

Nike
(NKE)



Stock Pitch

Chaitrali Gokhale
Krishita Laungani
Savani Vaidya
Krish Jaiswal
Saaniika Kadam
Eric Dong

Company Description

- Established over five decades ago as Blue Ribbon Sports and rebranded as Nike in 1971
- Generates revenue through widespread and diverse product range
- Caters to athletes and consumers of all ages across their retail stores and e-platforms in U.S., Canada, Europe, Asia, and South America
- NKE holds a 38.23% total market share in the sportswear industry



Key Metrics

Price (12/1/23): **\$113.48**

Market Cap (Billions): **\$172.71**

Shares Outstanding (Billions): 1.52

Revenue (Billions): \$51.217

EBIT (Billions): 5.915

Net Earnings (Billions): \$5.1

EPS: 3.25

P/E: 34.92

EV/EBITDA: 24.49

Industry Analysis

- Most valuable brand in the sportswear industry, brand value over 30 billion dollars
- Generated 50.96 billion USD in revenue in 2022, close to 52.98 billion in 2023
- Significant competitors include Adidas, Lululemon Athletica, Puma, Under Armour
- Nike's success positively correlates with the success of the professional sports industry

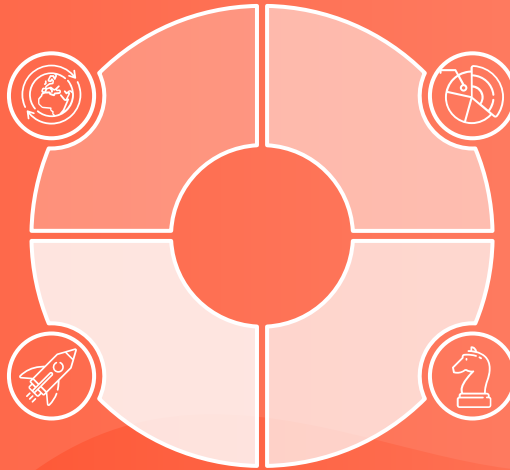
SWOT ANALYSIS

Strengths

- Research and Development
 - Strong Marketing
- Good Brand Relationships
- Low Manufacturing costs

Opportunities

- Expand into emerging markets
- Acquiring new tech startups
- Creating sustainable products



Weaknesses

- Poor working conditions
- Contradicting strategies
- Legal Issues
- Supply chain issues

Threats

- Increasing competition/ counterfeit items
- Regulatory and legal
- International trade tensions

Porter's 5 Forces

01

Threats of New Entrants

Low

Bargaining Power of Suppliers

Low

02

03

Bargaining Power of Buyers

Moderate

Threat of Substitutes

Moderate

03

05

Degree of Rivalry

High

RISKS and MITIGANTS

Risk 1

Global economy's uncertainty, including economic and industrial risks

Mitigant

NKE engages in the diversification of markets, continuous market research, and ethical practice

Risk 2

Products are manufactured outside of the US, which can lead to fluctuations relating to foreign currency

Mitigant

The company engages in hedging activities to reduce impact of market fluctuations

Risk 3

Operation in a highly competitive industry

Mitigant

Offers a wide range of athletic footwear, accessories, and apparel; diversification of products

Investment Thesis: BUY | Target Price: \$141.96

1. Global Market Presence

2. Brand Strength

3. Innovation

- Diverse stream of revenue (North America, Europe, Asia, and other emerging markets)
- Reduced dependence on any single region minimizing the economic and geopolitical risk
- Loyal customer base and brand recognition
- Owns Converse (sub-brand) and patented the swoosh logo
- Priority on R&D(Air Max, React, and Flyknit)
- Digital Transformation (Fitness Apps, Online sales)

Company Comparables

Ticker	NAME	Market Cap (MC)	Enterprise Value	P/E	P/S TTM	EV/SALES	EV/EBITDA
LULU	Lululemon	54.45	54.54	54.47	6.21	6.7	23.79
ADS	Adidas	31.96	36.71	42.55	1.44	1.65	29.56
PMMAF	Puma	7.96	8.87	26.9	0.93	11.01	14.73
SKX	Skechers	7.84	8.34	14.92	1.01	1.05	9.1
NKE	Nike	160.94	164.33	32.64	3.2	3.19	24.49
		::::: in billions	::::: in billions				
MEDIAN		31.96	36.71	32.64	1.44	3.19	23.79

Income Statement

INCOME STATEMENT

Fiscal year	2021A	2022A	2023A	2024P	2025P	2026P	2027P	2028P
<i>Fiscal year end date</i>	5/31/21	5/31/22	5/31/23	5/31/24	5/31/25	5/31/26	5/31/27	5/31/28
Revenue	44,538	46,710	51,217	54,290	57,547	61,000	64,660	68,540
Cost of sales (enter as -)	(24,576)	(25,231)	(28,925)	(29,981)	(31,780)	(33,687)	(35,708)	(37,850)
Gross Profit	19,962	21,479	22,292	24,309	25,768	27,314	28,952	30,690
Selling, general & administrative (enter as -)	(13,025)	(14,804)	(16,377)	(16,721)	(17,725)	(18,788)	(19,915)	(21,110)
Operating profit (EBIT)	6,937	6,675	5,915	7,588	8,043	8,525	9,037	9,579
Interest income	34	94	297	297	297	297	297	297
Interest expense (enter as -)	(296)	(299)	(291)	(291)	(291)	(291)	(291)	(291)
Other expense, net (enter as -)	(14)	181	280	280	280	280	280	280
Pretax profit	6,661	6,651	6,201	7,874	8,329	8,811	9,323	9,865
Taxes (enter expense as -)	(934)	(605)	(1,131)	(1,653)	(1,749)	(1,850)	(1,958)	(2,072)
Net income	5,727	6,046	5,070	6,220	6,580	6,961	7,365	7,794
Shares outstanding (millions)	1,573	1,579	1,552	1,522	1,522	1,522	1,522	1,522
EPS	\$3.64	\$3.83	\$3.27	\$4.09	\$4.32	\$4.57	\$4.84	\$5.12
Depreciation & amortization	797	840	859	859	859	859	859	859
EBITDA	7,734	7,515	6,774	8,447	8,902	9,384	9,896	10,438
Growth rates & margins								
Revenue growth	19.1%	4.9%	9.6%	6.0%	6.0%	6.0%	6.0%	6.0%
Gross profit margin	44.8%	46.0%	43.5%	44.8%	44.8%	44.8%	44.8%	44.8%
SG&A % of sales	29.2%	31.7%	32.0%	30.8%	30.8%	30.8%	30.8%	30.8%
Tax rate (Taxes/ EBIT)	13.5%	9.1%	19.1%	21.0%	21.0%	21.0%	21.0%	21.0%

Data Box

P/E and EPS Comparison and Databox

Current Share Price: \$113.48

EPS

Our Calculated EPS

2024 Estimated	2025 Estimated
\$4.09	\$4.32

WallStreet Analyst's Estimated EPS

2024 Estimated	2025 Estimated
\$3.23	\$3.72

P/E

Our Calculated P/E

2024 Estimated	2025 Estimated
27.77	26.25

WallStreet Analyst's Estimated P/E

2024 Estimated	2025 Estimated
35.13	30.51

Base Case	2023A	2024E	2025E
Company EPS	\$3.27	\$4.09	\$4.32
S&P EPS	\$215.18	\$243.33	\$275.16
Company P/E	34.74	27.77	26.25
S&P P/E	20.35	17.99	15.90
Relative P/E	1.71	1.54	1.65

Bear Case	2023A	2024E	2025E
Company EPS	\$3.27	\$3.20	\$3.32
S&P EPS	\$215.18	\$243.33	\$275.16
Company P/E	34.74	35.49	34.18
S&P P/E	20.35	17.99	15.90
Relative P/E	1.71	1.97	2.15

Bull Case	2023A	2024E	2025E
Company EPS	\$3.27	\$4.46	\$4.81
S&P EPS	\$215.18	\$243.33	\$275.16
Company P/E	34.74	25.42	23.60
S&P P/E	20.35	17.99	15.90
Relative P/E	1.71	1.41	1.48