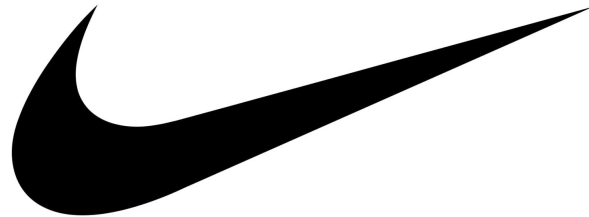




# Nike Stock Pitch





# Company Overview

- **American athletic apparel and footwear company**
  - Founded in **1964** and public in **1980** at New York Stock Exchange (NYSE).
  - Ticker symbol **"NKE."**
- **Target Market**
  - Nike targets, including athletes, fitness lovers, and casual consumers. The company has operate over **170 countries**.
- **Competitive Landscape**
  - Adidas, Under Armour, Skechers, and Puma.
- **Financial Performance**
  - In its fiscal year 2022, Nike generated revenue of **\$46.4** billion.





# Industry Overview

## Sportswear and Equipment

- Includes athletic footwear, apparel, and accessories to fitness equipment and technology
- Driven by awareness for the benefits of health and exercise, changing lifestyles, and rising disposable income

In 2022, the Sportswear global market size was valued at \$319.4 billion

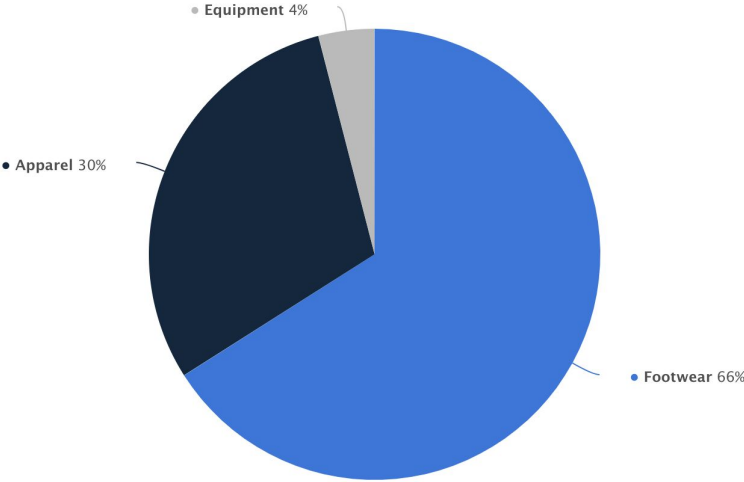
- Projected to rise to over \$450 billion by 2028



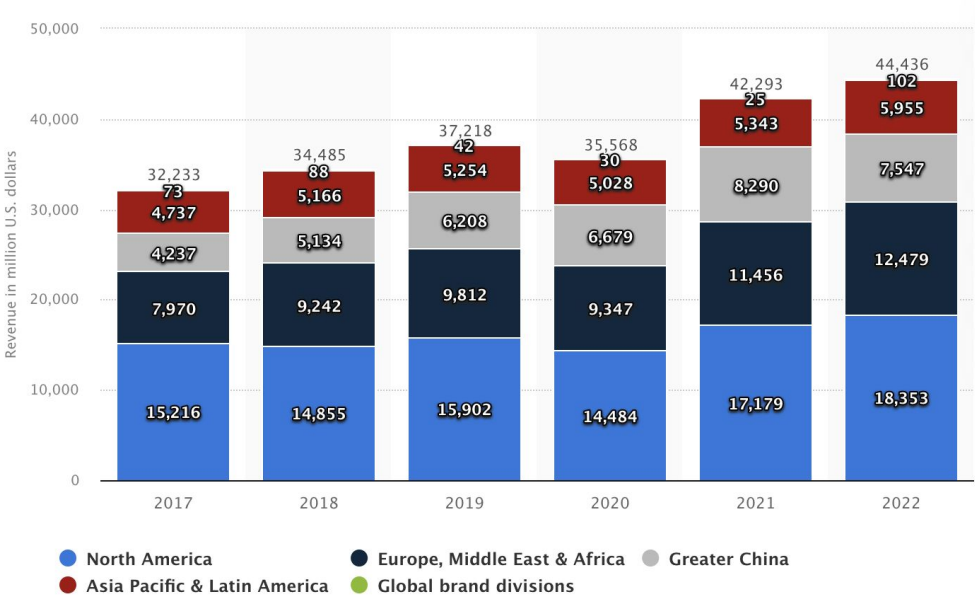


# Market

Revenue share of Nike by Product



Sales in different region (million)





# Stock Overview for April 5

Switch Quo | **NKE** U.S.: NYSE

Nike Inc. CI B

ADD TO WATCHLIST CREATE NKE ALERT

\$ **120.90**

After Hours Volume: 135.69K

Last Updated: Apr 4, 2023 7:59 p.m. EDT  
- Delayed quote

CLOSE	CHG	CHG %
\$123.69	2.02	1.66%

VOLUME: 5.9M 65 DAY AVG: 6.28M  
94% VS AVG



## KEY DATA

OPEN	DAY RANGE
\$121.38	121.36 - 123.95
52 WEEK RANGE	MARKET CAP
82.22 - 139.14	\$188.67B
SHARES OUTSTANDING	PUBLIC FLOAT
1.25B	1.2B
BETA	REV. PER EMPLOYEE
1.07	\$640.33K
P/E RATIO	EPS
35.70	\$3.46
YIELD	DIVIDEND
1.10%	\$0.34
EX-DIVIDEND DATE	SHORT INTEREST
Mar 3, 2023	10.58M 03/15/23
% OF FLOAT SHORTED	AVERAGE VOLUME
0.88%	6.28M



# Growth Strategies

- Dominant in athletic footwear and apparel industry
- Technical innovation
- Wide and diverse global portfolio
  - International market: 60% of total revenues
- Co branding with Converse and Jordan
- Influential brand ambassadors and partnerships
- High digital sales





# Relative Valuation: Liquidity Ratios

	Current Ratio	Cash Ratio	Quick ratio
Nike	2.69	0.54	1.78
Under Armour	2.08	0.57	1.26
Adidas	1.40	0.09	0.59
Skechers	2.26	0.38	1.13
Puma	1.50	0.16	0.50



# Relative Valuation: Profitability Ratios

	EBITDA Margin	Operating Margin	ROA	ROE
Nike	14.94%	12.99%	14.12%	36.83%
Under Armour	3.88%	3.48%	3.37%	8.84%
Adidas	12.19%	8.80%	2.16%	3.85%
Skechers	9.41%	7.35%	5.57%	9.94%
Puma	9.39%	7.87%	5.22%	15.09%





# Relative Valuation: Asset Management Ratios

	Inventory Turnover	Asset Turnover	Receivables Turnover
Nike	3.00	1.16	10.01
Under Armour	3.45	1.14	9.99
Adidas	2.40	1.10	9.50
Skechers	2.16	1.08	7.97
Puma	2.40	1.40	8.90



# Relative Valuation: Market Value Ratios

	P/E	EPS (TTM)
Nike	35.65	3.47
Under Armour	25.97	2.38
Adidas	127.99	6.45
Skechers	19.46	2.84
Puma	23	3.57

Industry Avg. P/E: 32.59



# Investment Thesis

- Growth strategies signal towards increase in market share and revenue
- Product innovation and strong branding
- Competitive advantages over their competitors in R&D, IP, Marketing and production
- High customer loyalty
- Strong recovery after the pandemic



# DCF Valuation

- **Key Model Assumptions:**

1. Our data are originated from balance sheet, income statement, and statement of cash flow between 2020 and 2022.
2. For projection in the future, we pick 2022 as our standard since it is the first year that the world recovered from pandemic.
3. We take the average values for other statistics like EBITDA margin, interest margin, and depreciation since they are closely related to revenues. The percentage won't change a lot.
4. Tax rate is set to be 21%.



# WACC

## WACC

Share Price	\$	120.90				
Diluted Shares Outstanding	\$	1.56				
Cost of Debt		7.2%			<b>Cost of Equity Calculator</b>	
<i>Tax Rate</i>		21.0%			Risk Free Rate	4.00%
After-Tax Cost of Debt		5.7%			Beta	0.89
Cost of Equity (CAPM)		8.0%			EMRP	4.50%
					Cost of Equity	8.01%
Total Debt (\$)	\$	12.63				
Total Equity (\$)	\$	188.48				
<b>Total Capital</b>	<b>\$</b>	<b>201.11</b>				
Debt Weighting		6.3%				
Equity Weighting		93.7%				
<b>WACC</b>		7.86%				



# DCF Valuation

Analysis		
Current Price per Share	\$	120.90
Projected Price per Share	\$	138.70
Potential Upside / Downside		15%

<https://docs.google.com/spreadsheets/d/1uooDYaKMI8U9gwluO0dJw5PTbRZoPQyt/edit#gid=137187079>



# Risks

- Nike operates in a extremely competitive market since fashion changes all the time. Nike needs to follow the trend all the time to protect their market share.
- Declines in consumer spending in the past had result in reduced demand for products, increased inventories, order cancellations, lower revenues, higher discounts and lower gross margins.
- The deterioration in economic conditions in the United States and globally have the effect of prolonged periods of inflation consumers and vendors.



# Recommendation

- Buy 10 shares for \$1209.00

