

NIKE FINANCIAL ANALYSIS

NHAT MY THIEN NGUYEN



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COMPANY OVERVIEW

MAIN FEATURES:

- ✓ American multinational corporation engaged in the design, development, manufacturing and sales of apparel, footwear, accessories, equipment and services.
- ✓ Founded in 1964 as Blue Ribbon Sports by Bill Bowerman & Phil Knight and renamed Nike in 1971
- ✓ Headquartered in Beaverton, Oregon, USA.
- ✓ 1096 retail stores in more than 170 countries (2020)
- ✓ 76700 employees worldwide (2020)
- ✓ The brand alone was valued \$32 billion (2020)
- ✓ Subsidiary: Converse Inc (acquired in 2003)
- ✓ Slogan : "Just Do It"



NIKE PRODUCTS

Footwear:

- ✓ Running
- ✓ Basketball
- ✓ Soccer
- ✓ Sport-inspired urban shoes
- ✓ Children's shoes

Apparels & Accessories

- ✓ Swimwear
- ✓ Cycling Apparels
- ✓ Children's Clothing
- ✓ School Supplies
- ✓ Golf Accessories

Performance Equipments:

- ✓ Bags
- ✓ Socks
- ✓ Sport Balls
- ✓ Eyewear
- ✓ Bats
- ✓ Gloves
- ✓ Protective Equipment

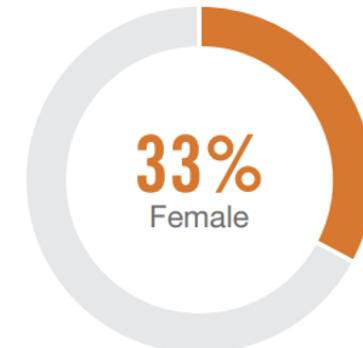


CORPORATE GOVERNANCE

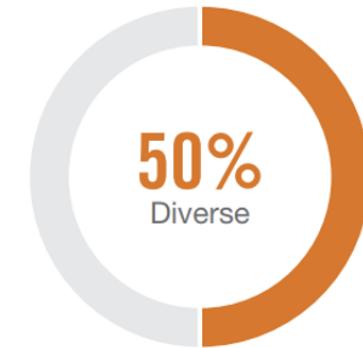
Corporate Governance Highlights

- ✓ 9 out of 12 directors are independent
- ✓ Separate Chairman, CEO, and Lead Independent Director positions with clearly defined roles
- ✓ Refreshed Board and committee structure, with 4 new independent directors added in last 4 fiscal years
- ✓ Retirement policy generally requires that directors do not stand for election after reaching the age of 72

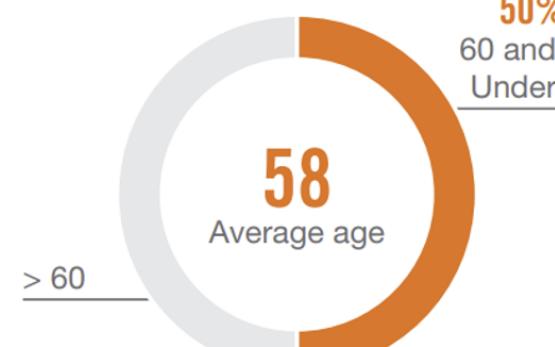
GENDER DIVERSITY



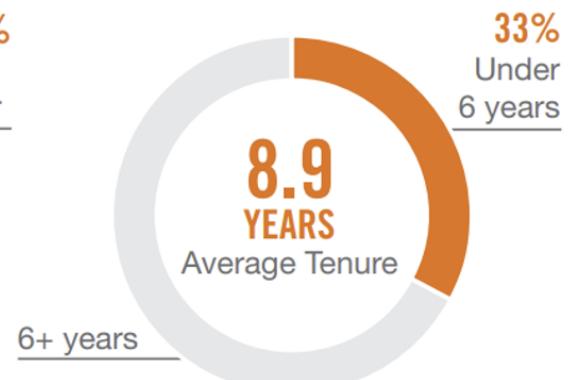
GENDER/ETHNIC DIVERSITY



AGE



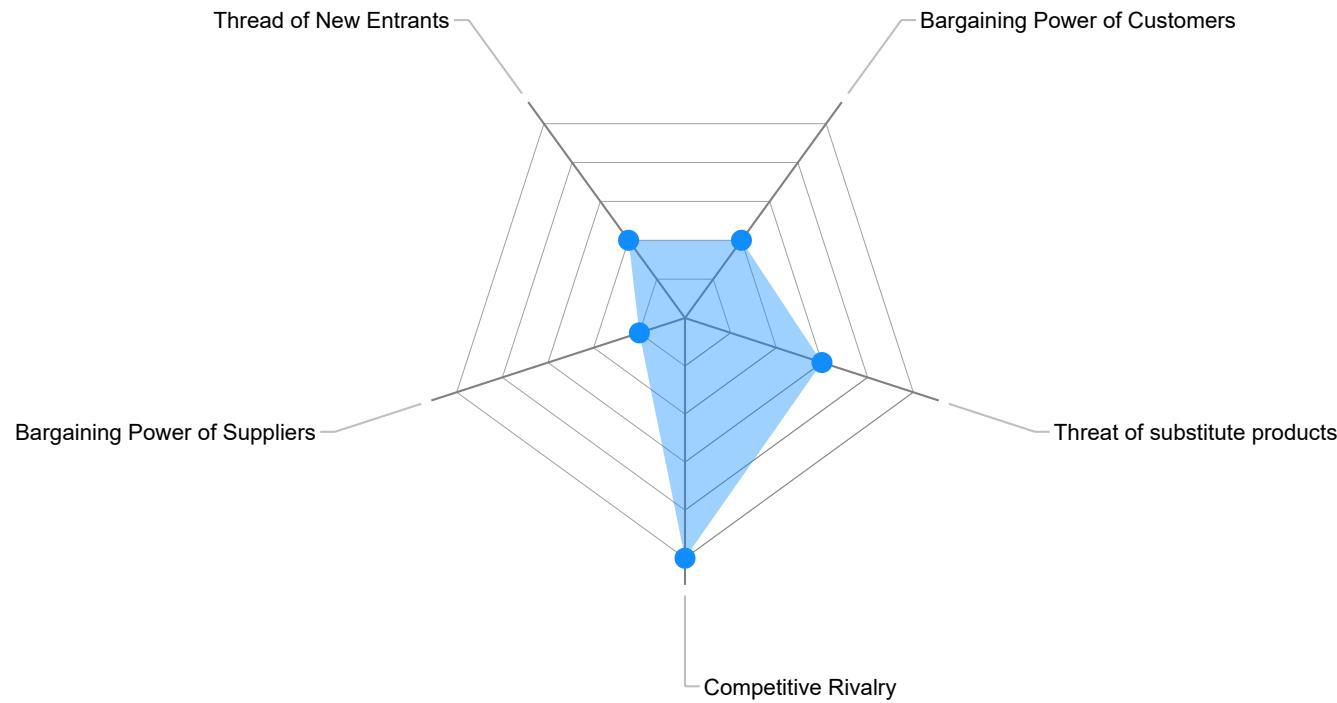
TENURE





INDUSTRY ANALYSIS

Porter's Five Forces



Porter's Five Forces:

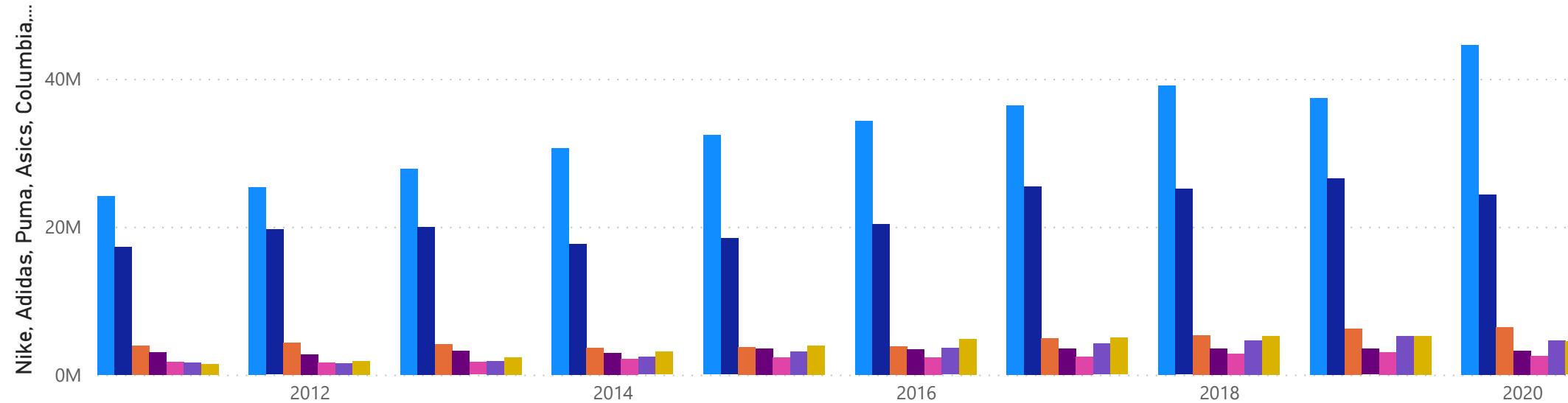
- ✓ Bargaining Power of Suppliers – Low
- ✓ Bargaining Power of Customers – Low to Moderate
- ✓ Thread of New Entrants – Low to Moderate
- ✓ Threat of Substitute Products – Moderate
- ✓ Competitive Rivalry – High



COMPETITORS ANALYSIS

Revenue By Year

● Nike ● Adidas ● Puma ● Asics ● Columbia ● Skecher ● Under Armour

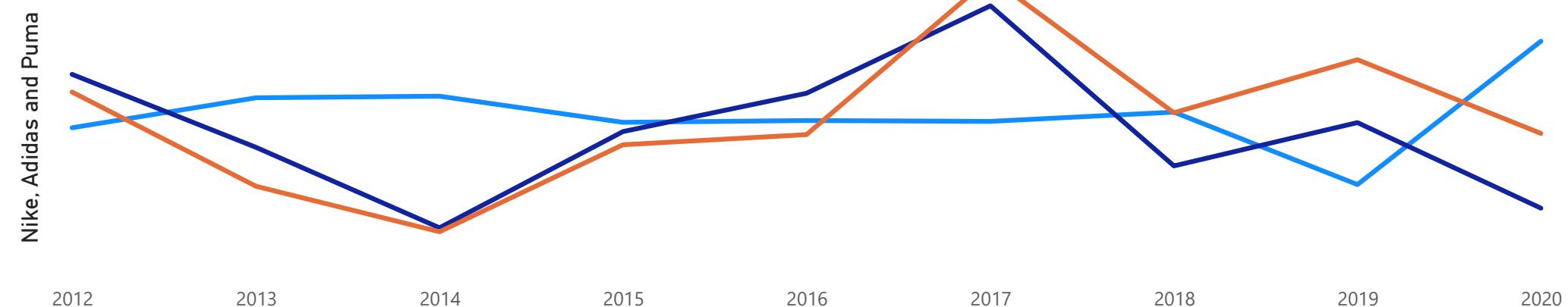


Nike and Adidas take majority shares of market, while other competitors were left far behind in total Sales.

Profit Margin Nike vs Competitors

● Nike ● Adidas ● Puma

Adidas and Puma had same fluctuate pattern of Profit Margin over last 10 years. Nike had stable Profit ratio from 2012 to 2018 before dropping significant in 2019 and rebounding in 2020.



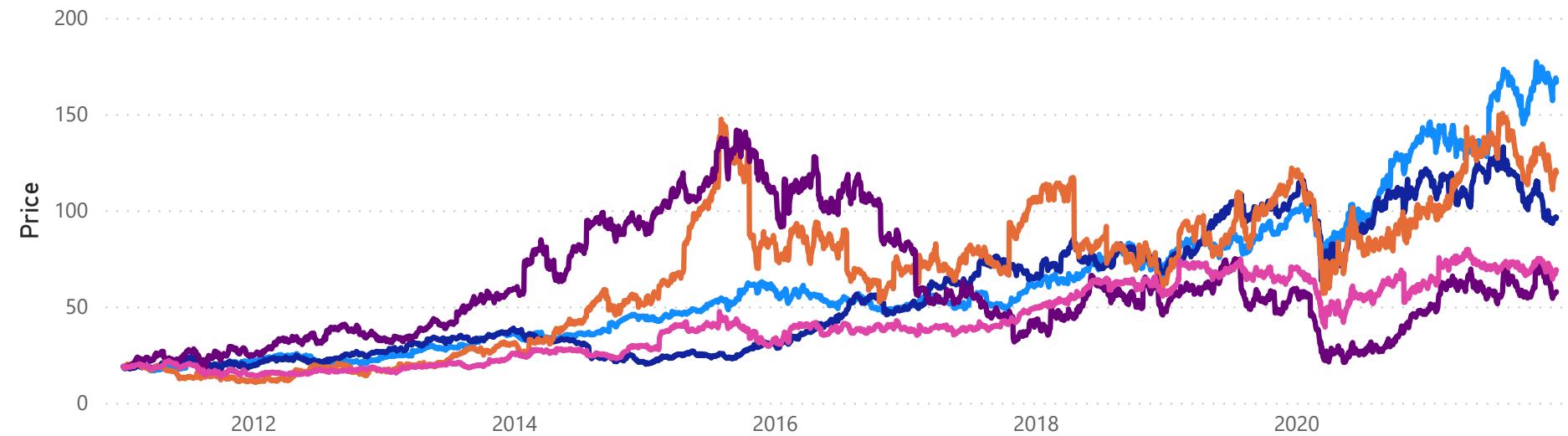


STOCK ANALYSIS

YEAR
All

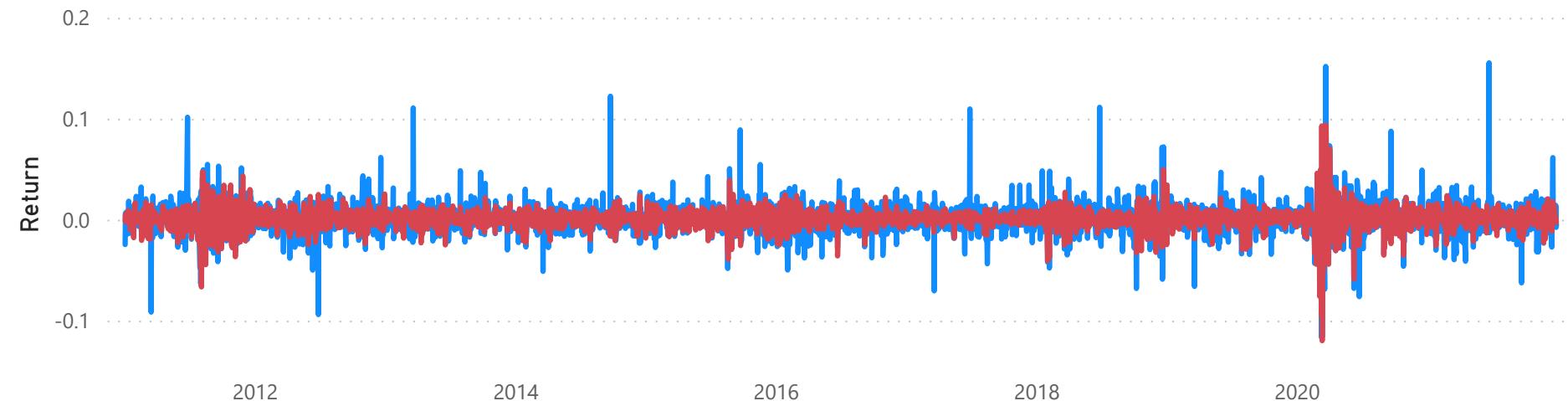
Stock Prices

● Nike Price ● ADDYY Price Index ● SKX Price Index ● UAAPrice Index ● COLM Price Index

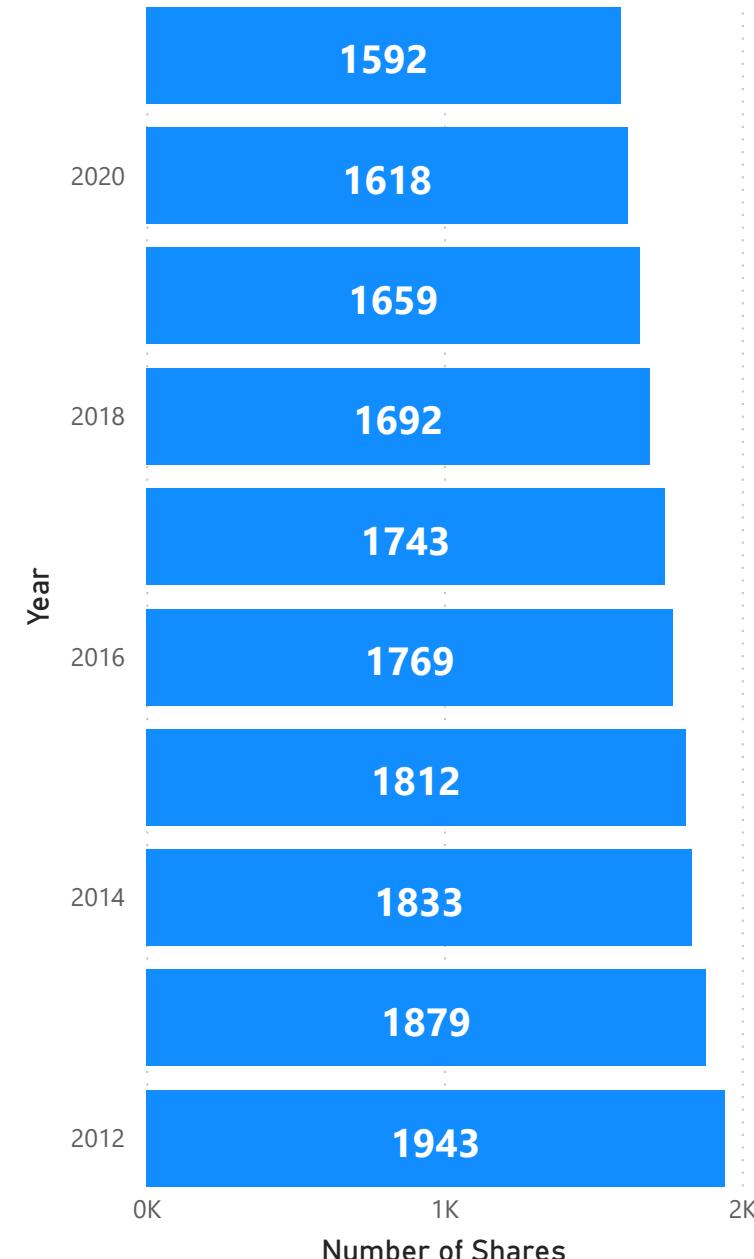


Stock Returns

● Nike Return ● S&P Return



Number of Shares by Year





Financial Analysis

YEAR
All

Total Asset (x1000)

\$37,740,000

Current Asset (x1000)

\$26,291,000

Total Liabilities (x1000)

\$24,973,000

Current Liabilities (x1000)

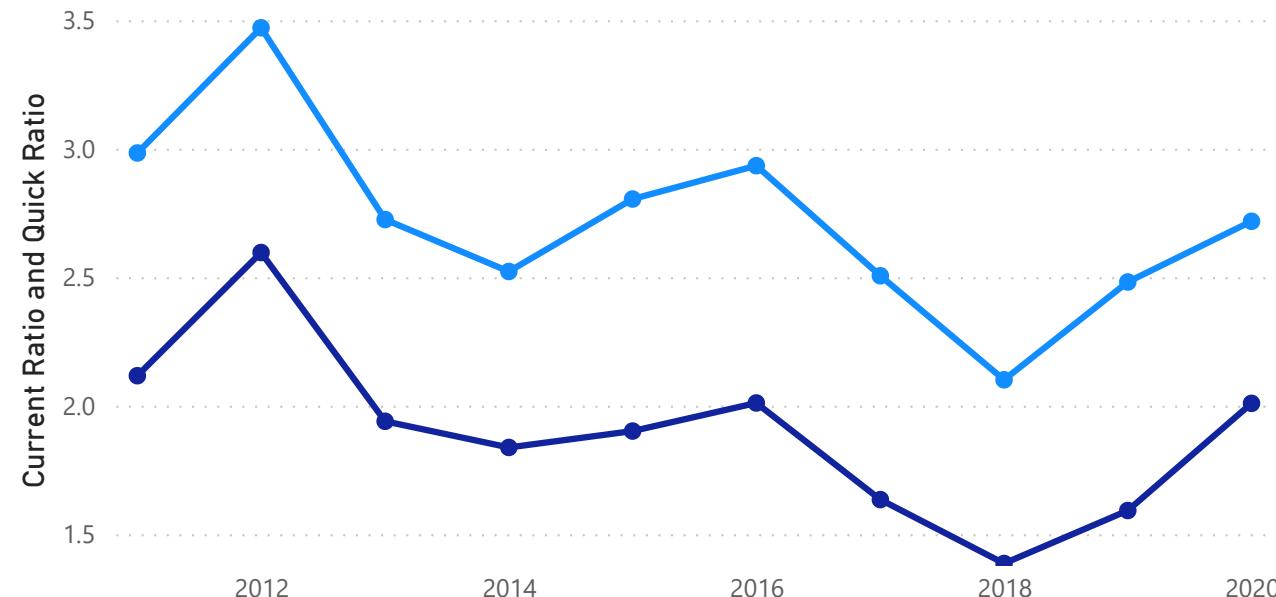
\$9,674,000

Equity (x1000)

\$12,767,000

Short Term Solvency

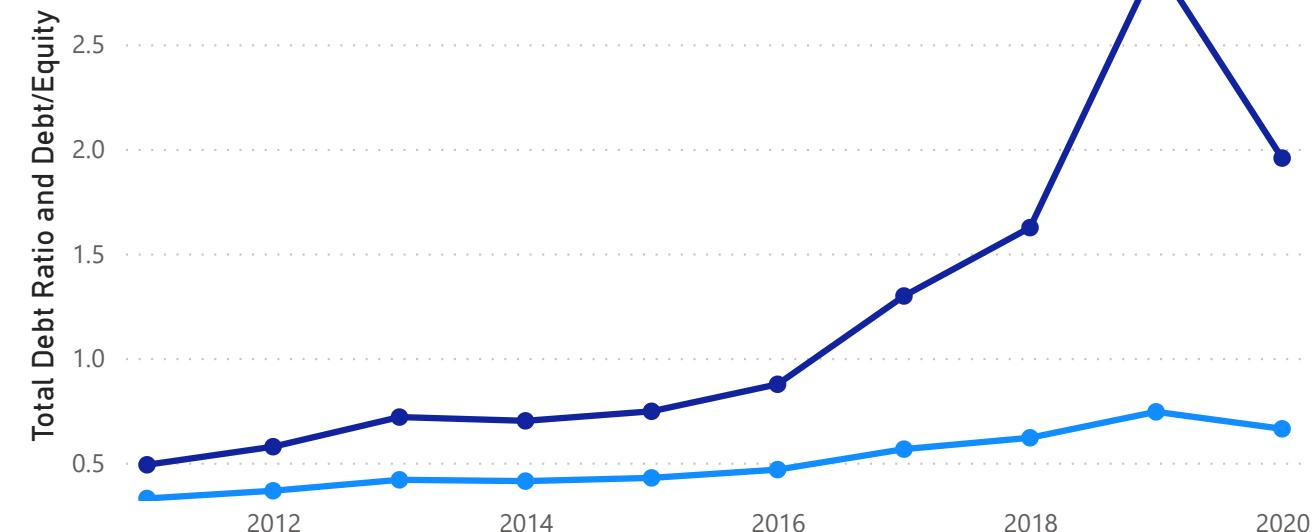
● Current Ratio ● Quick Ratio



Even though current ratio and quick ratio was fluctuate but the index is still greater than 1 over 10 years which shows Nike's good ability to instantly pay down its current liabilities

Long Term Solvency

● Total Debt Ratio ● Debt/Equity



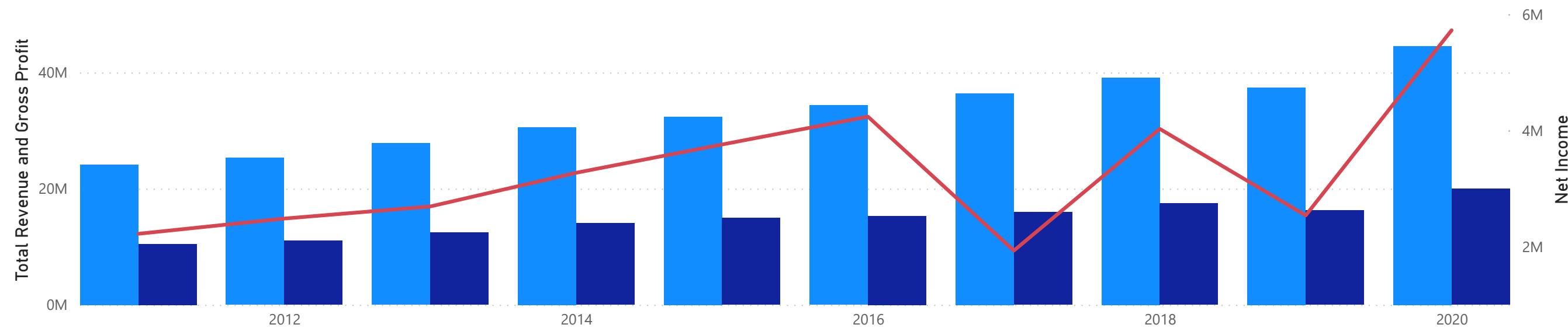
Overall the long term solvency of Nike is sound. Debt to Equity ratio tends to increase over year indicates that Nike is utilizing debt to grow.



Financial Analysis (Cont)

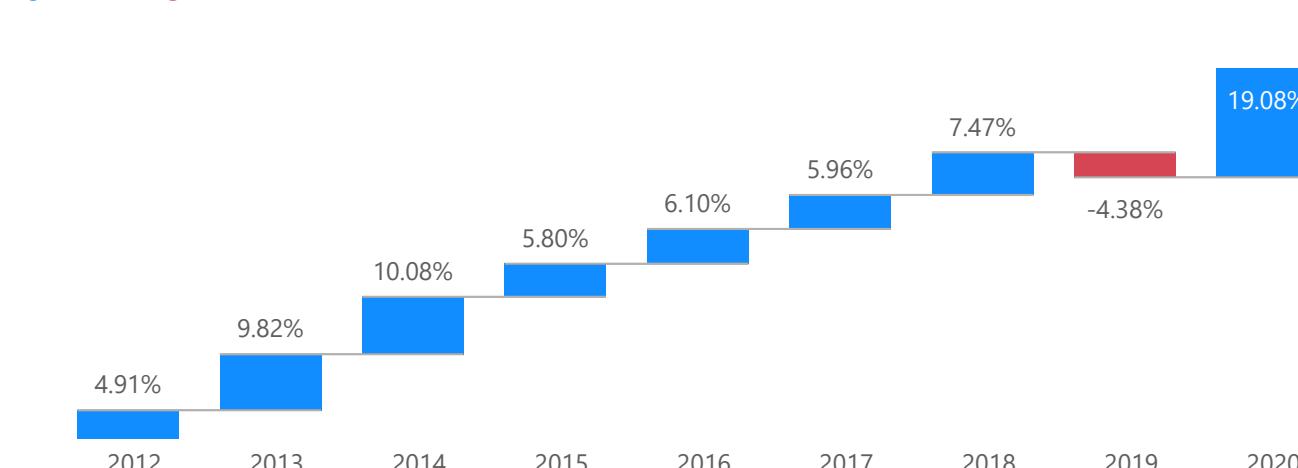
Total Revenue, Gross Profit and Net Income by Year

● Total Revenue ● Gross Profit ● Net Income



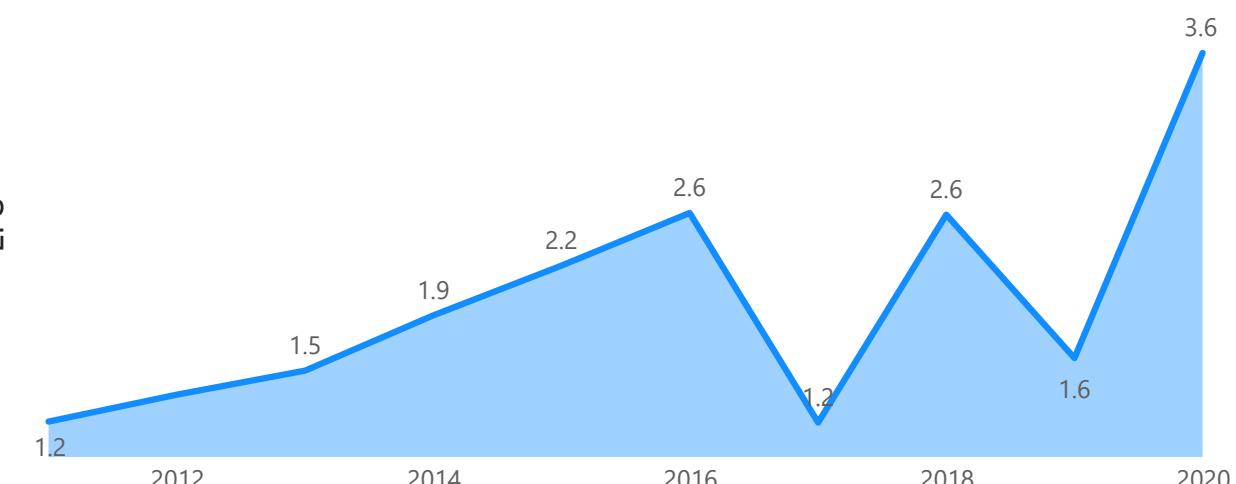
Sales Growth Over Year

● Increase ● Decrease



EPS by Year

EPS

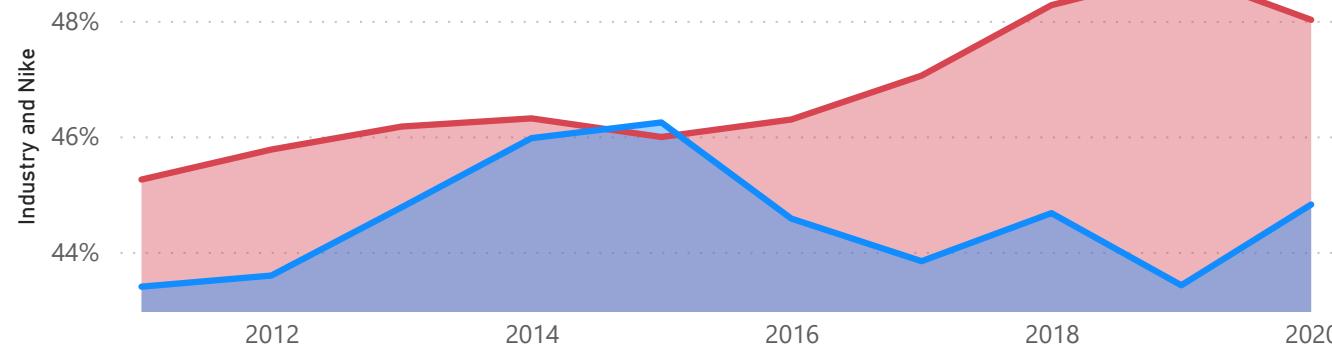




Financial Analysis (Cont)

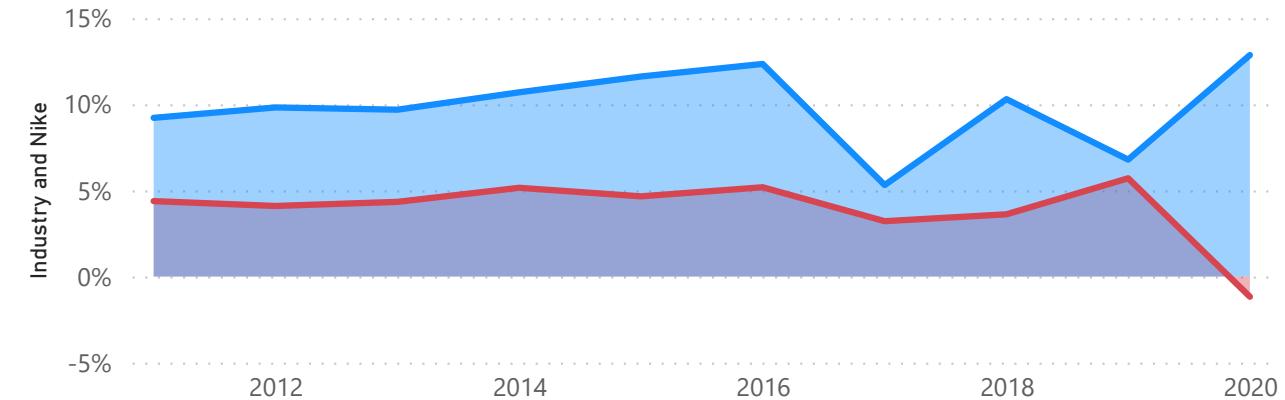
Gross Margin

● Industry ● Nike



Profit Margin

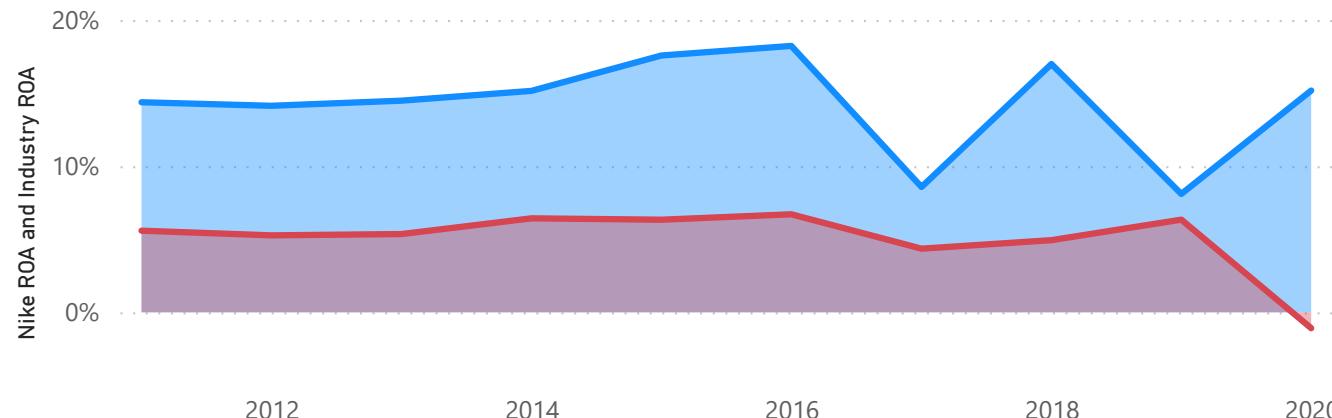
● Industry ● Nike



Even though Nike has Gross Margin Ratio lower than that of Industry but Nike's Profit Margin is higher. That means Nike are doing better in control operating expenses.

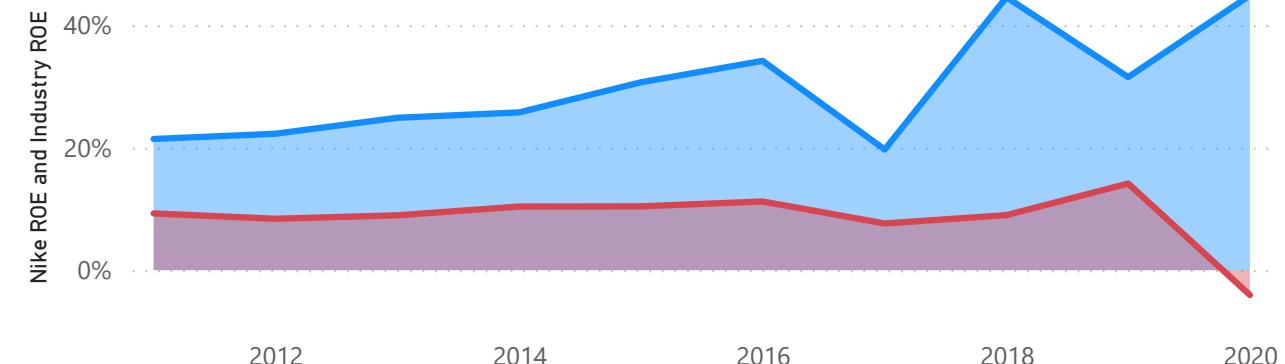
Return On Asset

● Nike ROA ● Industry ROA



Return On Equity

● Nike ROE ● Industry ROE

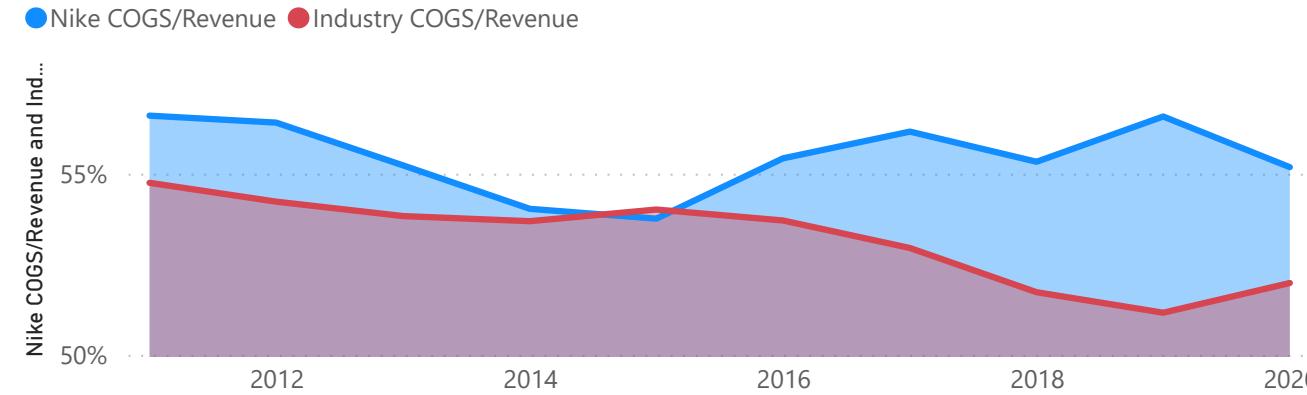


Nike has better Return On Asset and Return on Equity compare with Industry



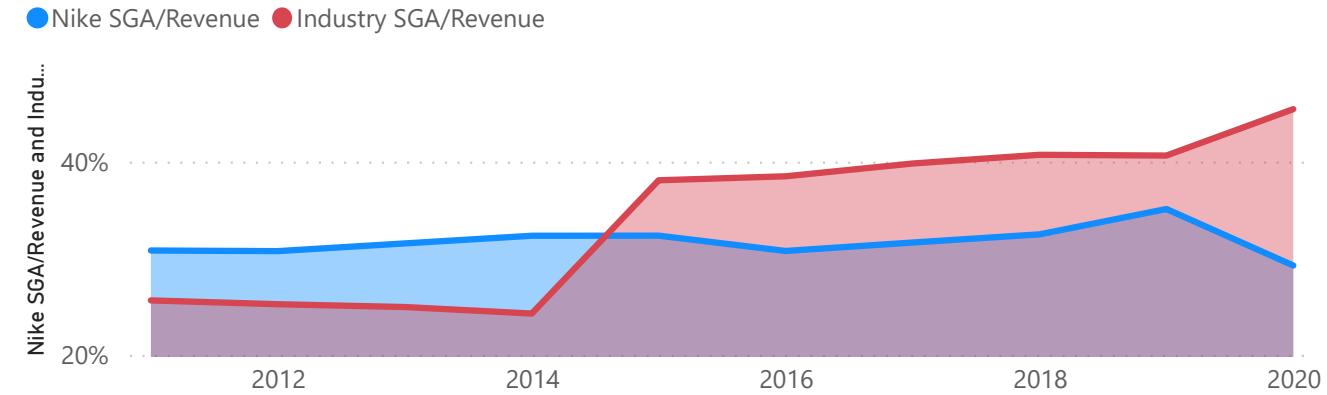
Financial Analysis (Cont)

COGS/Revenue



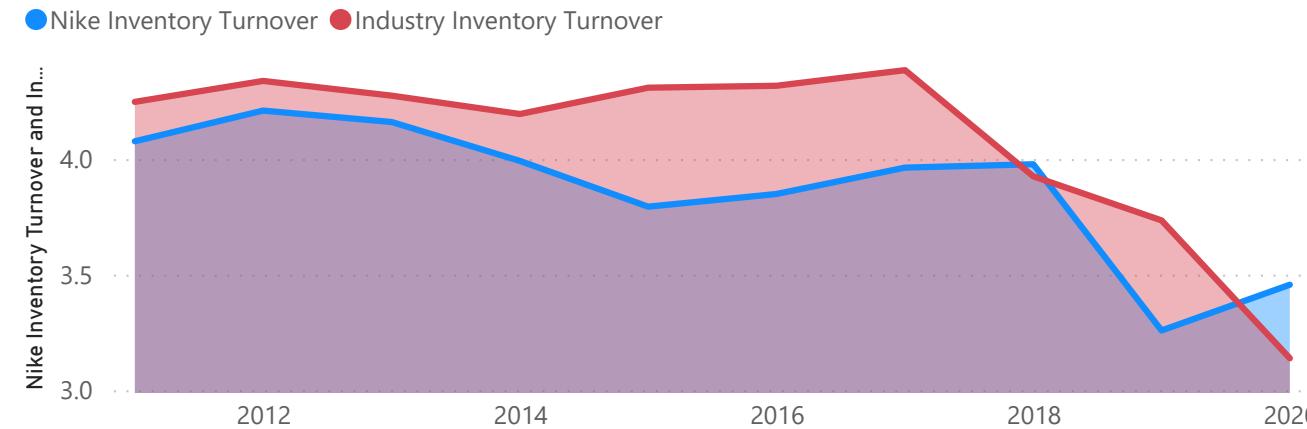
Nike has slight higher COGS ratio than that of industry.

SGA/Revenue



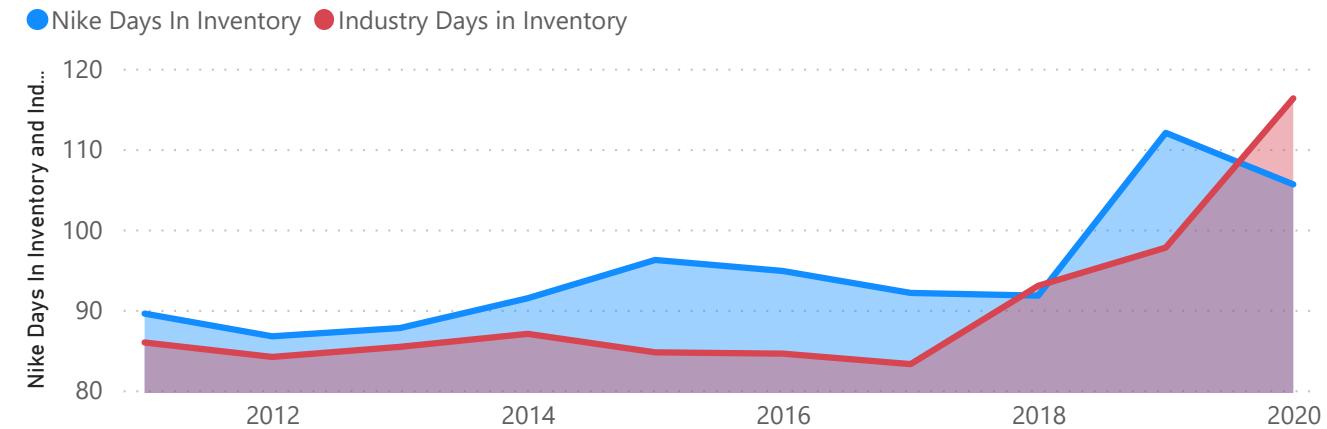
In recent years, while Industry tends to increase Selling General & Admin Expense, Nike still keeps it under control.

Inventory Turnover



Inventory Turnover of Nike is slightly higher than that of industry, which means that the sales of inventory of Nike is not good as others competitors, this also means that Nike remains inventory longer than others.

Days In Inventory





ENTERPRISE VALUE
\$279,674M

NUMBER OF SHARES
1583M

EV/SHARE
177

EQUITY VALUE
\$270,147M

PROJECTED PRICE
\$170.7

DISCOUNTED CASHFLOW

Factors	2021	2022	2023	2024	2025	2026
Risk Free Rate	2.00%	2.00%	2.00%	2.25%	2.25%	2.25%
Market risk premium	5.50%	5.50%	5.50%	6.00%	6.00%	6.00%
Interest rate on debt (cost of debt)	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%
Annual sales growth	8.00%	10.00%	7.00%	5.00%	6.00%	4.00%
Cost of equity	7.20%	7.20%	7.20%	7.92%	7.92%	7.92%
Capital Structure (% debt)	51.18%	46.33%	42.62%	42.05%	39.72%	38.36%
Beta	0.945	0.945	0.945	0.945	0.945	0.945
WACC (discount rate)	4.46%	4.72%	4.92%	5.37%	5.51%	5.59%
Perpetual CF growth	3.00%					
Perpetual discount	5.59%					

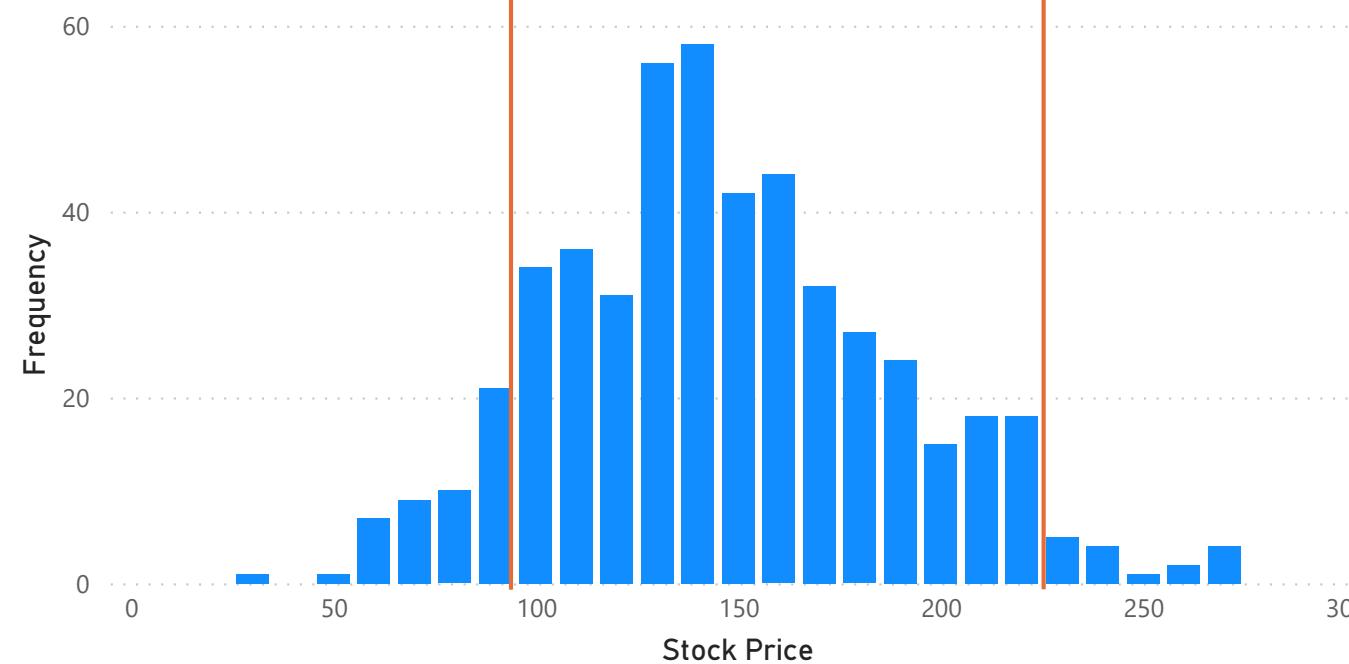
- ✓ Sales Growth: Keep increasing from 5% to 10% from 2021 to 2025 before stay instant at 4% growth every year from 2026.
- ✓ Cost of Debt : current domestic bond rate.
- ✓ Beta : coefficient of linear regression of the affect of market stock (S&P 500) on Nike stock.
- ✓ Perpetual CF growth : GDP growth in 2021.



DCF MONTE CARLO SIMULATION

Simulations of stock price by changing Sales Growth Rate with mean = 7.2% and standard deviations = 0.0613

Projected Stock Price Distribution



Simulations Data	
Mean	151.53
Median	145.88
Std.Dev	42.09
5th Percentile	89.1840736
95th Percentile	226.466074



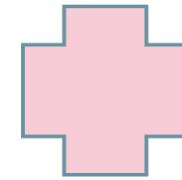
RELATIVE VALUE

	NKE	SKX	COLM	UAA	ADDY	PUMSY	ASCCY	
Market Cap	216,601,890	7,057,496	6,064,046	7,184,566	23,833,171	1,467,418	3,538,219	
Current Stock Price	136.83	45.64	91.53	15.79	122.18	9.81	19.33	
Shares outstanding	1,583,000	154,634	66,252	455,007	195,066	149,584	183,043	
NET INCOME	6,003,000							
NET INCOME (last)	6,060,731	98,564	108,013	(549,177)	530,189	96,833	(156,458)	
EBITDA	7,299,000	207,177	188,204	(539,983)	528,395	176,697	(102,038)	
SALES	44,538,000	4,613,431	2,501,554	4,474,667	24,354,340	6,424,126	3,191,013	
BOOK VALUE (EQUITY)	12,767,000	2,481,435	1,832,771	1,675,993	7,920,929	2,113,884	1,228,492	
P/E	36.08						Average	
P/E (forward or last earnings)	35.74	71.60	56.14	-13.08	44.95	15.15	-22.61	46.96
EBITDA multiplier	29.68	34.07	32.22	-13.31	45.10	8.30	-34.68	29.92
Sales multiplier	4.86	1.53	2.42	1.61	0.98	0.23	1.11	1.53
Book Value multiplier	16.97	2.84	3.31	4.29	3.01	0.69	2.88	3.27
NKE								
	Cap Based on AVG	Price per share						
P/E (forward or last earnings)	284,629,075.48	179.80						
EBITDA multiplier	218,413,822.49	137.97						
Sales multiplier	68,115,528.58	43.03						
Book Value multiplier	41,693,357.00	26.34						
	Average	158.89						

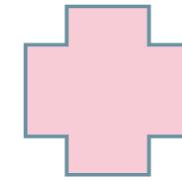


VALUATION METHOD

50%
DCF ANALYSIS
\$170.66



25%
RELATIVE P/E
\$179.8



25%
EBITDA
MULTIPLIER
\$137.97

PROJECTED PRICE
\$164.77



CONCLUSION

CURRENT PRICE
\$135.68



PROJECTED PRICE
\$164.77

✓ **Under value by 29.09 (21.44%)**

RECOMMENDATION : HOLD/BUY

- ✓ First 3 quarters report of 2021 showed sales increase 8%.
- ✓ The company was targeting average revenue growth in the range of high single digits to low double-digit percentages by the fiscal year 2025.
- ✓ NIKE continues to have a strong track record of investing to fuel growth and consistently increasing returns to shareholders, including 20 consecutive years of increasing dividend payouts. .

