Earnings Revised — September 30, 2025

Retailing, Specialty Softlines, and E-commerce

NIKE, Inc.

Solid 1Q Beat w/ Puts and Takes Go-Fwd; $60 PT, Sidelined

Equal Weight
Price Target: $60.00

Notable Changes			
$ (May)	**Current**	**Prior**	**% Chg**
EPS 2026	1.60	1.45	10.1% ▲
EPS 2027	2.25	2.05	9.6% ▲
Rev. (MM) 2026	47.06B	45.83B	2.7% ▲
Rev. (MM) 2027	48.97B	47.67B	2.7% ▲

Ticker	NKE
Upside/(Downside) to Target	**(14.0)%**
Price (09/30/2025)	**$69.73**
52 Week Range	$52.28 - 89.64
Market Cap (MM)	$103,040
Enterprise Value (MM)	$101,855
Average Daily Value (MM)	$1,016
Dividend Yield	2.3%

$ (May)	Q1	Q2	Q3	Q4	FY
EPS					
2026E	0.49 A	0.40 E	0.43 E	0.26 E	1.60 E
Prior	0.29 E	0.47 E	NC	0.24 E	1.45 E
2027E	0.63 E	0.53 E	0.63 E	0.44 E	2.25 E
Prior	0.38 E	0.61 E	0.61 E	0.40 E	2.05 E

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

Our Call

Mixed results with both positive and negative callous. Revenue a clear upside driver to 1Q; however, expectations on FY margins move lower due to several factors. 2Q guide takes numbers down, while 2H continues to lack visibility. Stay sidelined.

Thoughts on 1Q. The revenue upside in 1Q itself was commendable - with the wholesale channel inflecting across several regions (with NA the key bright spot geographically) as NKE posted its strongest beat in several years. However, the notable combo of tariffs + a weaker than expected China region is driving FY margins lower and likely eats away any EPS upside Bulls hoped for on the better top-line. Green shoots exist, but ex NA all other regions seem to still have some level of hair.

Mgmt Callback Takes. 1) Direct not returning to growth this FY, while Wholesale will grow "modestly", **2)** Wholesale will lap material sales to value channel in 2H which will be a headwind, **3)** 2H GMs will benefit from material reduction in promo (NA, EMEA) and cleaner marketplace; however, tariffs, China and Converse are all bad guys, **4)** Order books continue to life in all regions ex-China, **5)** EMEA promo intensity has picked up - now leveraging higher discounts on direct.

Best Foot Forward: Positive Callouts. 1) NA revs better than expected and up YoY (+4% vs St -6%) w/ region furthest along in recovery (50 fewer promo days / lower overall markdown rates), **2)** wholesale revs (total co +5% inc NA +11%) w/ order books remaining pos, **3)** running +20% w/ strength across regions, **4)** closeout inv approaching normal (NA) and at normal levels (EMEA); China total invs -11%, **5)** sport-focused approach allowed NKE to restructure operations and should drive better growth.

Watch Your Step: Negative Callouts. 1) China weakness persists, to remain a headwind thru FY26 as mgmt discussed "structural challenges", larger marketplace clearance investments (in-season sell-thru below expectations), **2)** sportswear under-performance / continues to decline, **3)** mixed callous in EMEA (marketplace promos rising) and APLA (inv +HSD, actions to rebal wholesale, tighten direct) and **4)** digital/direct remain under pressure - traffic -DD% and Direct negative for FY.

Street Estimates Likely Flat to Down. Mixed results plus tariff-impacted guide suggests Street est. ($1.66) likely flat to down post-print. **GM outlook the biggest call-out** in both 2Q (-375 to -300bps vs St -225bps w/175 from tariffs) and for FY26 w/ tariffs (-120bps vs -75 prev), China (revs and margins remain a drag thru FY26) and Converse as the main drags. Bottom line: top-line momentum at wholesale being wiped out by lower margins. **Net/net - we still see ~$1.60 in FY26 EPS as likely.**

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Wells Fargo Express Takeaways

NIKE, Inc. (NKE) | Rating: Equal Weight | Price Target: $60.00
Analyst: Ike Boruchow

Financials

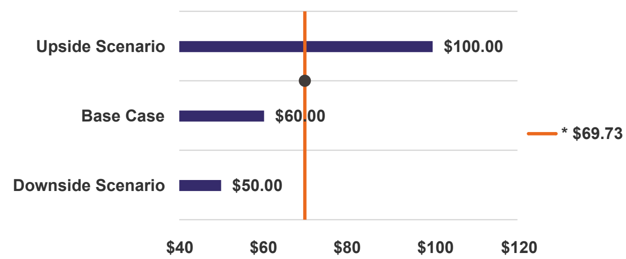
FY (May)	2025A	2026E	2027E
$			
ESTIMATES			
EPS			
Q1	0.70 A	0.49 A	0.63 E
Q2	0.78 A	0.40 E	0.53 E
Q3	0.54 A	0.43 E	0.63 E
Q4	0.14 A	0.26 E	0.44 E
AN	2.16 A	1.60 E	2.25 E
Rev. (MM)	46.31B A	47.06B E	48.97B E
EBIT (MM)	3,778.0 A	2,864.4 E	3,776.1 E
EBITDA (MM)	4.59B A	3.66B E	4.60B E
FCF (MM)	3,268.0 A	2,881.9 E	3,928.9 E
WELLS FARGO vs. CONSENSUS			
Consensus Estimate	3.06 A	1.66 E	2.47 E
Difference from Consensus		(3.9)%	(74.6)%
VALUATION			
P/E	32.2x	43.7x	31.0x
EV/Revenue	2.2x	2.2x	2.1x
EV/EBIT	27.0x	35.6x	27.0x
EV/EBITDA	22.2x	27.8x	22.1x
EV/FCF	31.2x	35.3x	25.9x
FCF Yield	3.2%	2.8%	3.8%

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 Equal Weight. While Nike has historically been one of the strongest consumer brands in the world, near-term trends are negative and likely to be choppy during a multi-quarter turnaround period. However, as rev growth inflects, we expect operating leverage to return and EPS growth to accelerate.

Risk vs. Reward – Upside/Downside Price Target Scenarios



**As of 09/30/25*
Source: Wells Fargo Securities, LLC estimates and Factset.

Base Case | $60.00

Our $60 price target is based on a ~30x P/E on our FY27E EPS. This is closer to a "recovery" multiple on trough earnings which we believe accurately reflects current headwinds and tariff impacts
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 | $100.00

Our $100 Bull Case reflects a 30x P/E on ~$4.00 FY28 EPS (*above our forecasts*) discounted back 2-Yrs.

Factors that would contribute to the Bull Case scenario include:

1) Direct revs inflect post cleanup, with much healthier inc margins

2) GM declines are fully recaptured as NKE's marketplace becomes much cleaner/ profitable

3) Franchise management accelerates innovation and drives revenue upside globally

4) The China market stabilizes

Downside Scenario | $50.00

Our $50 Bear Case reflects a 25x P/E on ~$2.25 FY28 EPS (*below our forecasts*) discounted back 2-Yrs.

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.** Last September, 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 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. 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 the integrated marketplace**, 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—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 Has Shifted From Key *Tailwind* to Ongoing *Headwind.*** After several years of very strong growth China has slowed materially post-COVID on a number of issues. Local companies like Anta and Li Ning have raised their own game in terms of sneaker technology, are able to price well below Nike—as Nike is still seen as a premium brand—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 from NKE, similar to the US and Adidas is also outperforming NKE near term as well, following their own marketplace inventory cleanup recently. This is compounded by NKE's lack of newness and over-saturation of core retro styles. Lastly, trail and track running have accelerated in terms of popularity in China, at the expense of basketball, which is NKE's most important vertical.
4. **Financial Headwinds Expected to Persist in the NT.** There is more work to do to return to healthy inventory levels across 3 key franchises. Notably, despite a material pullback in FY24 (~MSD revenue headwind, or $2-3B in lost sales), this will likely lead to ongoing -DD declines in key franchises through FY26 as they work their revenue base back to "normal" (AF1/AJ1). However, Dunk is likely the most challenged line on current sell-through rates, and could see much more material declines in the revenue base. Additionally, there are expected to be short-term challenges on mix as bringing innovation to market creates a temporary headwind, with momentum in wholesale (away from direct) also creating a negative margin shift. For context on just how much pressure NKE has gone through the past few years—Street EPS estimates have been in a negative revision cycle for 24 months, as FY26 EPS has gone from ~$4.50 all the way down to $1.85 into the 4Q print.

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—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 **raised** to $1.60 (from $1.45) representing EPS -26.3%. We are projecting total sales +1.6%. We are projecting gross margin down ~160bps, to 41.1%, and we expect SG&A to grow +2% in dollars, to 34.9%. As a result, we expect operating margin to contract ~210bps, to 6.1%.

Financials

Exhibit 2 - NKE Income Statement

In $millions except per-share data	FY24	FY25	1Q26	2Q26E	3Q26E	4Q26E	FY26E	1Q27E	2Q27E	3Q27E	4Q27E	FY27E
Revenues	**$51,362**	**$46,309**	**$11,720**	**$12,374**	**$11,503**	**$11,458**	**$47,056**	**$12,045**	**$12,773**	**$12,055**	**$12,096**	**$48,969**
Cost of sales	28,402	26,519	6,777	7,386	6,783	6,790	27,736	6,888	7,524	6,962	7,052	28,427
Gross profit	22,960	19,790	4,943	4,988	4,720	4,669	19,320	5,157	5,249	5,092	5,044	20,542
Demand creation	*4,285*	*4,689*	*1,188*	*1,324*	*1,142*	*1,316*	*4,970*	*1,259*	*1,377*	*1,200*	*1,381*	*5,217*
Operating overhead	*11,911*	*11,399*	*2,828*	*2,941*	*2,799*	*2,895*	*11,463*	*2,828*	*2,970*	*2,827*	*2,924*	*11,549*
Total SG&A	16,196	16,088	4,016	4,265	3,941	4,211	16,433	4,087	4,347	4,027	4,305	16,766
Other expense/(income)	(228)	(76)	23	0	0	0	23	0	0	0	0	0
Operating income	**6,992**	**3,778**	**904**	**724**	**779**	**458**	**2,864**	**1,070**	**902**	**1,066**	**739**	**3,776**
EBITDA	*7,836*	*4,586*					*3,662*					*4,603*
Interest expense	(161)	(107)	(18)	(20)	(20)	(20)	(78)	(20)	(20)	(20)	(20)	(80)
Pretax income	7,153	3,885	922	744	799	478	2,942	1,090	922	1,086	759	3,856
Income tax expense	1,105	666	195	149	160	96	599	163	138	163	114	578
Net income	6,048	3,219	727	595	639	382	2,343	926	784	923	645	3,278
Diluted EPS	**$3.95**	**$2.16**	**$0.49**	**$0.40**	**$0.43**	**$0.26**	**$1.60**	**$0.63**	**$0.53**	**$0.63**	**$0.44**	**$2.25**
Diluted shares outstanding	1,530	1,488	1,479	1,477	1,474	1,471	1,469	1,476	1,472	1,466	1,458	1,457
MARGIN ANALYSIS												
Gross margin (High 40s Target, June '21)	44.7%	42.7%	42.2%	40.3%	41.0%	40.7%	41.1%	42.8%	41.1%	42.2%	41.7%	42.0%
y/y change (bps)	*118*	*(197)*	*(319)*	*(331)*	*(45)*	*47*	*(162)*	*64*	*78*	*121*	*96*	*90*
Demand creation as % of sales	*8.3%*	*10.1%*	*10.1%*	*10.7%*	*9.9%*	*11.5%*	*10.6%*	*10.5%*	*10.8%*	*10.0%*	*11.4%*	*10.7%*
Overhead as % of sales	*23.2%*	*24.6%*	*24.1%*	*23.8%*	*24.3%*	*25.3%*	*24.4%*	*23.5%*	*23.3%*	*23.5%*	*24.2%*	*23.6%*
Total SG&A as % of sales (32-33% Target, June '21)	31.5%	34.7%	34.3%	34.5%	34.3%	36.7%	34.9%	33.9%	34.0%	33.4%	35.6%	34.2%
y/y change (bps)	*118*	*(197)*	*(319)*	*(331)*	*(45)*	*47*	*(162)*	*64*	*78*	*121*	*96*	*90*
Operating margin (High-teens Target, June '21)	**13.6%**	**8.2%**	**7.7%**	**5.8%**	**6.8%**	**4.0%**	**6.1%**	**8.9%**	**7.1%**	**8.8%**	**6.1%**	**7.7%**
Tax rate	15.4%	17.1%	21.1%	20.0%	20.0%	20.0%	20.4%	15.0%	15.0%	15.0%	15.0%	15.0%
Net margin	11.8%	7.0%	6.2%	4.8%	5.6%	3.3%	5.0%	7.7%	6.1%	7.7%	5.3%	6.7%
GROWTH ANALYSIS												
Total Revenue	0.3%	-9.8%	1.1%	0.2%	2.1%	3.3%	1.6%	2.8%	3.2%	4.8%	5.6%	4.1%
Constant-FX Revenue (+HSD-LDD Target, June '21)	**0.5%**	**-9.1%**	**-0.5%**	**-1.4%**	**-1.5%**	**1.6%**	**-0.2%**	**2.6%**	**3.3%**	**4.8%**	**5.6%**	**4.1%**
Gross profit	3.0%	-13.8%	-6.0%	-7.4%	1.0%	4.5%	-2.4%	4.3%	5.2%	7.9%	8.0%	6.3%
Demand creation	5.5%	9.4%	-3.1%	18.0%	5.0%	5.0%	6.0%	6.0%	4.0%	5.0%	5.0%	5.0%
Overhead	-3.3%	-4.3%	0.2%	2.0%	0.0%	0.0%	0.6%	0.0%	1.0%	1.0%	1.0%	0.8%
Total SG&A	-1.1%	-0.7%	-0.8%	6.5%	1.4%	1.5%	2.1%	1.8%	1.9%	2.2%	2.2%	2.0%
Operating income	**12.9%**	**-46.0%**	**-28.5%**	**-48.0%**	**-5.7%**	**54.7%**	**-24.2%**	**18.3%**	**24.6%**	**36.9%**	**61.3%**	**31.8%**
Net income	19.3%	-46.8%	-30.8%	-48.8%	-19.5%	81.2%	-27.2%	27.4%	31.7%	44.4%	68.7%	39.9%
EPS	**22.4%**	**-45.3%**	**-29.8%**	**-48.4%**	**-19.2%**	**82.0%**	**-26.3%**	**27.7%**	**32.1%**	**45.2%**	**70.2%**	**41.0%**
Shares	-2.6%	-2.8%	-1.5%	-0.9%	-0.4%	-0.4%	-1.3%	-0.2%	-0.3%	-0.5%	-0.9%	-0.8%

Source: Company Data and Wells Fargo Securities, LLC Estimates

Investment Thesis, Valuation and Risks

NIKE, Inc. (NKE)

Investment Thesis
We rate NKE Equal Weight. While Nike has historically been one of the strongest consumer brands in the world, near-term trends are negative and likely to be choppy during a multi-quarter turnaround period. However, as rev growth inflects, we expect operating leverage to return and EPS growth to accelerate.
Target Price Valuation for NKE: $60.00 from NC
Our $60 price target is based on a ~30x P/E on our FY27E EPS. This is closer to a "recovery" multiple on trough earnings which we believe accurately reflects current headwinds and tariff impacts
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 (09/30/25)	Rating
NIKE, Inc.	NKE	$69.73	Equal Weight

Source: Wells Fargo Securities LLC Estimates, FactSet

Required Disclosures

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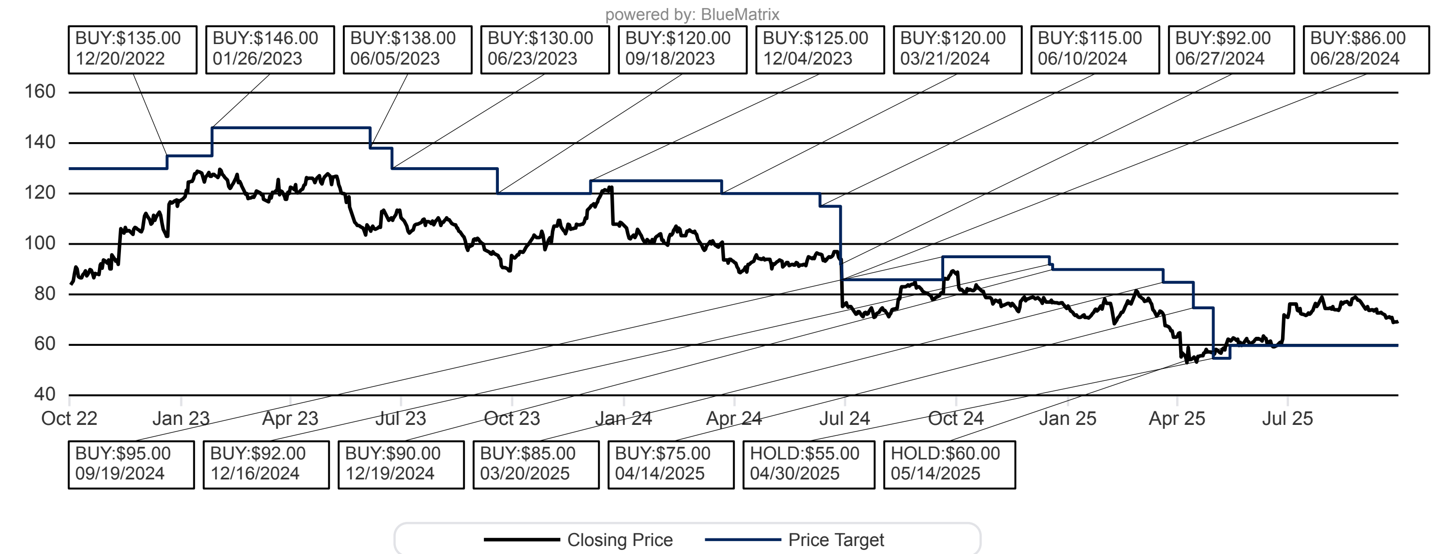
Additional Information Available Upon Request

NIKE, Inc. Rating History as of 09-29-2025



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

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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.

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Wells Fargo Securities, LLC has provided investment banking services for 41.5% of its Equity Research Overweight-rated companies. (BUY)
Wells Fargo Securities, LLC has provided investment banking services for 39.7% of its Equity Research Equal Weight-rated companies. (HOLD)
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