Nike

NYSE: NKE

Team Apex

Analyst Profiles
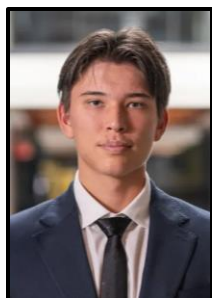
Simon Kurono

Education:
University of British Columbia (Bachelor of Commerce, 2nd year Business, Computer Science, Math)

GPA: 3.9/4.0, 14th in class

Key Experiences:
- Quantitative Researcher at UBC Trading Group
- Fixed Income Summer Analyst at Raffles Advisors
- Data Engineer at Turing

Case Experience:
- Wunderfund Market State Forecasting Machine Learning Competition (Top 6% global rank, 2025)
- Elite Quant Challenge – Machine Learning and Live Trading Competition (Top 7% global rank, 2025)

Teni Somefun

Education:
University of British Columbia (Bachelor of Commerce, 2nd year Intended Specialization: Finance)

GPA: 3.8/4.0

Key Experiences:
- Strive Case Competition Judge
- Analyst (EIT) at CFAC Portfolio Management
- Teacher and Travel Team member at Sauder LIFT
- Financial Analyst Commerce Undergraduate Society

Case Experience:
- CFAC Stock Pitch Competition (2025)
- UBC Financial Association 100k Competition (Top 10%)
- WestPeak x YWib Stock Pitch Competition (2024)
- LIFT x Philanthropy Program Case Competition

Kyle Tsuji

Education:
University of British Columbia (Bachelor of Commerce, 2nd year Intended Specialization: Finance)

GPA: 3.9/4.0, 12th in class

Key Experiences:
- Incoming Illiquids Intern at BCI
- Analyst (M&M) at CFAC Portfolio Management
- Co-Founder and Lead Analyst at Pacific Market Insights

Case Experience:
- CFAC Stock Pitch Competition (Semi-Finalist, 2025)
- JDC West Jr. Dev Case Competition (Finalist, 2025)
- WestPeak x YWib Stock Pitch Competition (2024)

Patrick Purcell

Education:
University of British Columbia (Bachelor of Commerce, 2nd year Intended Specialization: Finance)

GPA: 3.85/4.0

Key Experiences:
- Analyst at WestPeak Research Association
- Teaching Assistant for Statistics (Comm 191)
- Analyst at Investa Insights
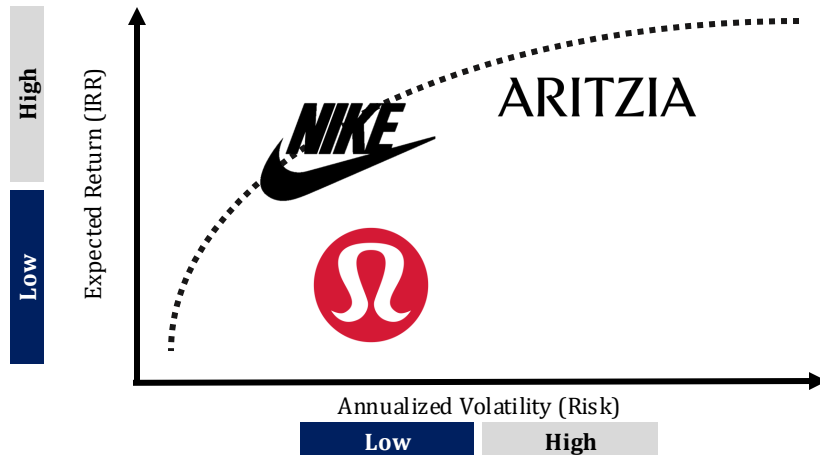- Ski Instructor at Mt. Norquay

Case Experience:
- CFAC Stock Pitch Competition
- UBC Product Management Case Competition (1st Place, 2025)

Risk–Return Positioning: Forward-Looking Efficient Frontier

Nike delivers the **strongest** expected **return** per unit of **risk**

Efficient Investment Frontier

Expected Return (IRR) — High / Low

Annualized Volatility (Risk) — Low / High

Forward Risk & Return Metrics (Consensus)

Metric (Annualized)	NKE (U.S.)	LULU (U.S.)	ATZ (CAN)
Expected Return (IRR)	14.2%	13.0%	16.5%
CAPM Required Return	11.1%	11.7%	17.9%
IRR – CAPM Excess Return	**+3.1%**	+1.3%	**-1.4%**
Expected Return/Volatility	**0.28**	**0.21**	**0.26**
Expected Return/Downside Deviation	**0.40**	**0.30**	**0.42**
Market Risk Premium (MRP)	6.3%	6.3%	9.0%

Interpretation: Portfolio Implications

Nike: Most Efficient Risk-Adjusted Upside

- Nike sits above the risk-adjusted hurdle with a meaningful positive excess premium and lower downside risk, indicating **higher expected return per unit of volatility and the most efficient forward-looking risk-adjusted capital deployment**

Lululemon: Limited Incremental Upside

- Lululemon **clears the hurdle only marginally**. **Returns remain stable** but **incremental upside does not sufficiently compensate** for volatility from a portfolio allocation perspective

Aritzia: Risk Not Fully Compensated

- Aritzia's expected return is **close but still below** Canada's materially higher equity risk hurdle; **Canada's structurally higher market risk premium** (9% vs 6%) raises the required return, leaving Aritzia with a modest negative excess return despite solid fundamentals

Nike delivers the s**trongest forward-looking risk-adjusted payoff**, with superior expected return relative to volatility and required risk premium compared to Lululemon and Aritzia

Expected return = Projected Consensus IRR (forward looking). Risk = realized 5-year annualized volatility / downside deviation. CAPM hurdles = U.S vs Canada market risk premium differences. Full assumptions in Appendix IV
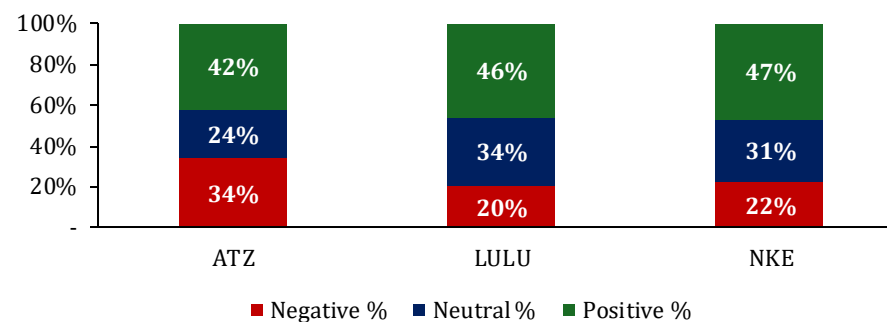
Comparative Sentiment Analysis

Across coverage, Nike shows **constructive sentiment** with **lower expectation risk** than peers

Comparative Sentiment Scores

Metric	NKE	LULU	ATZ	Interpretation
FinBERT Mean CWDS* Sentiment Score	**0.35**	0.33	0.05	Overall tone of market commentary. Higher values indicate supportive expectations
Deviation (σ)	0.54	0.55	**0.74**	Variation in sentiment. Higher deviation = more uncertainty and disagreement about the outlook
Downside-Adjusted Sentiment Score	**0.24**	0.22	-0.29	Sentiment level after penalizing downside tail risk (Risk-adjusted)
Tail Skew (Pos – Neg)	43.51	40.52	10.37	Balance of pos. vs neg. extremes. Higher values = asymmetric upside

Sentiment Distribution by Company

Chart — stacked bars (Negative %, Neutral %, Positive %):

Company	Negative %	Neutral %	Positive %
ATZ	34%	24%	42%
LULU	20%	34%	46%
NKE	22%	31%	47%

Nike and **Lululemon** show the **strongest** sentiment **scores**

Market-Implied Sentiment vs. Uncertainty Across Coverage

Mean Sentiment Score (High / Low) vs. Deviation (σ) (Uncertainty) (Low / High)
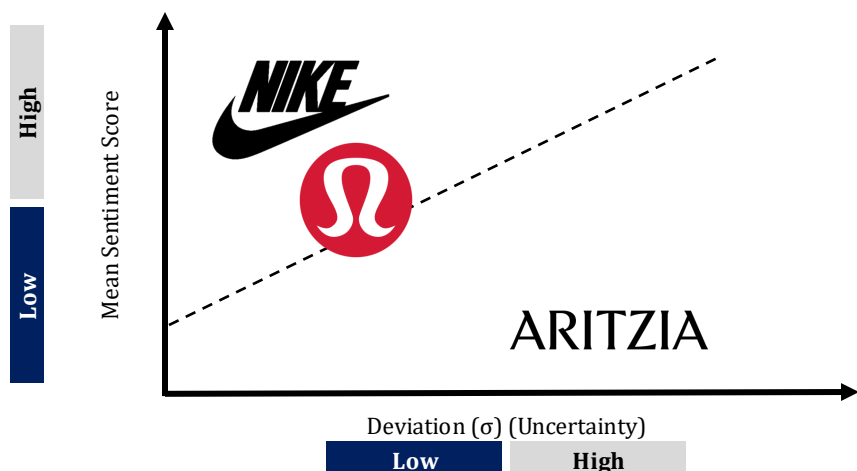
- **Market sentiment** is an **indicator** of how **investors** and **analysts** currently perceive **risk**, **execution** confidence, and future **expectations**

- The sentiment distribution chart shows the **share of positive, negative, and neutral passages** for each company. Nike has l**ess negative/neutral tones** than Lululemon and **stronger positive sentiment** than Aritzia, supporting higher confidence in its outlook

Nike: strongest sentiment and lowest downside risk	**Lululemon**: positive sentiment but less conviction	**Aritzia** : highest uncertainty and downside narrative risk

FinBERT is a natural-language model used to analyze the tone of financial texts and classifies language as positive, negative, or neutral
Confidence-Weighted Directional Sentiment (CWDS): A score that reflects positive or negative tone, while reducing the impact of neutral or generic text

Across market coverage, **Nike** shows the **strongest** and most **stable** forward-looking **sentiment** profile, with **lower downside risk** and a **higher sentiment score per unit of deviation** (uncertainty), supporting Nike as the **best risk-adjusted investment** in the group

Investment Opportunities Summary

Why is **Nike** the **best investment** today versus **Lululemon** & **Aritzia**?

ARITZIA	NIKE	lululemon
High quality compounder with limited upside	**Downside largely priced in, modest execution drives outsized EPS and multiple recovery**	**Strong brand, structurally challenged growth**

ARITZIA

What's working?

- Strong U.S store expansion and traffic expansion
- Effective brand positioning with Gen Z / millennial consumers
- Consistent execution across retail and e-commerce
- Strong revenue and margin expansion

Why is upside capped?

- Growth expectations already reflected in valuation
- Fashion risk and narrow category exposure – driven by current trends
- Returns are increasingly dependent on flawless execution

Consensus IRR – CAPM Excess Return: -1.43%
Canada's higher MRP eats into excess return
Final FinBERT Sentiment Score: 0.05
Expected Return / Downside Deviation: 0.42

NIKE

What does the market believe?

- Margin pressure from tariffs
- Slow growth and prolonged weakness in China
- Perception of lost brand momentum
- Emerging competition structurally erodes Nike's relevance, shifting focus away from the brand

What is the market missing?

- Earnings are at a cyclical trough due to temporary factors (tariff uncertainty, political tensions)
- Shift back to performance-orientation will restore pricing power and customer loyalty
- Significant capital return profile and brand durability

Consensus IRR – CAPM Excess Return: +3.09%
Expected return exceeds U.S. risk-adjusted hurdle
Final FinBERT Sentiment Score: 0.35
Expected Return / Downside Deviation: 0.40

lululemon

What's working?

- Premium brand with loyal customer base
- Strong margins and disciplined cost structure
- Stable demand in core categories, with management adapting new strategies into 2026
- Strong international growth, especially in China

Why upside is lower?

- Domestic growth in U.S lagging significantly
- Near-term brand fatigue in core categories with limited visibility on reacceleration
- Recent stock upswing driven by an immaterial change in company leadership, indicating street optimism without a concrete strategy

Consensus IRR – CAPM Excess Return: +1.30%
Offers limited incremental upside for the risk assumed
Final FinBERT Sentiment Score: 0.33
Expected Return / Downside Deviation: 0.30

Nike has the **most attractive risk-adjusted returns** profile and is the **best fit** to be added into the **consumer goods portfolio**

Deck Overview

Company Overview
- Nike's principal business involves the **design, development** and worldwide **selling** of **athletic footwear, apparel, equipment, accessories** and **services**
- The company has seen a **stagnation** in both **topline growth** and **number of stores** over the past 5 years, with **EPS declining** due to **margin compression** and **weak guidance** resulting in a **56% downturn in the company's** share price over the **past 5 years**
- Nike operates via **three** core business segments: **Nike, Jordan,** and **Converse**, allowing for a **diverse** range of options for consumers

Industry Overview
- Nike is a **large brand** with products across the **athletic footwear, apparel,** and **equipment industries**
- The **sportswear** segment is expected to grow at **~6% CAGR** over the next **five years, outpacing** broader **footwear** growth **(~1%)**
- Nike competes in a **top-heavy industry** against big names such as **Adidas, Puma, Under Armor,** and **Hoka**
- While **sticky input costs** and **tariff uncertainty** restrain **margins**, global sporting **events** and dynamic consumer **trends** offer **upside**

Investment Thesis
- Our **thesis** to enter a **long position** on Nike involves **three key ideas**:
  - By **rebalancing** their channels to **focus** more on **wholesale** than DTC, Nike is unlocking **revenue stability**
  - By **innovating** and **repositioning** towards **sportswear**, Nike is re-aligning with its **roots** and **reconnecting** with its **core consumer**
  - **Management credibility** and **improving execution** signal a turning point with **limited downside** at current valuation

Valuation
- To arrive at our final valuation of **$69.72**, we used a weighted-mix of targets from a **DCF, CCA, PTA,** and **analyst ratings**
- The **DCF** implied a price target of **$66.75** and an **upside** of **11.26%**
- The **CCA** implied price targets of **$50.83** and **$42.80**, reflecting a **premium valuation** among Nike's **peers**
- The **PTA** implied price targets of **$93.13** and **$79.06** supported by earnings normalization and multiple recovery

Risks & Catalysts
- Key **catalysts** include the **Fifa World Cup;** a **FY 2027 earnings beat** and an **easing of tariff pressures** following a change in US policy
- Our **key risks** include measures to **mitigate** their **downside** potential but remain **a challenge** in **slowing growth prospects**
  - **Wholesale partnerships** may further **compress** margins, but is mitigated by the new focus on **margin-friendly footwear**
  - An **industry reposition** towards **casual apparel** will only **slow** Nike's **turnaround** by forcing it to **shift focus**
  - The **proliferation** of Nikes **competitors** in the **footwear** space like **On** and **Hoka** will be **overshadowed** by **industry wide CAGR** driving up **volume** across **all companies**

Recommendation
- We recommend **buying** Nike at a price target of **$69.72** reflecting a **16.21% upside** to its current valuation
- Based on our analysis and **comparison** of **Nike, Aritzia, and Lululemon**, we conclude that **Nike** is the **best option** to be added to the consumer goods portfolio given its strong **brand equity**, consistent **guidance**, and **uncapped upside potential**
- Nike shows the most promise on a forward-looking basis, with a **+3.1% IRR–CAPM excess premium** and the highest **return-per-volatility (0.28) and return-per-downside (0.40)** in the peer set

Nike (NYSE: NKE)

Company Overview

Industry Overview

Investment Thesis

Valuation

Risks & Catalysts

Recommendation

A Globally Dominant Brand at an Inflection Point

Nike is the most **globally recognizable brands** in both **sportswear** and sports **culture**
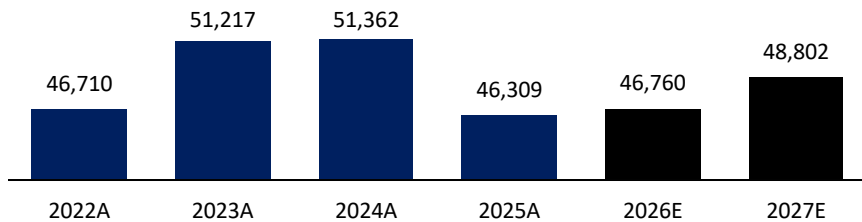
Company Overview

- Nike's principal business involves the **design, development** and worldwide **selling** of **athletic footwear, apparel, equipment, accessories** and **services**

- Founded in **Oregon** in **1967**, Nike operates globally across its **Nike, Jordan**, and **Converse** brands

- Nearly all Nike products are **manufactured outside** of the **United States** by independent contractors located in **China, Vietnam,** and **Indonesia**

- A key advertising driver of their global brand includes **athlete sponsorships**, including **Lebron James, Cristiano Ronaldo**, and **Kylian Mbappé**
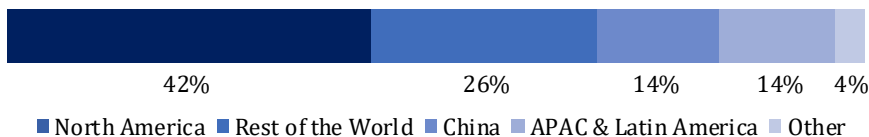
(9.8%) FY25 Sales Decline	**(42.1%)** FY25 EPS Decline	**(5.0%)** FY25 EBITDA Margin Decline

Key Financials

LTM Revenue	$46.5B	LTM EBITDA	$3.8B
Enterprise Value	$89.7B	Market Cap	$86.8B
Debt	$11.3B	P/EPS	34.4x
Cash & Equivalents	$8.3B	SSS% (annual)	(1.0%)
LTM EPS	$1.71	Gross Profit Margin	41.1%
52 week-high	$82.44	52 week-low	$52.28

Revenue Breakdown* *(USD mm)*

2022A	2023A	2024A	2025A	2026E	2027E
46,710	51,217	51,362	46,309	46,760	48,802

- Nike's **revenue** base remains anchored in **North America (42%),** while international markets, particularly **China** and **APAC**, represent incremental **long-term growth optionality**

42%	26%	14%	14%	4%

■ North America ■ Rest of the World ■ China ■ APAC & Latin America ■ Other

Leadership Team

Elliott Hill	Philip Knight	Mark Parker	Matthew Friend
President and CEO	Co-Founder and Chairman Emeritus	Executive Chairman	Executive VP and CFO
37 y at Co.	57 y at Co.	46 y at Co.	16 y at Co.

Nike remains a **globally dominant brand** with **expanding international exposure**, led by a **seasoned management team** and positioned for **recovery** following a period of **execution-driven pressure**

*All geographic figures based on FY '25 data*

Nike Operates Multiple Globally Recognizable Brands

Nike targets **performance-driven athletes**, **Jordan** blends **sport** and **culture**, while **Converse** anchors **resilient lifestyle demand**
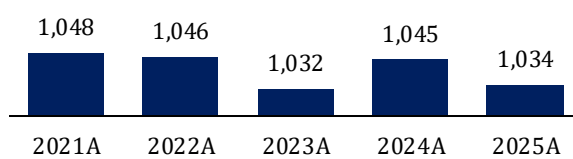
Product Breakdown

- Nike offers a variety of **sportswear** and **casual fashion** products, with its main three lines being **Nike, Jordan,** and **Converse**

Revenue by Product*

- Converse 3.78%
- Jordan 16.26%
- Nike 79.96%
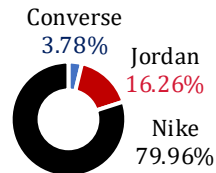
Number of Stores Worldwide

2021A	2022A	2023A	2024A	2025A
1,048	1,046	1,032	1,045	1,034

Key Products

- Nike Air Force 1 - $150
- Nike Tech Fleece - $160
- Nike Jordan 1 Mid - $165
- Jordan Jumpman Hoodie - $50
- Converse Chuck Taylor All Star - $90
- Shai 001 - $170

- Nike is the company's **main business segment**, and consists of **footwear** and **apparel** intended primarily for **athletic** use

- **Jordan** is Nikes' everyday **sneaker** and **basketball** brand, with their iconic lines of **Jordan branded footwear and Jumpman apparel**

- **Converse** designs, distributes. and licenses **casual sneakers, apparel** and **accessories** under the **Converse, Chuck Taylor**, and other notable trademarks

Shareholder Breakdown (Class B)

Ownership by Type

- Bank 16.26%
- Hedge Fund 5.42%
- Other 3.78%
- Investment Advisor 79.96%

Ownership by Entity

- Vanguard 9.69%
- Blackrock 7.74%
- State Street 4.88%
- Capital Group 3.98%
- Other 73.71%
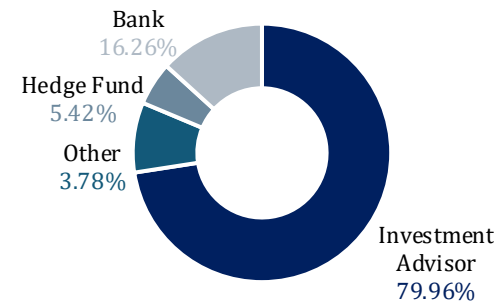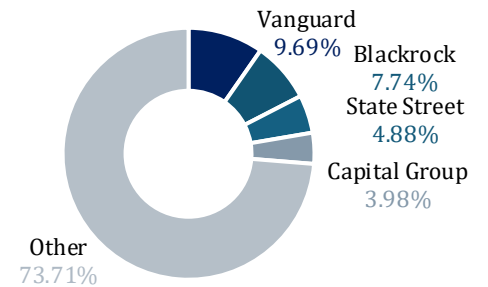
Nike Class B shares are widely held by a range of **entities** operating primarily as **investment advisors**

Owner	Ownership %	Incentive
Investment Advisor	**72.56%**	Diversification and dividend growth for benchmark alignment
Bank	**8.77%**	Stability and liquidity while providing a steady stream of income via dividends
Hedge Fund Manager	**5.42%**	Alpha-seeking through events-driven trades (earnings reports)
Other	**13.25%**	Resilient cash flows, shareholder remuneration, and insider alignment

Nike's **shareholders** represent interest groups that support the company's **diversified brand portfolio**, with **aligned incentives** to create **durable demand** across **performance, culture**, and **lifestyle** categories

Breakdown as of FY 2025

Idiosyncratic Headwinds Depress the Stock

A series of **execution missteps** and **external shocks** have driven a **five-year valuation decline**

Event	Explanation
① **Q1 '23 Earnings Results**	• Following **surging inventories** (**44%** in the **US** and **65%** in **North America**), Nike was forced to aggressively **discount** their products to **clear seasonal and excess apparel**, weighing heavily on **margins** and catalyzing investor **unease** • **Margin compression** triggered Nike's **largest single-day** stock **drop** in nearly 20 years **(~13%)**
② **Q4 '24 and FY '24 Earnings Results**	• Nike just **missed** on **revenue** ($12.61B vs $12.84B) and **surpassed EPS** expectations ($1.01 vs $0.84) • **A guidance revision** from management **slashed revenue expectations by 10%** in the upcoming quarter and **reduced** fiscal '25 expectations to a **mid-single digit** decline cited **weak China demand**, slowing **lifestyle** sales, and broader **consumer softness**
③ **Liberation Day Tariffs**	• President Trump announced **tariffs** on all of the **key trade partners** for Nike, immediately **depressing** their **margins** and **increasing** the company's **costs**. The U.S. imposed various reciprocal tariffs that peaked at a cumulative rate of **145%** on most Chinese goods in mid-April 2025, tariffs from Indonesia and Vietnam reached 32% and 46% respectively
④ **Q4 '25 and FY '25 Earnings Results**	• This report was **perceived** by the market as the **bottom** of the **trough** of Nike's **recovery efforts**, with **revenue** ($11.1B vs $10.7B) and **EPS** ($0.14 vs $0.13) both **beating consensus** and management indicating signs of the **turnaround** effort **bearing fruit**, leading to a ~**16% stock price jump** in the session as investors rallied
⑤ **Q2 '26 Earnings Results**	• Nike **beat** both **revenue** ($12.1B vs $11.9B) and **EPS** ($0.53 vs $0.37) but the stock still **fell by 10.5%** following the results, driven primarily by a **17% decline in Chinese sales** coupled with a **slower** than expected **turnaround** timeline outlined by their CEO. **Elliott Hill** was appointed in **2024** following a **5-year decline** in company **performance** to turn things around

> Nike's **valuation** reflects identifiable **execution-driven setbacks** and **one-off macro shocks** rather than **structural brand erosion**, creating a **reset base** for **recovery**

Nike (NYSE: NKE)

Company Overview

Industry Overview

Investment Thesis

Valuation

Risks & Catalysts

Recommendation

Athletic Footwear, Apparel, and Equipment

Sportswear is expected to outperform **regular footwear**, and **Nike** is **best positioned** to capitalize on this trend

Growth in Total Performance Footwear

Performance/ Sport related footwear up +6% YoY

Total footwear dollar sales down (1%) YoY

| (2%) | (1%) | - | 1% | 2% | 3% | 4% | 5% | 6% | 7% |
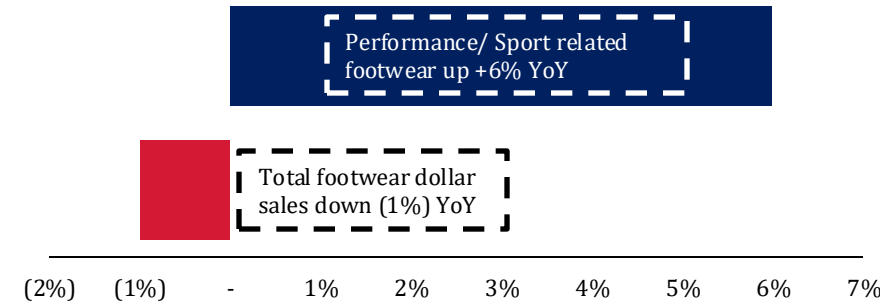
Industry growth is concentrated in **performance categories**, aligning with Nike's shift back to technical, **sport-led** products

Global Demand for Sportswear *(USD B)*

~**6%** CAGR into 2030

| 2023A | 2024A | 2025A | 2026E | 2027E | 2028E | 2029E |
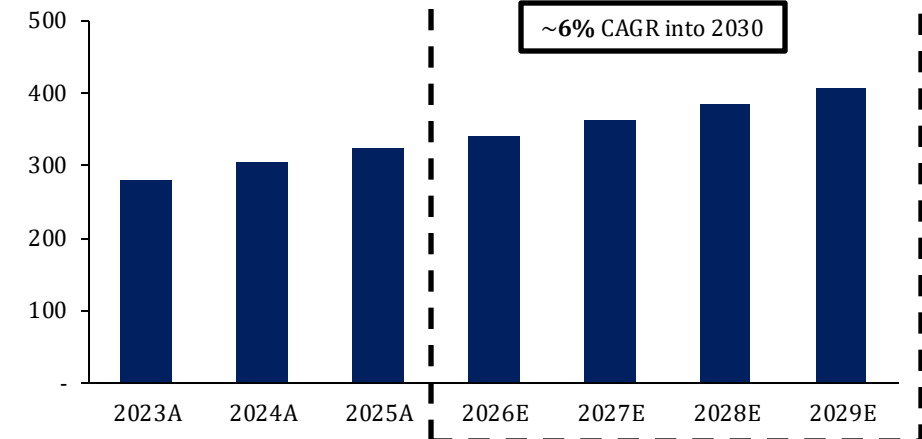
Key Competitor Elements

Competitors	Product Quality	Pricing Power	Category Breadth	Global Scale
NIKE	◉	◉	◉	◉
adidas	◉	◉	◉	◉
On	◉	◉	◉	◉
HOKA	◉	◉	◉	◉
UNDER ARMOUR	◉	◉	◉	◉

Competitor Commentary

- **Nike** uniquely excels across all categories, a result of its strong **economic moat** and ability to turn sport-specific performance into **mass adoption**

- **Adidas** is the closest peer, with similar technical quality and pricing power but smaller scale than Nike and **less independent growth engines**

- **On** and **Hoka** demonstrate that performance commands premium ASP's, but their **narrow category** and **limited scale** restrain them

- **Under Amour** highlights the downside of missing pricing power, solid brand with **lack of scalability**

Nike Exhibits Performance at Scale

Positioning Map

Nike ranks among the **top** amongst its competitors in terms of **pricing power** and **product quality**

Hoka is owned by Deckers Outdoor Corporation

Macroeconomic Overview

Despite **sticky inflation** and **tariff pressures**, **secular trends** and **key events** drive **strong upside** potential for Nike

Market Size by Subsector (USD B)

CAGR: 4.1%

Recreational   Sports

Consumers **spending** habits have been **resilient** and grown at a substantial pace **despite macroeconomic uncertainty**

U.S. Inflation vs. Wage Growth

3.4%   8.5%   6.4%   4.7%   4.3%
2.6%   6.0%   5.0%   3.5%   2.4%

Wages   Inflation

Easing inflation and increasing **wage growth** stabilize purchasing power for the consumer

Headwinds & Tailwinds

	Headwind
	Sticky Input Costs: Even as inflation eases, the apparel supply chain cost structure is still resetting, which has applied pressure to company margins in the near term
	Tariff Uncertainty and China Specific Volatility: Tariffs and China exposure create near-term earnings volatility for Nike due to sourcing and demand sensitivity
	Elevated Competitive Intensity: Increased competition has intensified promotional activity across the sector, pressuring pricing power and margins as brands compete for share in a value-conscious consumer environment

	Tailwind
	Major Sporting Events: Global events in the US (FIFA - World Cup & Olympics) through 2026 present an opportunity to drive increased global demand
	Health and Wellness Adoption: A long-term shift toward active lifestyles and preventative health continues to support durable demand for performance apparel, benefiting Nike
	Women's Sports Expansion: Accelerating participation and commercialization of women's sports represents a high-growth, higher-margin opportunity for Nike

Despite **near-term macro pressures**, Nike benefits from structural **tailwinds** in **women's sports, health and wellness**, and U.S-hosted global sporting **events**, positioning the company for **recovery** as execution normalizes

UBC SAUDER
SCHOOL OF BUSINESS

Nike (NYSE: NKE)

Company Overview

Industry Overview

Investment Thesis

Valuation

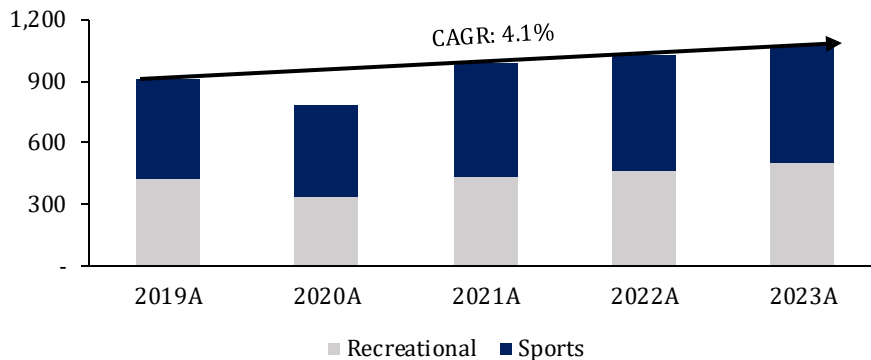**Risks & Catalysts**

Recommendation

Channel Rebalancing Unlocks Volume

Nike's return to wholesale reveals **stable demand** and restores **distribution leverage**

Revenue by Channel Mix

Wholesale as a higher percentage of revenue improves Nike's **forward earnings**, reducing **markdowns** and leading to more **consistent cash flow**

Legend: Wholesale ($B) | DTC ($B) | Wholesale % | DTC %
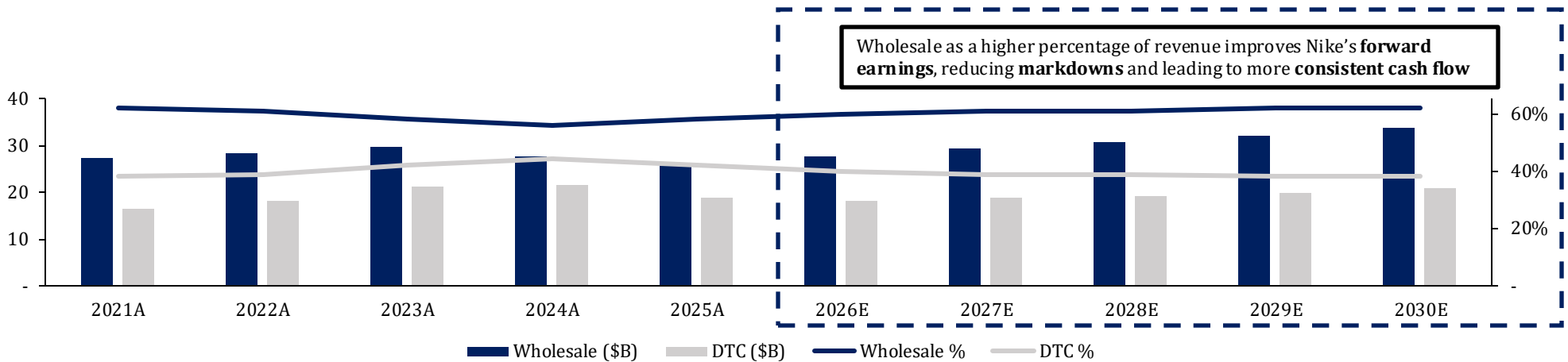
Inventory Volatility Compression

With a rise in wholesale, **inventory volatility decreases and** revenue increases at a higher rate YoY, **increasing stability** and improving earnings quality

Legend: Revenue YoY % | Inventory YoY %
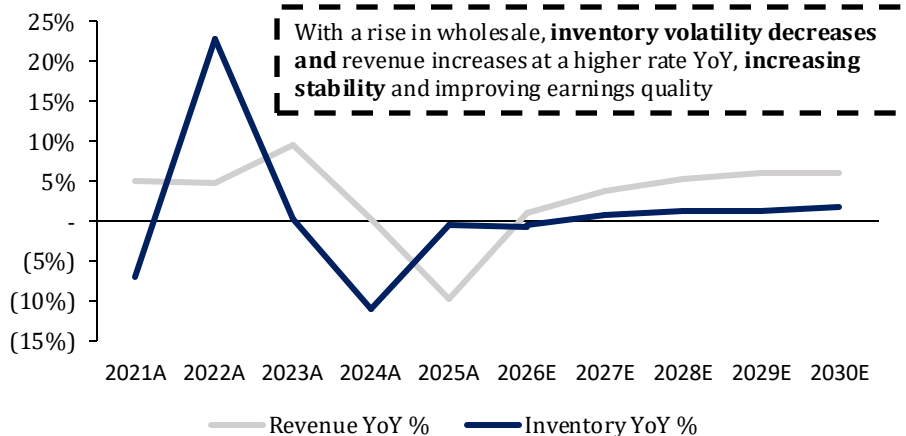
Potential Wholesale Vendors/Partners

	Customer Segment	Impact
amazon	**Global performance** athletes, families, team sports, very broad customer segment & many niches	Demand visibility & stability, reinforcing Nike's **"back to sport"** positioning
JD	Youth/**sneaker consumers** (strong in UK/Europe) who care about **fashion and styling**	Brand heat and **premium ASP support**, international **distribution leverage**
Foot Locker	**Footwear-first** consumer, highly responsive to **product launches**, franchises and trend cycles	**Footwear scale** with shared risk, prior high **Nike exposure** makes it clear why wholesale matters

Nike's focus on wholesale **reduces inventory risk** by **reducing the need for promotions** and delivering stable cash flow, reinstates focus on **historically strong partners**, and as a result contributes to more **stable cash flows** and improved **investor sentiment** surrounding the company

Innovation + Performance Repositioning Reignite Brand

As Nike shifts its focus back to **performance footwear**, it re-capitalizes on its **core brand image**

Growth in Footwear vs Apparel

> Footwear growth exceeds apparel **70% of the time**, and is the **clear winner** in recent years

Y-axis: 30%, 20%, 10%, -, (10%), (20%)

X-axis: 2016A 2017A 2018A 2019A 2020A 2021A 2022A 2023A 2024A 2025A

— Footwear YoY Growh — Apparel YoY Growth
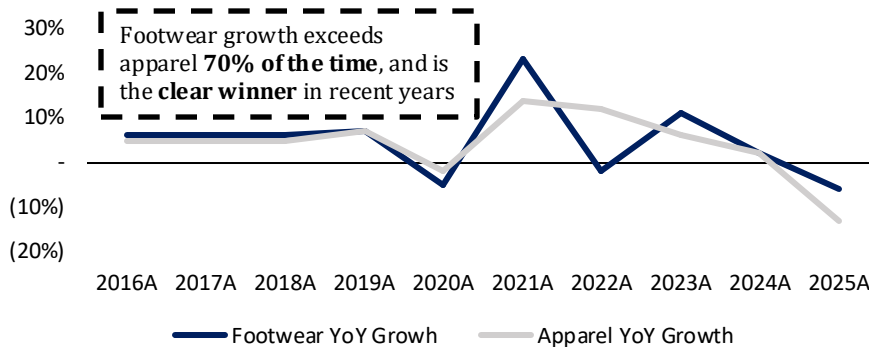
Sports Equipment vs Lifestyle CAGR to 2035

Category	CAGR
Running/Fitness Gear	5.60%
Ball/Team Sports	6.70%
Outdoor/Adventure	6.60%
Gym/Training Equip	6.20%
Lifestyle/Casual	**3.20%**
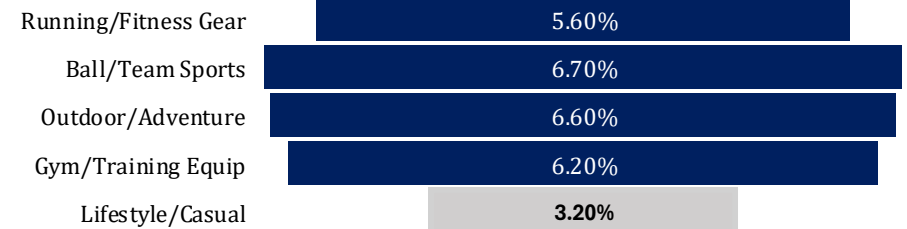
> Nike's shift to **focus on sportswear** over **lifestyle aligns** well with **industry CAGR's**

'26 Sports Related Product Innovation Timeline & Margin Impacts

Timeline: Nike Structure Plus — Jan — Nike Book 2 Devin — Jan — Nike G.T. Cut 4 — Jan — Therma Fit Air Milano — '26 Olympics — AERO-Fit — '26 FIFA

	2020A	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Footwear as a % of Revenue	62.31%	62.91%	62.39%	64.70%	65.08%	63.72%	64.61%	65.03%	65.26%	65.65%	65.99%	67.17%	67.80%	68.54%	69.39%
Gross Margin	43.42%	44.82%	45.98%	43.52%	44.56%	42.73%	44.17%	44.67%	45.17%	45.67%	46.17%	46.17%	46.17%	46.17%	46.17%
Net Margin	6.79%	12.86%	12.94%	9.90%	11.10%	6.95%	9.83%	10.27%	10.72%	11.17%	11.61%	11.66%	11.68%	11.70%	11.71%

> With Nike returning to a clear focus on **performance sports-gear**, evidenced by 2026's **product launches**, the impact will **improve future margins** for Nike as it capitalizes on **higher ASP and fuller price-sell-through** along with strong industry CAGR into 2035

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Capped Downside Potential With Strong Upside

Nike is **suffering** from analyst **pessimism limiting downside** and **uncapping upside potential**

Investor Disinterest

- **5 Year Decline:** Nike stock has fallen 59.51% over the past 5 years, peaking around $266B in 2021, and haven fallen to $84B as of 2025

- **Revenue Stagnation:** Revenue has stagnated but not declined over this period

- **Margin Compression:** Margins down the statement have fallen, catalyzed by dragging Chinese's demand, increasing input costs driven by tariffs, and dependence on wholesale partners undermining higher margin DTC

- **Shifting Sentiment:** With the proliferation of AI, as well as the emergence of key competitors like On and Koha, investors have shifted their focus towards different names, as Nike is no longer viewed as the defacto footwear king

Tariffs have **compressed margins**, investors are **uninterested**, and growth is **stagnant**

However, Nike remains the **largest footwear** and **sports apparel** company in the **world**

~6.0% Industry CAGR into 2032

Vs.

2.5% Nike CAGR into 2032

=

Sportswear Market Share

Nike 20.15%

Adidas 11.65%

Ross 9.56%

Lululemon 4.81%

Other 53.83%
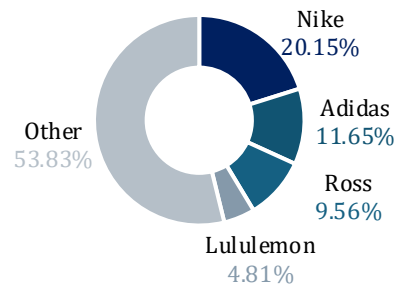
3.5% upside if the **market leader** can **match** the market

Outsized Chinese Perception

- **China** is seen as a key **growth lever** for Nike, but the recent **71.94% miss** on **Greater China revenue** caused **investors** to **pull back** from the equity

Revenue (USD mm)

2021A 2022A 2023A 2024A 2025A 2026E 2027E 2028E 2029E 2030E

Revenue Outside China   China   China %
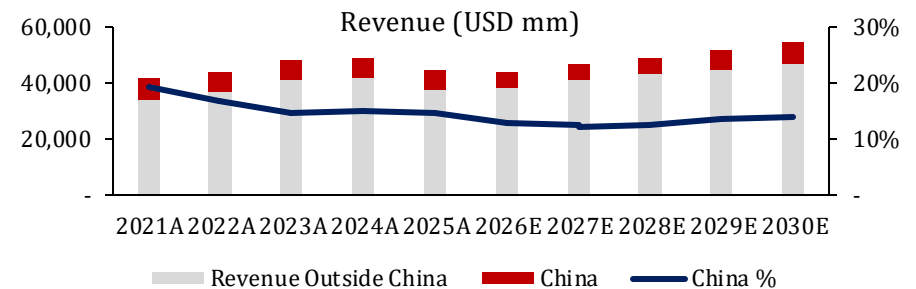
China only needs to **match global growth** to meet expectations, mitigating **downside risk** and **uncapping** the **regions upside**

Earnings Surprise & Insider Confidence

2022   2023   2024   2025   2026

Per Share EPS (GAAP) Beat   Company Revenue Beat
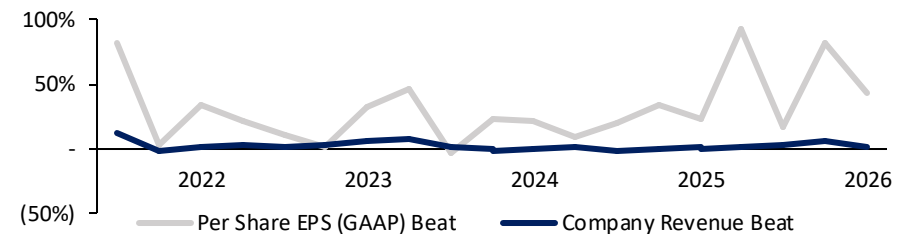
Dec 24: Tim Cook bought $3M of Nike shares
- Apple CEO and Nike board member
- Professional who understands Chinese market and supply chain with 30+ years of experience

Beating expectations and **insider investments** signal a turning point towards the **upside**

Nike has **limited downside potential** as the company is trading at a **discount** to the **industry CAGR** and **misses in small markets** like **China** drive **down** the share **price**, while **upside** is **uncapped** through **consistent guidance beats** and **insider confidence**

Nike (NYSE: NKE)

Company Overview

Industry Overview

Investment Thesis

Valuation

Risks & Catalysts

Recommendation

Revenue Build

| Years	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenue Build									
Revenue	46,817	48,605	51,099	54,097	57,318	62,221	66,263	70,465	74,822
Segments:									
Nike	45,574	47,345	49,786	52,704	55,815	60,571	64,454	68,520	72,772
Footwear	30,248	31,609	33,347	35,515	37,823	41,795	44,930	48,299	51,922
Apparel	12,835	12,964	13,353	13,753	14,166	14,591	15,028	15,479	15,944
Equipment	2,443	2,725	3,038	3,388	3,778	4,137	4,448	4,693	4,858
Global Brand Divisions	48	48	48	48	48	48	48	48	48
Converse	1,320	1,323	1,367	1,439	1,543	1,686	1,843	1,976	2,081
Corporate	(78)	(64)	(53)	(46)	(40)	(36)	(33)	(31)	(30)
Assumptions									
Revenue Growth	1.1%	3.8%	5.1%	5.9%	6.0%	8.6%	6.5%	6.3%	6.2%
Nike Growth	1.9%	3.9%	5.2%	5.9%	5.9%	8.5%	6.4%	6.3%	6.2%
Footwear Growth	2.5%	4.5%	5.5%	6.5%	6.5%	10.5%	7.5%	7.5%	7.5%
Apparel Growth	(1.0%)	1.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Equipment Growth	11.5%	11.5%	11.5%	11.5%	11.5%	9.5%	7.5%	5.5%	3.5%
Global Brand Divisions Growth	-	-	-	-	-	-	-	-	-
Converse Growth	(22.0%)	0.3%	3.3%	5.3%	7.3%	9.3%	9.3%	7.3%	5.3%
Corporate Growth	(20.0%)	(18.0%)	(16.0%)	(14.0%)	(12.0%)	(10.0%)	(8.0%)	(6.0%)	(4.0%)

Key Assumptions:
- **Revenue** will be split into **subcategories**: **Nike, Converse**, and **Corporate**
- The **Nike subcategory** will be further split into **Footwear, Apparel, Equipment**, and **Global Brand Divisions**
- **Growth** in the **Nike** division will **outperform** expectations in the **short term**, while **Converse** and **Corporate** maintain their **growth within $50M of consensus**
- In the **long-term**, revenue will **normalize** and fall **below consensus**, reflecting a **5–7-year turnaround** instead of the street's **expected 7-9 years**

DCF Summary

DCF reflects **normalized margins, conservative terminal growth, and disciplined capital reinvestment** assumptions

Unlevered Free Cash Flow Calculation

Years	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
EBIT	3,012	4,361	4,876	7,607	8,387	9,153	9,786	10,434	11,096
Times: (1 - Tax Rate)	81.87%	81.87%	81.87%	81.87%	81.87%	81.87%	81.87%	81.87%	81.87%
Equals: NOPAT	2,466	3,570	3,992	6,228	6,866	7,494	8,011	8,542	9,085
Plus: Depreciation & Amortization	838	851	859	899	912	941	964	998	1,042
Less: Change In Working Capital	1,065	(480)	(529)	(571)	(591)	(875)	(793)	(828)	(863)
Less: Capital Expenditures	(818)	(850)	(893)	(810)	(859)	(932)	(993)	(1,056)	(1,121)
Equals: Unlevered Free Cash Flow	3,550	3,092	3,429	5,745	6,329	6,627	7,190	7,657	8,143
Discount Period	1	2	3	4	5	6	7	8	9
Equals: Present Value of Unlevered Free Cash Flow	3,286	2,649	2,719	4,216	4,299	4,167	4,184	4,124	4,059

Perpetuity Growth Method

Perpetuity Growth Rate	2.00%
Present Value of Terminal Value	68,527
Terminal Value as % of Enterprise Value	67.0%
Plus: Present Value of Forecast FCF	33,702
Forecast Period as % of Enterprise Value	33.0%
Equals: Enterprise Value	**102,229**
Less: Debt	(11,018)
Plus: Cash (as at Valuation Date)	7,464
Less: Non-controlling Interest	-
Equals: Equity Value	**98,675**
Divided By: Fully Diluted Shares Outstanding	1,478.20
Equals: Implied Share Price	**66.75**
Current Share Price	60.00
Implied Upside	11.26%

Sensitivity Table

		Growth Rate				
		1.50%	1.75%	2.00%	2.25%	2.50%
WACC	8.54%	57.81	59.31	60.92	62.65	64.53
	8.29%	60.31	61.95	63.72	65.63	67.71
	8.04%	63.00	64.80	66.75	68.87	71.18
	7.79%	65.91	67.90	70.06	72.41	74.99
	7.54%	69.06	71.26	73.66	76.29	79.17

Our **DCF** indicates an implied **upside** of **11.26**% and an implied share price of **$66.75**

Comparable Company Analysis

Comparable Companies: Peer Universe

(All figures in USDm unless otherwise specified)

Company Name	Year End	Ticker	EV/EBITDA			P/E		
			2024A	LTM 2025	NTM 2026	2024A	LTM 2025	NTM 2026
Adidas	31-Dec	ETR: ADS	18.48x	11.93x	8.08x	38.55x	24.05x	16.79x
On	31-Dec	NYSE: ONON	56.02x	22.27x	17.77x	59.30x	53.51x	29.29x
Deckers Outdoor Corporation	31-Mar	NYSE: DECK	13.51x	10.24x	11.05x	19.08x	14.26x	15.62x
Asics	31-Dec	TSE: 7936	22.51x	16.65x	14.54x	43.00x	29.67x	25.54x
Under Armour	31-Mar	NYSE: UAA	8.78x	9.84x	15.26x	N/A	N/A	N/A
Puma	31-Dec	ETR: PUM	7.39x	20.20x	13.12x	N/A	N/A	N/A
Minimum			7.39x	9.84x	8.08x	19.08x	14.26x	15.62x
Median			15.99x	14.29x	13.83x	40.78x	26.86x	21.17x
Mean			21.11x	15.19x	13.31x	39.99x	30.37x	21.81x
Maximum			56.02x	22.27x	17.77x	59.30x	53.51x	29.29x
Nike Inc	31-May	NYSE: NKE	12.22x	24.12x	21.94x	15.23x	34.38x	30.58x

Given **Nike's** position as the **global market leader** in **athletic apparel** and **footwear,** we took the **75th percentile** of comparable company's valuation **to better reflect the relative value** of the **company**

Metric	Implied Share Price (USD)			Implied Return (%)		
	25th Percentile	Median	75th Percentile	25th Percentile	Median	75th Percentile
EV/EBITDA 2024A	40.66	79.27	103.42	-30.74%	35.02%	76.16%
EV/EBITDA 2025E	23.82	34.57	77.49	-59.43%	-41.12%	31.99%
EV/EBITDA 2026E	26.92	36.95	42.80	-54.15%	-37.07%	-27.11%

Metric	Implied Share Price (USD)			Implied Return (%)		
	25th Percentile	Median	75th Percentile	Lower Limit	Median	75th Percentile
P/E 2024A	$ 129.89	$ 157.24	$ 181.53	121.24%	167.83%	209.20%
P/E 2025E	$ 36.88	$ 45.86	$ 60.84	-37.18%	-21.89%	3.62%
P/E 2026E	$ 31.68	$ 40.64	$ 50.83	-46.04%	-30.78%	-13.42%

Our **CCA** indicates implied **downsides** of **27.11%** and **13.42%** and an implied share prices of **$42.80 and $50.83**

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Comparable Company Analysis II

Nike trades at a **premium** to peers due to **unmatched brand strength, scale,** and **durability** of **earnings**

EV/EBITDA

Unmatched **brand equity**, **scale**, and **global growth** levers lead Nike to trade at a **premium** to its **peers**

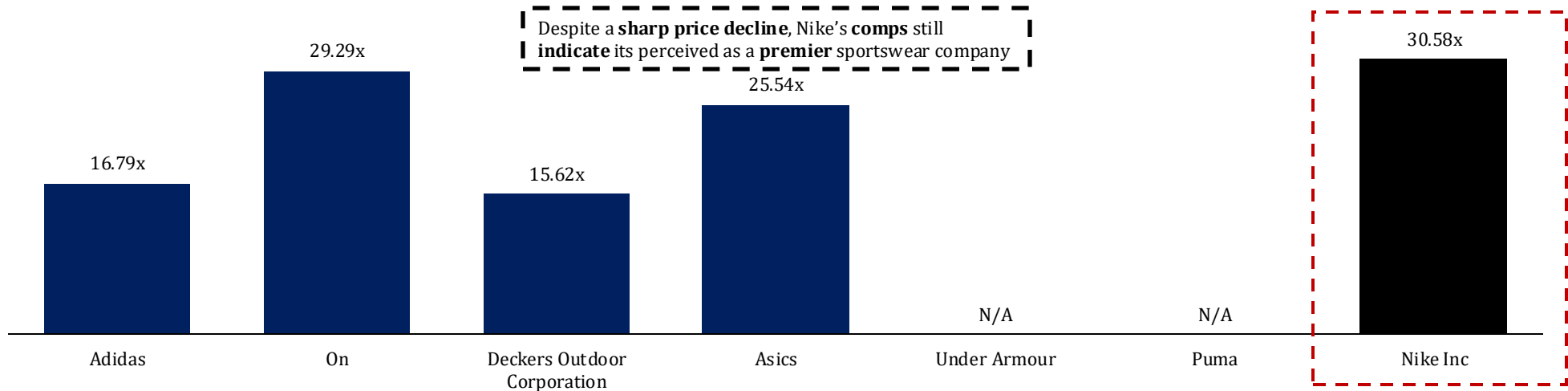| Adidas	On	Deckers Outdoor Corporation	Asics	Under Armour	Puma	Nike Inc
8.08x	17.77x	11.05x	14.54x	15.26x	13.12x	21.48x

P/E

Despite a **sharp price decline**, Nike's **comps** still **indicate** its perceived as a **premier** sportswear company

Adidas	On	Deckers Outdoor Corporation	Asics	Under Armour	Puma	Nike Inc
16.79x	29.29x	15.62x	25.54x	N/A	N/A	30.58x

Nike trades at a **premium** because investors **underwrite** durable **brand power, global** scale, and superior **long-term cash flow**, not **near-term share fluctuations**

Precedent Transaction Analysis

Historical M&A activity supports **premium multiples** for **category-leading** brands

Precedents Transactions					
(All figures in USDm unless otherwise specified)		LTM Multiples			
Acquirer	**Target**	**TV / Revenue**	**TV / EBITDA**	**Offer Price / EPS**	**Rationale**
3G Capital	Skechers	1.05x	7.85x	15.14x	Closest "pure footwear" precedent to Nike (global brand, scale, wholesale + DTC mxi)
Dick's Sporting Goods	Foot Locker	0.31x	6.10x	17.52x	This is a big channel control/ sneaker retail precedent
Crocs	HEYDUDE	4.39x	15.00x	NA: non public	Footwear brand add on, useful for thinking about what market pays for brand expansion
Anta Sports	Amer Sports	1.71x	16.20x	33.90x	Shows what buyers pay for a portfolio of sports/ outdoor brands + Asia growth optionality
JD Sports	Finish Line	0.30x	5.69x	37.50x	Another sneaker-retail consolidation precedent
Minimum		0.30x	5.69x	15.14x	
25th Percentile		0.31x	5.90x	15.74x	
Median		1.05x	7.85x	25.71x	
Mean		1.55x	10.17x	26.02x	
75th Percentile		3.05x	15.60x	36.60x	
Maximum		4.39x	16.20x	37.50x	

> Given **Nike's** position as the **global market leader** in **athletic apparel** and **footwear,** we took the **75th percentile** of precedent transaction valuation **to** better reflect the **relative value** of the **company**

	TV / Revenue			Offer Price / EPS
	Transaction Value	**Implied Equity Value**	**Implied Share Price**	**Implied Share Price**
Minimum	14,051	10,497 $	7.10	$ 32.71
25th Percentile	14,288	10,734 $	7.26	$ 33.99
Median	48,638	45,084 $	30.50	$ 55.53
Mean	71,932	68,378 $	46.26	$ 56.19
75th Percentile	141,224	137,670 $	93.13	$ 79.06
Maximum	203,110	199,556 $	135.00	$ 81.00

> Our **PTA** indicates implied **upsides** of **55.22%** and **31.76%** and implied share prices of **$93.13 and $79.06**

Nike (NYSE: NKE)

Company Overview

Industry Overview

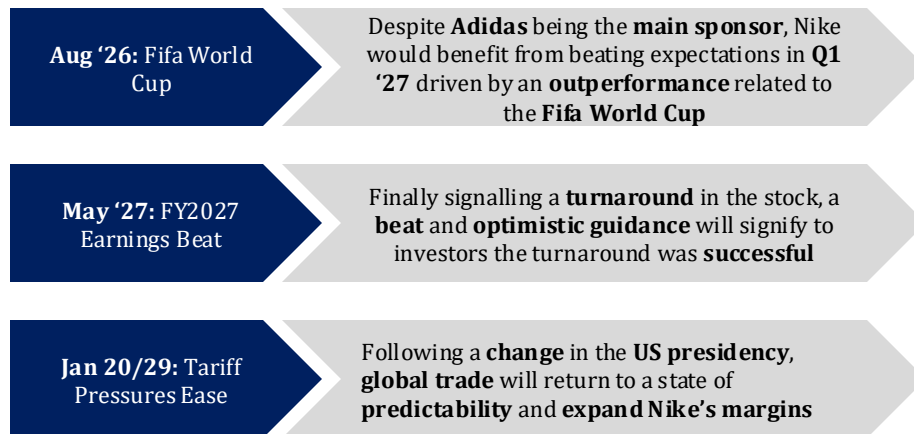**Investment Thesis**

Valuation

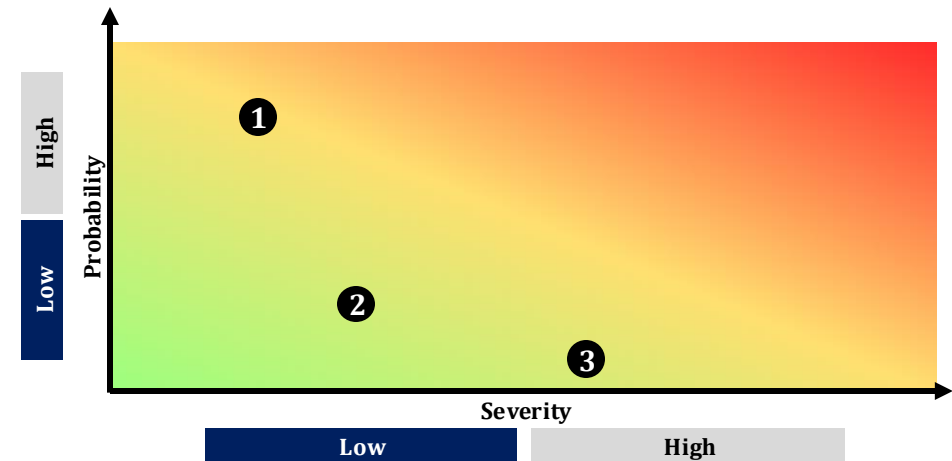**Risks & Catalysts**

Recommendation

Nike is Well-Positioned for a Turnaround

Key catalysts and **limited downside** potential imply a **strong buying opportunity** for the **long-term investor**

Catalysts

Aug '26: Fifa World Cup

Despite **Adidas** being the **main sponsor**, Nike would benefit from beating expectations in **Q1 '27** driven by an **outperformance** related to the **Fifa World Cup**

May '27: FY2027 Earnings Beat

Finally signalling a **turnaround** in the stock, a **beat** and **optimistic guidance** will signify to investors the turnaround was **successful**

Jan 20/29: Tariff Pressures Ease

Following a **change** in the **US presidency**, **global trade** will return to a state of **predictability** and **expand Nike's margins**

Risk Heat Map

Risks & Mitigations

Risk	Mitigation
① **Risk 1:** Wholesale partnerships compress margins further	• **Wholesale** is expected to **compress margins** vs DTC marketing, which is why both **our** and the streets **model** account for a **margin compression** into **fiscal 2026** • Wholesale re-expansion can **dilute gross margin** (lower ASP + partner markup), but Nike can **offset** via a mix shift to **premium performance footwear** with **higher full-price sell-through** and **fewer markdowns**
② **Risk 2:** Industry repositions towards casual apparel	• An industry **repositioning** does not harm Nike, it just indicates a **slowing on growth** vs **optimistic expectations** • Further, Nike's **diversified portfolio** of apparel and brand exposure through **Converse** • **Our model** projects **below industry levels of growth** in the first **2 years**, allowing the company to **reposition** itself to best suit the **consumer profile** of whichever direction the **trend favors**
③ **Risk 3:** Competitors dilute Nike's market share	• The rapid **growth** of **competitors** like **On** and **Hoka** have been a key **depressant** of **investor confidence** in **Nike's** growth • Despite **tripling** and **quadrupling** in size over the past 5 years, **On** and **Hoka** together only account for roughly **2%** of the global footwear industry. • Given that this industry is expected to grow at a **6% CAGR**, even their proliferation will **not significantly impact** Nikes growth prospects, as the market leader need only **maintain its current position** to **unlock growth prospects**

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Nike (NYSE: NKE)

Company Overview

Industry Overview
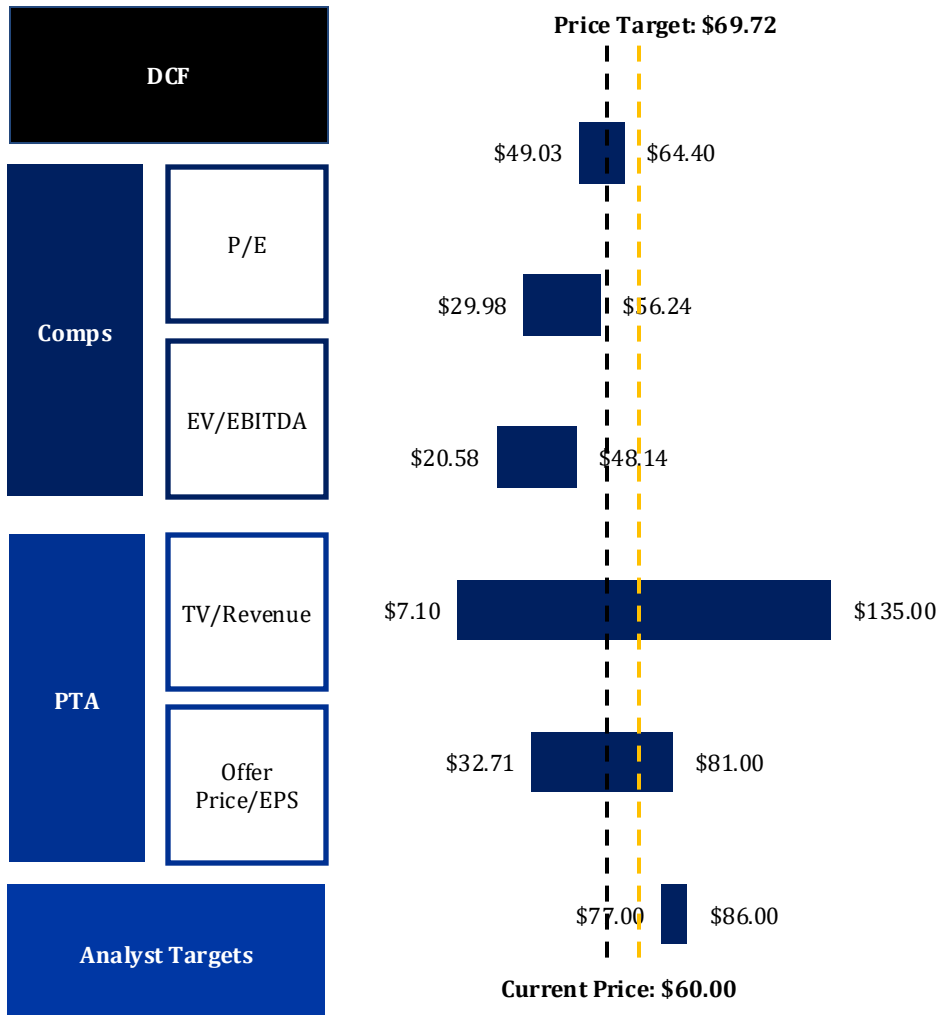
Investment Thesis

Valuation

Risks & Catalysts

Recommendation

Add Nike to the Consumer Goods Portfolio

Nike reflects the **best risk-adjusted return** profile of **Nike, Aritzia**, and **Lululemon**

Football Field

Price Target: $69.72

	Low	High
DCF	$49.03	$64.40
Comps — P/E	$29.98	$56.24
Comps — EV/EBITDA	$20.58	$48.14
PTA — TV/Revenue	$7.10	$135.00
PTA — Offer Price/EPS	$32.71	$81.00
Analyst Targets	$77.00	$86.00

Current Price: $60.00

Price Target

Valuation Method	Weight	Implied Value
DCF: Perpetuity Growth	40%	$ 66.75
Comps: P/E	10%	$ 50.83
Comps: EV/EBITDA	10%	$ 42.80
PTA: TV/Revenue	10%	$ 93.13
PTA: Offer Price/EPS	10%	$ 79.06
Analyst Targets	20%	$ 82.20
Blended Valuation		$ 69.72
Current Share Price		$ 60.00
Implied Upside		16.21%

Select Broker Summary

| JPM	TD	RBC	GS	Evercore	Our Target
$86.00	$86.00	$85.00	$77.00	$77.00	$69.72
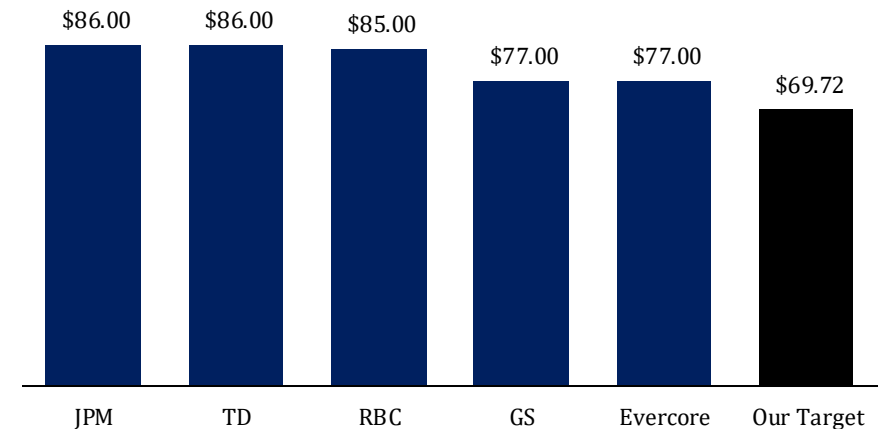
With a price target of **$69.72 (below consensus)** and an implied **upside** of **16.21%, Nike** is the best positioned company to be added to a **risk-adjusted portfolio** of consumer staple companies

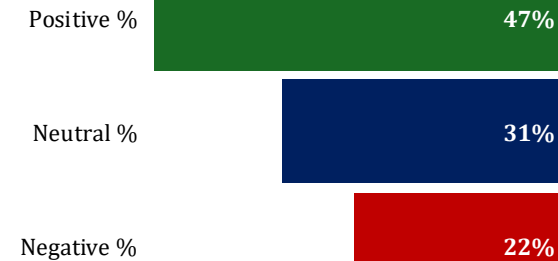UBC SAUDER
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Strong Sentiment Support

Nike has **strong sentiment,** positioning itself for a **turnaround**

Nike Sentiment by Source (CWDS Mean)
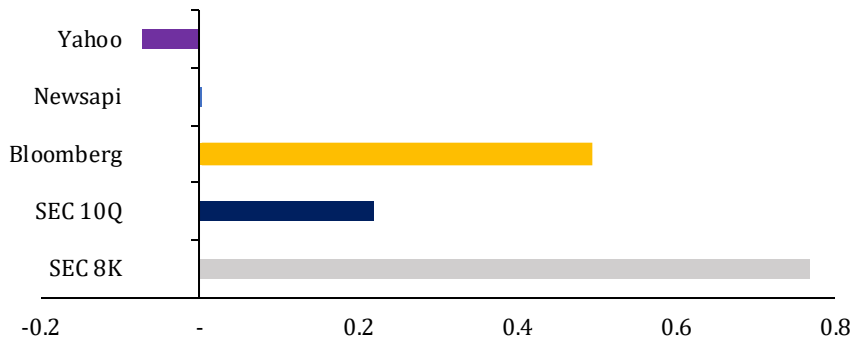
Nike has the **strongest sentiment** amongst **industry professionals** and **internal management**

Nike Sentiment Distribution

Positive %	47%
Neutral %	31%
Negative %	22%

Sentiment is overwhelmingly **positive** or **neutral** for Nike, indicating **limited downside risk**

Bias Analysis

Source	Goal	Interpretation	Credibility
Bloomberg Equity Reports	Professional Neutral Opinion	• Analyst research with structured valuation and forward-looking commentary	
Market News (NewsAPI)	Rapid distribution of headlines	• Event-driven sentiment; prone to sensational tone and short-term bias	
Yahoo Finance News	Public-facing market updates	• Aggregated summaries which show market narrative rather than expert view	
SEC 10Q (Quarterly MD&A for ATZ)	Formal disclosure of operating performance	• Management-authored factual reporting; conservative tone	
SEC 8K (SEDAR+ Press Releases for ATZ)	Announce material events	• Company-controlled messaging with positive framing and selective emphasis	

Nike possesses **strong structural sentiment support**, positioning it as a **prime candidate** for an investor seeking out **risk-adjusted returns** with **limited downside** in a **volatile market**

Appendix

Appendix Map

Sentiment Analysis by Source	**Methodology: NLP Sentiment Pipeline (FinBERT)**	**Balance Sheet**
Justification of Relative Comparison	**FinBERT Model Explanation and Relevance**	**Cash Flow Statement**
Positioning Map Considerations	**Revenue Build vs Consensus**	**WACC Calculation & Justifications**
Expected Return (IRR) and CAPM Calculations	**Income Statement**	**Justifications of Valuation Weighting**

Sentiment Analysis by Source

Mean Sentiment Scores by Source (Overall)

CWDS Sentiment Over Time (2025)
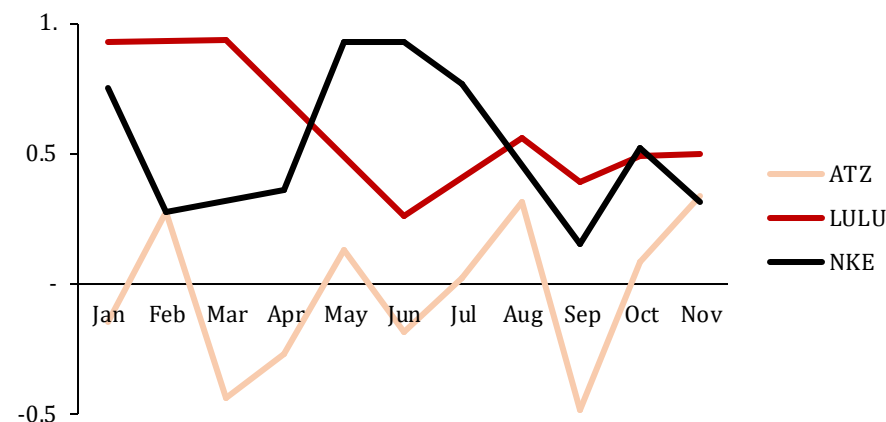
Nike and **Lululemon** show **stable, positive** sentiment

Mean FinBERT CWDS Scores by Source

Source	NKE Avg. Score	LULU Avg. Score	ATZ Avg. Score
Bloomberg Equity Reports	**0.486**	0.441	-0.114
Market News (NewsAPI)	0.004	**0.402**	0.358
Yahoo Finance News	-0.073	0.018	**0.036**
SEC 10-Q (Quarterly MD&A for ATZ)	0.220	0.197	**0.350**
SEC 8-K (SEDAR+ Press Releases for ATZ)	0.769	**0.904**	0.455

Key Insights from Source Sentiment Analysis

- For **ATZ** and **NKE**, **analyst reports** are **positive** while **news** coverage is much **mixed**; indicating **uncertainty** and **disagreement** across sources
- **Positive sentiment** is highest in **company press releases** and **filings (10-Q's and 8-K's)**, while **news flow** is notably more **cautious**
- *Since SEC only covers U.S. companies, Quarterly MD&A and Company Press Releases were used as proxies for 10-Q and 8-K for ATZ*

Equity research and analyst reports are generally **more credible and forward-looking** than broad news flow, **strengthening our conviction in Nike as the preferred recommendation**

Justification of Relative Comparison

Overview of **comparative metrics** and **justification** of each competitor's score

Scoring Dimensions (8-point scale)

1

Product Quality / Technical Performance

What it measures: Proven performance credibility (running training, team sports), athlete validation
Why it matters: Fastest growing and most margin-accretive segments

2

Pricing Power (ASP Support)

What it measures: Ability to sustain premium pricing without excess discounting, brand trust / differentiation
Why it matters: Pricing power determines gross margin resilience

3

Category Breadth

What it measures: Exposure across multiple sport and apparel categories, can capture demand across cycles
Why it matters: Broader category exposure reduces reliance on any single trend

4

Global Scale & Distribution

What it measures: Global retail footprint, marketing reach and supply chain leverage
Why it matters: Scale is critical in a higher-cost, fragmented industry

Score Justification Summary

NIKE
- High scores across all dimensions due **to performance credibility at global scale**, supported with propriety technology and elite athlete validation
- Durable pricing power with breadth and can sustain **premium ASP's across multiple regions**

adidas
- Comparable technical credibility with strong positioning in football and running, recognized innovation and global reach with very similar pricing power
- Smaller revenue base **and less independent growth engines** than Nike, more concentrated and less diversified globally. Nike wins on category breadth and scale

On
- Exceptional performance perception commanding premium ASPs in running due to strong technical differentiation and consumer trust
- Structural limits to monetization, with **narrow category focus and limited global distribution** restraining earnings power relative to the more scaled Nike

HOKA
- Strong niche performance credibility, with a well-established reputation in running and comfort-driven footwear, justifying a premium price ceiling
- Concentration in a single category and **smaller global footprint cap pricing power** and operating leverage

UNDER ARMOUR
- Solid technical foundation and credible products in training and team sports, justifying mid-quality scores
- Weak pricing translation a result of **limited lifestyle appeal and brand heat** that reduces ASPs and prevent consistent conversion of product quality into margins

Positioning Map Considerations

Company	Key Products	Average Selling Price (USD)	Quality
Nike	• Air Force 1 – $110 • Air Zoom Pegasus – $130 • Dunk Low – $115	$120	• Strong innovation pipeline and breadth; quality perception remains solid but **recent criticism around durability and over-distribution**. Brand power still elite
On	• Cloud 5 – $140 • Cloudmonster – $170 • Cloudnova – $150	$150	• Premium, minimalist aesthetic with **high perceived quality**; strong cushioning tech. Some concerns around **upper durability** but brand momentum very strong
Hoka	• Clifton 9 – $145 • Bondi 8 – $165 • Speedgoat 5 – $155	$155	• Known for **comfort and performance**, especially in running. High functional quality; aesthetics polarizing but loyalty is high
Adidas	• Ultraboost – $190 • Stan Smith – $100 • Samba – $100	$125	• Strong heritage and design credibility; **performance quality solid**, lifestyle strength resurging. Innovation perceived as less consistent than Nike
Lululemon	• Align Leggings – $98 • ABC Pant – $128 • Blissfeel Running Shoe – $148	$130	• Exceptional fabric quality and durability; **premium feel and pricing justified**. Footwear quality improving but brand strongest in apparel.
Aritzia	• Super Puff Jacket – **$250** • Wilfred Sweater – **$148** • Effortless Pant – **$128**	$160	• High material quality and construction; **fashion-forward premium**. Less technical than athletic peers but strong perceived value
Asics	• Gel-Kayano – **$160** • Gel-Nimbus – **$165** • Metaspeed Sky – **$250**	$170	• Best-in-class running biomechanics; **very high-performance credibility**. Brand less lifestyle-driven but quality reputation excellent
Under Armour	• Curry Basketball Shoe – **$140** • HOVR Phantom – **$140** • Tech 2.0 Tee – **$30**	$100	• Functional performance focus; **quality solid but brand heat inconsistent**. Apparel strong value, footwear less differentiated
Puma	• RS-X – $110 • Deviate Nitro – $160 • Suede Classic – $80	$115	• Good balance of style and performance; **quality perception mid-tier**. Strong in lifestyle, improving in running
Sketchers	• Go Walk – $75 • Arch Fit – $90 • D'Lites – $85	$85	• Comfort-led, value positioning; **quality adequate but not premium**. Strong mass-market appeal, limited technical credibility

Expected Return (IRR) and CAPM Calculations

1. Expected Return (IRR): Concept & Framework

Expected Return = Equity IRR from 5-Year Forward Cash Flows

- Returns are evaluated using **5 years of projected FCFF cash flows plus terminal value**

- IRR represents the **annualized forward equity return** implied by:

    - Current market equity value

    - Bloomberg consensus free cash flow forecasts

    - Terminal value at exit year

> IRR should be interpreted as a **forward-looking expected return implied by cash flows**, rather than a backward-looking performance metric

3. Risk-Adjusted Hurdle: CAPM Input Table

CAPM Inputs (Geographic & Market-Adjusted)

Input	NKE (US)	LULU (US)	ATZ (CAD)
Risk-Free Rate	4.16%	4.16%	3.42%
Beta (5Y)	0.93	1.19	1.61
Market Risk Premium	6.33%	6.33%	9.03%
Country Adjustment	N/A	N/A	CAD Equity Risk Premium
Currency Basis	USD	USD	CAD

> Betas and market risk premia are taken from Bloomberg's Beta (BETA) and Country Risk Premia (CRP) Functions

2. IRR Construction: Forecast Data & Assumptions

Cash Flow Construction (FCFF/FCFE): 5Y Consensus Projections

- **Assumed stable debt:** FCFF = FCFE due to limited debt projection data

Terminal value Calculation:

- Exit multiple = median P/FCFF of comparable/similar mature companies

- Assumed 2% perpetual growth and WACC as terminal value discount

- **Independent of IRR Calculation**

4. Risk Hurdle: CAPM Required Return & Excess Premium

Required Return = CAPM Expected Return by Geography

Expected return = risk-free rate + beta × (market return – risk-free rate)

- U.S. names are evaluated against the **U.S. market risk premium**

- Aritzia is evaluated against a **higher Canadian equity risk premium**

Decision metric used:

IRR – CAPM Excess Premium
 Measures whether forward expected return exceeds the appropriate geographic risk-adjusted hurdle.

- **Positive excess premium → risk is compensated**

- **Negative excess premium → risk is not fully compensated**

This framework is intended as a forward-looking capital-allocation perspective rather than a backward-looking performance comparison. Full regressions, sensitivity cases, and alternative assumptions are available at request

Methodology: NLP Sentiment Pipeline (FinBERT)
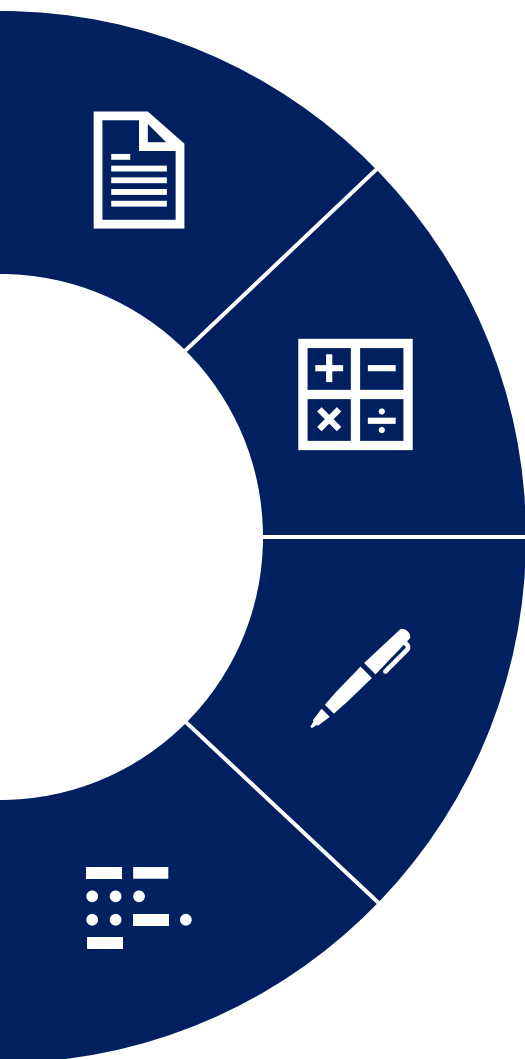
Compiling Data Sources

Text was collected across multiple disclosure and news channels:
- **Yahoo Finance & NewsAPI:** headlines and articles by ticker (NKE, LULU, ATZ.TO)
- **Bloomberg reports & PDFs:** parsed into sections and analyzed in text chunks
- **SEC Filings (U.S.):** 10-Q and 8-K (Items 2.02, 7.01, 8.01)
- **Aritizia MD&A (Canada):** used in place of 10-Q for Aritzia
- **SEDAR+ Press Releases (Canada):** used in place of 8-K for Aritzia
- *All sources were merged into a unified dataset with metadata (ticker, date, source) with 5913 Datapoints*

Data Cleaning and Preparation

- Normalized text and removed HTML, tables, and boilerplate where possible
- Deduplicated entries by text / source when appropriate

SEC filings were:
- split by section headers
- filtered to keyword-rich narrative content
- chunked to ~250 words to remain under FinBERT's 512 token limit
- News and filings standardized to **15** consistent fields

Fine-Tuning FinBERT and Evaluating Results

- **Model:** ProsusAI/finbert (finance-domain language classifier)
- For each text chunk:
- model outputs: **positive / neutral / negative** probabilities
- composite score computed as:
- **cwds_score** $=(pos-neg)\times(1-neu)$
- **Interpretation**
- CWDS captures **strength-weighted tone**, penalizing highly neutral language

Data Aggregation & Analysis

- Outputs written to final metric dataset containing:
- FinBERT probabilities & CWDS score
- source + time metadata
- **Analysis included:**
- sentiment trend over time (by date and ticker, 2024+)
- average sentiment by source with observation counts
- distribution & scatter diagnostics
- label and score summaries

FinBERT Model Explanation and Relevance

BERT NLP Framework

- BERT, short for Bidirectional Encoder Representations from Transformers, is a Machine Learning (ML) model for natural language processing. It was developed in 2018 by researchers at Google AI Language and serves as a swiss army knife solution to 11+ of the most common language tasks, such as sentiment analysis and named entity recognition (HuggingFace, 2025)

- The main idea is that by randomly masking tokens, the model can train on text to the left and right, giving it a more thorough understanding of textual context (HuggingFace, 2025)

FinBERT: Finance-specific BERT Model

- FinBERT is a pre-trained NLP model to analyze sentiment of financial text

- It is built by further training the BERT language model in the finance domain, using a large financial corpus and thereby fine-tuning it for financial sentiment classification (Araci, 2019)

- For more details, please see the paper FinBERT: Financial Sentiment Analysis with Pre-trained Language Models

Application of FinBERT for SCMC

- FinBERT provides a way to analyze systematic sentiment signals that quantify investor mood in unstructured text (news, filings, reports)

- FinBERT refines traditional NLP approaches such as Loughran & McDonald (2011) by using contextual language modeling to yield more informative, finance-relevant sentiment measures to assist in our analysis, allowing for a comprehensive, holistic evaluation of the current market narrative around the three companies

Works Used/Cited

- Araci, D. (2019). **FinBERT: Financial sentiment analysis with pre-trained language models**. *arXiv preprint arXiv:1908.10063.*

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- Loughran, T., & McDonald, B. (2011). **When is a liability not a liability? Textual analysis, dictionaries, and 10-Ks**. *The Journal of Finance, 66*(1), 35–65. https://doi.org/10.1111/j.1540-6261.2010.01625.x

- Massaron, L. (2024, February 21). **Fine-tuning a large language model on Kaggle Notebooks (or even on your own computer) for solving real-world tasks**. *Kaggle Community Article.*

Revenue Build vs Consensus

Years	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenue Build									
Revenue	46,817	48,605	51,099	54,097	57,318	62,221	66,263	70,465	74,822
Segments:									
Nike	45,574	47,345	49,786	52,704	55,815	60,571	64,454	68,520	72,772
Footwear	30,248	31,609	33,347	35,515	37,823	41,795	44,930	48,299	51,922
Apparel	12,835	12,964	13,353	13,753	14,166	14,591	15,028	15,479	15,944
Equipment	2,443	2,725	3,038	3,388	3,778	4,137	4,448	4,693	4,858
Global Brand Divisions	48	48	48	48	48	48	48	48	48
Converse	1,320	1,323	1,367	1,439	1,543	1,686	1,843	1,976	2,081
Corporate	(78)	(64)	(53)	(46)	(40)	(36)	(33)	(31)	(30)
Assumptions									
Revenue Growth	1.1%	3.8%	5.1%	5.9%	6.0%	8.6%	6.5%	6.3%	6.2%
Nike Growth	1.9%	3.9%	5.2%	5.9%	5.9%	8.5%	6.4%	6.3%	6.2%
Footwear Growth	2.5%	4.5%	5.5%	6.5%	6.5%	10.5%	7.5%	7.5%	7.5%
Apparel Growth	(1.0%)	1.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Equipment Growth	11.5%	11.5%	11.5%	11.5%	11.5%	9.5%	7.5%	5.5%	3.5%
Global Brand Divisions Growth	-	-	-	-	-	-	-	-	-
Converse Growth	(22.0%)	0.3%	3.3%	5.3%	7.3%	9.3%	9.3%	7.3%	5.3%
Corporate Growth	(20.0%)	(18.0%)	(16.0%)	(14.0%)	(12.0%)	(10.0%)	(8.0%)	(6.0%)	(4.0%)
Consensus									
Revenue	46,708	48,660	50,935	53,855	57,014	62,162	66,186	70,479	75,134
Nike	45,429	47,374	49,610	52,492	55,575	60,559	64,405	68,603	73,156
Converse	1,319	1,340	1,384	1,441	1,517	1,683	1,844	1,942	2,045
Corporate	(40)	(53)	(59)	(77)	(78)	(79)	(63)	(65)	(67)
Check: Deviation From Consensus									
Revenue	108	- 56	165	242	304	59	77	- 14	- 312
Nike	145	- 29	176	212	240	13	49	- 83	- 384
Converse	0	- 17	- 17	- 2	26	3	- 2	35	35
Corporate	- 37	- 10	6	31	38	43	30	34	37

Income Statement

Years	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Income Statement									
Revenue	46,817	48,605	51,099	54,097	57,318	62,221	66,263	70,465	74,822
Revenue Growth %	*1.10%*	*3.82%*	*5.13%*	*5.87%*	*5.95%*	*8.55%*	*6.50%*	*6.34%*	*6.18%*
Cost of Sales	27,072	27,863	29,038	30,470	31,998	34,735	36,992	39,338	41,770
COGS Margin %	*57.83%*	*57.33%*	*56.83%*	*56.33%*	*55.83%*	*55.83%*	*55.83%*	*55.83%*	*55.83%*
Equals: Gross Profit	**19,744**	**20,742**	**22,062**	**23,626**	**25,320**	**27,486**	**29,271**	**31,127**	**33,052**
Gross Profit %	*42.2%*	*42.7%*	*43.2%*	*43.7%*	*44.2%*	*44.2%*	*44.2%*	*44.2%*	*44.2%*
Operating Expenses									
Demand Creation Expense	3,998	4,150	4,363	4,619	4,894	5,313	5,658	6,017	6,389
Operating Overhead Expense	11,986	11,472	12,060	10,604	11,235	12,197	12,989	13,813	14,667
Other Operating Expense	(89)	(92)	(97)	(103)	(109)	(118)	(126)	(134)	(142)
Total Operating Expenses	**15,895**	**15,530**	**16,327**	**15,121**	**16,021**	**17,391**	**18,521**	**19,696**	**20,914**
EBITDA	**3,850**	**5,212**	**5,735**	**8,506**	**9,299**	**10,094**	**10,750**	**11,432**	**12,138**
Depreciation & Amortization	838	851	859	899	912	941	964	998	1,042
EBIT	**3,012**	**4,361**	**4,876**	**7,607**	**8,387**	**9,153**	**9,786**	**10,434**	**11,096**
Non-Operating Expenses									
Interest Expense (Income), Net	55	57	60	64	68	74	78	83	88
Total Non-Operating Expenses	**55**	**57**	**60**	**64**	**68**	**74**	**78**	**83**	**88**
EBT	**2,956**	**4,304**	**4,816**	**7,543**	**8,319**	**9,079**	**9,707**	**10,351**	**11,008**
Income Tax Expense	536	780	873	1,368	1,508	1,646	1,760	1,877	1,996
Net Income (Loss)	**2,420**	**3,523**	**3,943**	**6,175**	**6,811**	**7,433**	**7,947**	**8,474**	**9,012**
Net Income %	*5.2%*	*7.2%*	*7.7%*	*11.4%*	*11.9%*	*11.9%*	*12.0%*	*12.0%*	*12.0%*

Balance Sheet

Balance Sheet									
Assets									
Current Assets									
Cash And Cash Equivalents	7,758	7,127	6,567	7,411	8,462	9,356	10,436	11,594	12,839
Short-Term Investments	1,561	1,621	1,704	1,804	1,911	2,075	2,209	2,350	2,495
Accounts Recievable, Net	4,167	4,326	4,548	4,815	5,102	5,538	5,898	6,272	6,660
Inventories	8,039	8,274	8,623	9,049	9,502	10,315	10,985	11,682	12,404
Prepaid Expenses and Other Current Assets	1,878	1,950	2,050	2,170	2,300	2,496	2,658	2,827	3,002
Total Current Assets	**23,403**	**23,298**	**23,492**	**25,249**	**27,277**	**29,780**	**32,187**	**34,725**	**37,399**
Non-Current Assets									
Property, Plant & Equipment, Net	4,599	4,598	4,633	4,544	4,491	4,482	4,510	4,568	4,647
Operating Lease Right-of-Use Assets, Net	2,995	3,110	3,269	3,461	3,667	3,981	4,240	4,508	4,787
Identifiable Intangible Assets, Net	277	287	302	320	339	368	392	417	442
Goodwill	243	252	265	280	297	322	343	365	388
Deferred Income Taxes and Other Assets	5,235	5,435	5,714	6,049	6,409	6,957	7,409	7,879	8,366
Total Non-Current Assets	**13,349**	**13,682**	**14,183**	**14,654**	**15,203**	**16,110**	**16,894**	**17,737**	**18,630**
Total Assets	**36,752**	**36,980**	**37,675**	**39,903**	**42,480**	**45,890**	**49,081**	**52,462**	**56,029**
Liabilities									
Current Liabilities									
Current Portion of Long-Term Debt									
Notes Payable	6	6	6	7	7	7	8	8	9
Accounts Payable	3,930	3,764	3,673	3,628	3,602	3,679	3,699	3,726	3,758
Current Portion of Operating Lease Liabilities	701	703	714	729	743	776	793	808	821
Accrued Liabilities	5,920	6,146	6,462	6,841	7,248	7,868	8,379	8,911	9,462
Income Taxes Payable	822	805	795	787	777	781	766	744	715
Total Current Liabilities	**11,378**	**11,424**	**11,649**	**11,991**	**12,377**	**13,111**	**13,645**	**14,197**	**14,764**
Non-Current Liabilities									
Long-Term Debt	9,003	9,347	9,827	10,403	11,023	11,966	12,743	13,551	14,389
Operating Lease Liabilities	2,829	2,937	3,088	3,269	3,464	3,760	4,004	4,258	4,521
Deferred Income Taxes and Other Liabilities	2,314	2,402	2,526	2,674	2,833	3,076	3,275	3,483	3,698
Other Non-Current Liabilities	3,606	4,049	4,302	4,451	4,599	4,271	4,346	4,467	4,639
Total Liabilities	**29,131**	**30,160**	**31,392**	**32,788**	**34,296**	**36,184**	**38,014**	**39,956**	**42,011**
Shareholders' Equity									
Class B Convertible	3	3	3	4	4	4	4	5	5
Capital in Excess of Stated Value	11,188	11,615	12,212	12,928	13,698	14,869	15,835	16,840	17,881
Accumulated Other Comprehensive Income (Loss)	(25)	(26)	(28)	(29)	(31)	(34)	(36)	(38)	(41)
Retained Earnings (Deficit)	(3,545)	(4,772)	(5,905)	(5,787)	(5,486)	(5,133)	(4,737)	(4,300)	(3,827)
Total Shareholders' Equity	*7,621*	*6,821*	*6,283*	*7,115*	*8,185*	*9,707*	*11,067*	*12,506*	*14,018*
Total Liabilities & Shareholders' Equity	**36,752**	**36,981**	**37,675**	**39,903**	**42,480**	**45,890**	**49,081**	**52,462**	**56,029**
Check: A = L + E	-	-	-	-	-	-	-	-	-
Operating Working Capital	4,267	4,747	5,276	5,847	6,437	7,313	8,106	8,934	9,797

Cash Flow Statement

Cash Flow Statement									
Net Income	2,420	3,523	3,943	6,175	6,811	7,433	7,947	8,474	9,012
Depreciation & Amortization	838	851	859	899	912	941	964	998	1,042
Deferred Income Taxes	(340)	(353)	(371)	(393)	(416)	(452)	(481)	(512)	(544)
Stock-Based Compensation	660	685	720	762	808	877	934	993	1,054
Net Foreign Currency Adjustments	(71)	(74)	(77)	(82)	(87)	(94)	(100)	(107)	(113)
Change in Operating Working Capital	1,065	(480)	(529)	(571)	(591)	(875)	(793)	(828)	(863)
Cash Flow from Operating Activities	**4,572**	**4,153**	**4,544**	**6,791**	**7,437**	**7,830**	**8,471**	**9,018**	**9,588**
Purchases of Short-Term Investments	(6,560)	(6,560)	(6,560)	(6,560)	(6,560)	(6,560)	(6,560)	(6,560)	(6,560)
Maturities of Short-Term Investments	3,076	3,076	3,076	3,076	3,076	3,076	3,076	3,076	3,076
Sales of Short-Term Investments	3,377	3,377	3,377	3,377	3,377	3,377	3,377	3,377	3,377
Additions to PP&E	(818)	(850)	(893)	(810)	(859)	(932)	(993)	(1,056)	(1,121)
Other Investing Activities	-	-	-	-	-	-	-	-	-
Cash Flow from Investing Activities	**(926)**	**(957)**	**(1,001)**	**(918)**	**(966)**	**(1,040)**	**(1,100)**	**(1,163)**	**(1,229)**
Proceeds From Borrowing, Net of Debt Issuance Costs	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Notes Payable, Net	-	-	-	-	-	-	-	-	-
Repayment of Borrowings	-	-	-	-	-	-	-	-	-
Proceeds From Exercise of Stock Options and Other Stock Issuan	875.6	909.0	955.7	1,011.7	1,072.0	1,163.7	1,239.3	1,317.8	1,399.3
Repurchase of Common Stock	(3,400.3)	(3,530.2)	(3,711.4)	(3,929.1)	(4,163.0)	(4,519.1)	(4,812.7)	(5,117.9)	(5,434.4)
Dividends - Common and Preferred	(827)	(1,204)	(1,348)	(2,111)	(2,328)	(2,541)	(2,716)	(2,896)	(3,080)
Other Financing Activites	-	-	-	-	-	-	-	-	-
Cash Flow from Financing Activities	**(3,352)**	**(3,826)**	**(4,103)**	**(5,028)**	**(5,419)**	**(5,896)**	**(6,290)**	**(6,697)**	**(7,115)**
Effect of Foreign Exchange Rates	-	-	-	-	-	-	-	-	-
Net Change in Cash	**294**	**(630)**	**(560)**	**844**	**1,051**	**894**	**1,080**	**1,158**	**1,244**

WACC Calculation & Justifications

WACC Breakdown

Capital Structure	
Equity	95,536
% Equity	*89.66%*
Debt	11,018
% Debt	10.34%
Total Capitalization	**106,554**

Weighted Average Cost of Capital (WACC)	
Expected Market Return	8.91%
Risk Free Rate	4.16%
Market Risk Premium	4.75%
Beta	0.93
Cost of Equity	**8.58%**
Pre-Tax Cost of Debt	4.15%
Effective Tax Rate	18.13%
After Tax Cost Of Debt	**3.40%**
WACC	**8.04%**

Justification

- Equity and debt value taken from Bloomberg

- Expected market return for the S&P 500 according to Professor Aswath Damodaran

- Risk-Free Rate of a 10-year US Treasury Bond is 4.16%

- Beta of 0.93 per Bloomberg

- Effective tax rate given by Bloomberg

Justification of Valuation Weighting

Justification of Each Valuation Method Weighting

DCF: Perpetuity Growth Method (40%)

Justification: We weight the DCF **the highest** because of our belief that Nike's intrinsic value is the best judgment of its value due to a **lack of transactions and competitors** at such a **large scale**

Comps: P/E (10%)

Justification: P/E comparison is given a 10% weighting, on par with EV/EBITDA, because both reflect a somewhat **pessimistic relative valuation** that doesn't align with our **long-term conviction** in the stock

Comps: EV/EBITDA (10%)

Justification: Again, Comps together are **only** weighted 20% largely because other than Adidas, there **are no direct competitors that match Nikes scale** and global brand. Hence, we assign a **10% weighting here**

PTA: TV/Revenue (10%)

Justification: This metric is **only weighted** at 10% due to a lack of transactions that **are truly comparable** to Nikes grand size

PTA: Offer Price/EPS (10%)

Justification: Again, PTA is weighted **equally to comps at 20%** because it is challenging to identify large, recent industry deals that can **adequately** form a valuation for Nike

Analyst Targets (20%)

Justification: Weighted at 20% because we feel it is necessary to incorporate what professionals **on the street** believe about the stock. Notice **their bullish take**, which supports **our recommendation**