$8,151	$8,062	$8,092	**$32,076**
YoY change	*-0.7%*	*-0.3%*	*2.9%*	*3.6%*	***1.3%***	*4.9%*	*6.8%*	*8.7%*	*8.7%*	***7.3%***
Constant-Currency Growth	**-2.3%**	**-1.9%**	**-0.6%**	**2.0%**	**-0.5%**	**4.9%**	**6.8%**	**8.7%**	**8.7%**	**7.3%**
Classics Categories	$2,536	$2,410	$2,060	$2,059	**$9,065**	$2,409	$2,410	$2,060	$2,059	**$8,938**
YoY change	*-30.0%*	*-25.0%*	*-15.0%*	*-10.0%*	*-21.5%*	*-5.0%*	*0.0%*	*0.0%*	*0.0%*	*-1.4%*
Footwear (ex-Classics)	$4,874	$5,219	$5,358	$5,387	$20,839	$5,361	$5,741	$6,001	$6,034	$23,138
YoY change	*27.0%*	*17.5%*	*12.0%*	*10.0%*	*16.0%*	*10.0%*	*10.0%*	*12.0%*	*12.0%*	*11.0%*
Constant-Currency Growth	**25.3%**	**16.0%**	**8.5%**	**8.3%**	**14.2%**	**10.0%**	**10.0%**	**12.0%**	**12.0%**	**11.0%**
Rest of Business	**4,310**	**4,910**	**4,223**	**4,068**	**17,512**	**4,526**	**5,156**	**4,435**	**4,272**	**18,388**
YoY change	4.4%	4.5%	4.0%	4.0%	4.2%	5.0%	5.0%	5.0%	5.0%	5.0%
Constant-Currency Growth	**2.8%**	**3.0%**	**0.5%**	**2.3%**	**2.4%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**
Upside vs Current Street Revs		***1.9%***	***-0.6%***	***1.0%***	***0.5%***	***0.5%***	***3.8%***	***3.5%***	***2.9%***	***2.5%***

Source: Company data and Wells Fargo Securities, LLC Estimates

Gross Margin Build

Building on our prior GM thoughts (ASPs, liquidation laps, reserves), as well as our FY27 China upside case, we look out to rebuild and highlight the GM potential over the next 24 months.

Our key assumptions include:

1) We further our assumption that NA wholesale clean up is squarely a 2Q26 and 3Q26 GM driver, and do not assume any additional benefit in FY27. **This is a 30bps and 80bps driver to 2Q26 and 3Q26.**

2) Incremental reserves and obsolescence recovery, which should have a tail as sales and inventory trends improve further (this drives sequential YoY improvement), begin to benefit margins in 3Q26.

We assume 0bps benefit in 2Q26, followed by 45bps and 70bps in 3Q26 and 4Q26. We then see further quarterly benefits flowing through in FY27 (*75bps, 75bps, 40bps and 30bps*).

3) FP sales recapture in Nike Direct and a clean inventory assortment drive wrap-around benefits on margin recapture - **driving 200bps/250bps in 3Q26/4Q26, followed by 250bps in 1H27 before slowing to 50bps 3Q27, and then flattening out in 4Q as NKE fully anniversaries the work in FY25**.

4) We layer in our work on China, which adds 25bps to FY27 GM due to marketplace cleanup efforts which should be complete by Summer 2026.

5) Regarding key *headwinds* in our build, we most notably forecast **tariff pressure** of 175bps, 150bps and 50bps for the remainder of FY26, while also layering in a small headwind from **Converse** in FY26 which largely reverses in FY27.

This builds to FY26 GM 42.2% and FY27 GM 44.5% *(vs St 41.6% and 43.0%)*.

Exhibit 25 - WFS NKE Bull Case GM Recap

WFS FY26 and FY27 Bull Case

($M)	2026E 1QA	2026E 2QE	2026E 3QE	2026E 4QE	2026E FY	2027E 1QE	2027E 2QE	2027E 3QE	2027E 4QE	2027E FY
WFS Bull Case Revenue	*$11,720*	$12,428	$11,357	$11,514	**$47,019**	$12,296	$13,307	$12,496	$12,364	**$50,464**
Bull Case GM %	*42.2%*	*41.0%*	*43.0%*	*42.9%*	***42.2%***	*45.4%*	*44.7%*	*44.4%*	*43.6%*	***44.5%***
Gross Profit $	*$4,943*	*$5,093*	*$4,882*	*$4,936*	***$19,855***	*$5,581*	*$5,945*	*$5,553*	*$5,394*	***$22,474***

Source: Company data and Wells Fargo Securities, LLC Estimates

We build up our GM bull case below:

Exhibit 26 - Looking Out to a Potential FY27 GM Bull Case

WFS FY26 & FY27 Gross Margin "Bull Case Build Up"

	FY26 2Q	FY26 3Q	FY26 4Q	FY27 1Q	FY27 2Q	FY27 3Q	FY27 4Q
LY GM (starting point)	**43.6%**	**41.5%**	**40.3%**	**42.2%**	**41.0%**	**43.0%**	**42.9%**
Add Back							
N Amer whole	30	80	0	0	0	0	0
Reserves/Obsolescence	0	45	70	75	75	40	30
Nike Direct		200	250	250	250	50	0
China		0	0	11	19	31	31
Subtract							
China	(69)						
Tariffs	(175)	(150)	(50)	(25)			
Converse	(50)	(25)	(10)	10	25	25	15

	FY26 Bull Case GM 2Q	bps chg	FY26 Bull Case GM 3Q	bps chg	FY26 Bull Case GM 4Q	bps chg	FY27 Bull Case GM 1Q	bps chg	FY27 Bull Case GM 2Q	bps chg	FY27 Bull Case GM 3Q	bps chg	FY27 Bull Case GM 4Q	bps chg
WFS Bull Case	**41.0%**	(264)	**43.0%**	150	**42.9%**	260	**45.4%**	321	**44.7%**	369	**44.4%**	146	**43.6%**	76
vs St	*40.4%*	*(325)*	*42.1%*	*63*	*42.0%*	*178*	*43.6%*	*139*	*42.8%*	*240*	*43.8%*	*171*	*43.3%*	*126*
Diff vs St (bps)	**61**		**87**		**82**		**183**		**191**		**62**		**32**	

Source: Company data and Wells Fargo Securities, LLC Estimates

Tweaking Expense Assumptions

In the Bull Case build up, we grow reported 1Q25-4Q25 SGA $ by an adjusted growth rate, reflecting a 50% SG&A flow-through on our Bull Case sales. Said differently, **we keep our in-print expense assumptions and layer in incremental growth in $s based on the revenue upside to our model** (growing modeled SG&A by half the rate of incremental revenue upside).

Exhibit 27 - Assuming 50% SGA Flow Through on Bull Case Sales

WFS FY26 and FY27 Bull Case										
($M)	2026E					2027E				
	1QA	2QE	3QE	4QE	FY	1QE	2QE	3QE	4QE	FY
WFS Bull Case Revenue	$11,720	$12,428	$11,357	$11,514	**$47,019**	$12,296	$13,307	$12,496	$12,364	**$50,464**
Bull Case GM %	42.2%	41.0%	43.0%	42.9%	**42.2%**	45.4%	44.7%	44.4%	43.6%	**44.5%**
Gross Profit $	$4,943	$5,093	$4,882	$4,936	**$19,855**	$5,581	$5,945	$5,553	$5,394	**$22,474**
SGA Assumption %	34.3%	34.4%	34.5%	36.7%	**34.9%**	33.6%	33.5%	32.6%	35.2%	**33.7%**
Core SGA $ g rate	-0.8%	6.5%	1.0%	1.2%	**2.0%**	1.9%	2.2%	2.2%	2.0%	
Adjusted SGA $ g rate		6.7%	0.4%	1.5%	**2.1%**	3.0%	4.2%	4.1%	3.1%	**3.6%**
SGA $	$4,016	$4,274	$3,917	$4,221	**$16,428**	$4,135	$4,455	$4,076	$4,353	**$17,019**

Source: Company data and Wells Fargo Securities, LLC Estimates

"Below the Line" Assumptions

To keep the focus on fundamentals we simply carry forward the 1Q26 interest income through the rest of the year, then cut that by half in FY27. We do not model any other income or expense. Lastly, we model a 20% tax rate FY26 and 18% rate FY27 (the relative recovery in China should help lower the overall rate).

"Unboxing" Our WFS EPS Bull Case Build

In sneaker culture, very little beats an epic "unboxing" of a hyped purchase. So, after building the hype, we unbox our FY26 and FY27 Bull Case EPS views.

With the inputs above - **we can build to $1.90 in FY26 and $3.15 in FY27 (or, approximately ~$2.00 and ~$3.00). These estimates would represent > 15% and > 25% upside vs. Street's current $1.64 and $2.49.**

Exhibit 28 - What Could FY26 and FY27 Look Like in a Bull Case?

WFS FY26 and FY27 Bull Case

($M)	2026E					2027E				
	1QA	2QE	3QE	4QE	FY	1QE	2QE	3QE	4QE	FY
Total NKE revenue	$11,720	$12,428	$11,357	$11,514	**$47,019**	$12,296	$13,307	$12,496	$12,364	**$50,464**
YoY change	*1.1%*	*0.6%*	*0.8%*	*3.8%*	*1.5%*	*4.9%*	*7.1%*	*10.0%*	*7.4%*	*7.3%*
FX impact	1.7%	1.5%	3.5%	1.7%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Constant-Currency Growth	**-0.5%**	**-0.9%**	**-2.7%**	**2.1%**	**-0.3%**	**4.9%**	**7.1%**	**10.0%**	**7.4%**	**7.3%**
Bull Case GM %	*42.2%*	*41.0%*	*43.0%*	*42.9%*	***42.2%***	*45.4%*	*44.7%*	*44.4%*	*43.6%*	***44.5%***
Gross Profit $	*$4,943*	*$5,093*	*$4,882*	*$4,936*	***$19,855***	*$5,581*	*$5,945*	*$5,553*	*$5,394*	***$22,474***
SGA Assumption %	34.3%	34.4%	34.5%	36.7%	**34.9%**	33.6%	33.5%	32.6%	35.2%	**33.7%**
SGA $	*$4,016*	*$4,274*	*$3,917*	*$4,221*	***$16,428***	*$4,135*	*$4,455*	*$4,076*	*$4,353*	***$17,019***
Other Xp (Inc)	*$23*	*$0*	*$0*	*$0*	***$23***	*$0*	*$0*	*$0*	*$0*	***$0***
Interest Xp (Inc)	*-$18*	*-$20*	*-$20*	*-$20*	***-$78***	*-$10*	*-$10*	*-$10*	*-$10*	***-$40***
Pre-Tax	$922	$840	$985	$735	**$3,482**	$1,456	$1,500	$1,487	$1,051	**$5,495**
Tax Rate %	*21.1%*	*20.0%*	*20.0%*	*20.0%*	***20.3%***	*18.0%*	*18.0%*	*18.0%*	*18.0%*	***18.0%***
NI	$727	$672	$788	$588	**$2,775**	$1,194	$1,230	$1,220	$862	**$4,506**
Shs	1,479	1,477	1,471	1,460	**1,461**	1,472	1,460	1,449	1,439	**1,431**
EPS	$0.49	$0.45	$0.54	$0.40	**$1.90**	$0.81	$0.84	$0.84	$0.60	**$3.15**
vs Street	*$0.49*	*$0.37*	*$0.47*	*$0.31*	***$1.64***	*$0.72*	*$0.63*	*$0.70*	*$0.52*	***$2.49***
Upside vs Current Street EPS		22.9%	13.9%	30.0%	**15.8%**	12.7%	33.7%	20.2%	15.2%	**26.5%**

Source: Company data and Wells Fargo Securities, LLC Estimates

Financial Outlook

FY26E: Our FY26E EPS estimate is **raised** to $1.70 (from $1.60) 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 $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%

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 lead 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 29 - 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.

Financials

Exhibit 30 - 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 $60.00

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.

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 (11/12/25)	Rating
NIKE, Inc.	NKE	$64.20	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

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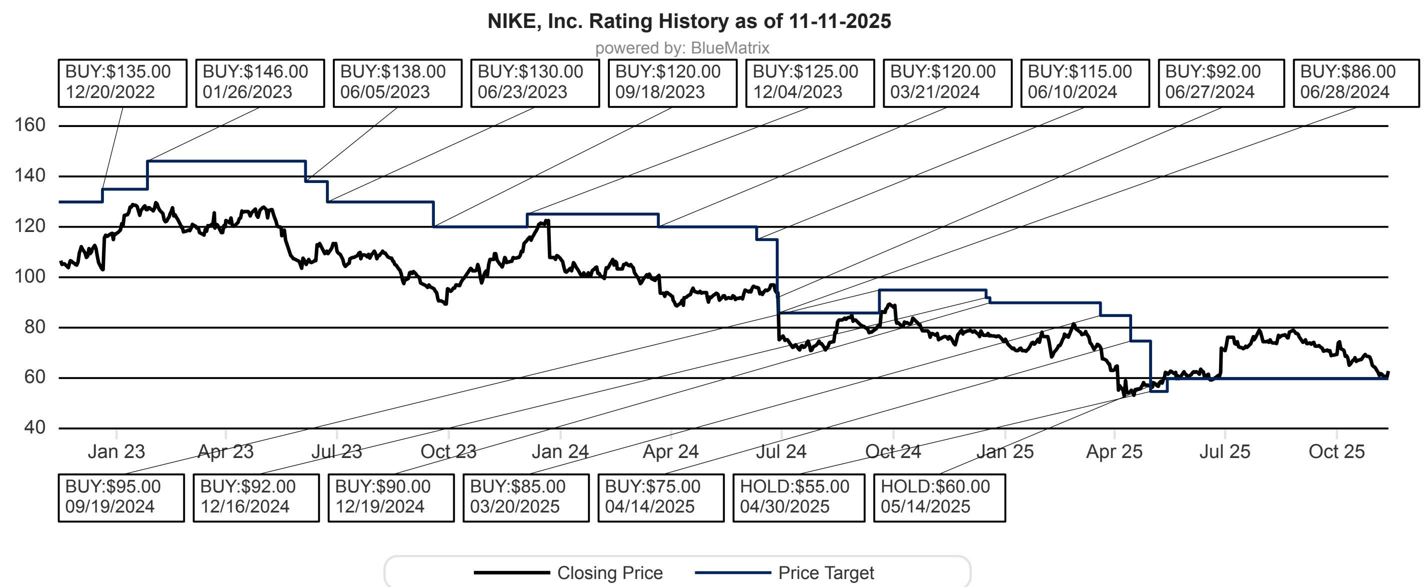

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OW=Overweight: Total return on stock expected to be 10%+ over the next 12 months. (BUY)

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 12, 2025
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