



RATING
UNDERWEIGHT
Recommendation - BUY

North America
United States

Specialty Retail, Apparel and Footwear

Company
NIKE INC

Reuters **Bloomberg** **Exchange** **Ticker**
NKE.N NKE US NYS NKE

Date
6th November 2024

Company Update

Price on 6 November 2024 75.2 (USD)
Price Target May 2025 90.83 (USD)
52-wk High/Low 123.39/70.75 (USD)

NKE is presently at a weighty discount concerning its intrinsic value, with an estimated upside potential of 21%.

The market is optimistic about a likely appreciation in price, driven by Nike's resilience, mature leadership, and experience. With strong consumer loyalty, Nike is expected to weather short-term fluctuations and capitalize on recovery and growth opportunities.

Just Doing It - NKE faces slumps - Reshuffling top brass as Old Guard brought in - Elliott Hill has a heavy climb ahead.

Nike Inc has recently been on a downward spiral, a change catalyzed by a plethora of reasons such as inventory glut – leading them to resort to discounting, eroding margins, as they move to shift from its time-tested wholesale model to its announcement of 'Nike Direct', a revamped DTC strategy. This move has caused the company to face headwinds, although they are viewed as temporary, with greater margins in the upcoming financial years. Slumping sales in its home turf (North American market) have added to the downturns they currently face. Historically, Nike Inc. has performed poorly during an impending economic slowdown, regaining momentum at the onset of an economic recovery and stabilization period. Nike has been losing momentum, with the stock showing extended periods of volatility, especially during the last year, with the current price losing six years' worth of gains. Stiff competition from competitors like Lululemon (LULU) has resulted in Nike losing market share, with Lululemon rapidly capturing the gap in the market. Global disruptions in supply chains, especially in the Asian region and in their own words, "trade protectionism", have been key challenges for Nike, as they navigate persistent inflation, interest rates, and a looming risk of recession which continues to impact organisations around the world. Current trends show a stabilization period, after witnessing high growth levels post-pandemic, indicating potential for recovery by Nike.

Despite Nike continuing to have the largest market share, challenges mount as they compete with their peers in predicting consumer preference, navigating an uncertain global outlook facilitated by inflationary pressure, political uncertainty, trade protectionism, and climate change. The change of guard with their new CEO Elliot Hill is seen as a move to recapture lost gains. Market sentiment for Nike stays strong and the stock continues to be regarded as a long-term growth stock, driven by its strategic collaborations in the sports industry, making it appealing for consumers to be associated with the brand, especially the youth. The change of management is a welcome move, reflected by consensus of a potential upside of the stock in the near future, provided they take calibrated interventions to drive growth using digital transformation, innovation, and sustainable practices.

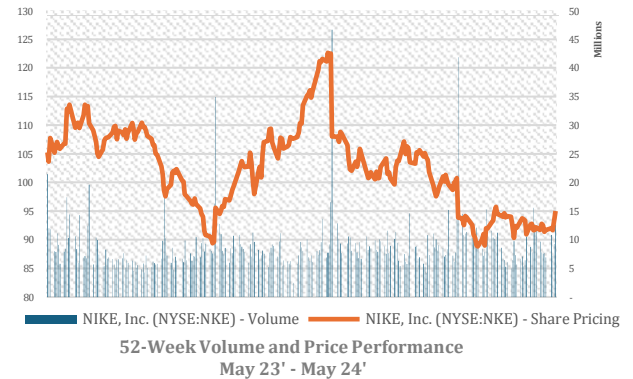


Figure 1.1
Source - Bloomberg

Mkt Cap (USD mn)	112,047.1
Shares Outstanding (mn)	1488.5
Float %	78.8%
Avg 3M Dly Vlm (mn)	11.72
Dividend Yield %	2%
ROE %	34.9%
EPS	3.76
Trailing P/E	21.74
Forward P/E	27.62
Book Value/Share (USD)	9.6
Consensus Target Price (USD)	92.0

Figure 1.2
Source - Bloomberg

Investment Thesis

Nike Inc (NKE) is currently trading at \$75.20, when drafting this report. A DCF analysis of NKE estimates an implied equity value of \$ 90.83 per share. A peer comp with industry averages also suggests the stock may be undervalued, with Nike undervalued marginally as per both P/E and EV/EBITDA multiples, signaling an opportunity for the market to capitalise on Nike’s earnings potential and brand value. This will materialize through Nike’s Direct-to-Consumer channels, which will provide more online and retail services to consumers in all geographical sections, which have gross margins of 62% (potential) compared to 38% (actual) in wholesale. Nike has consistently given high returns on invested capital, with the last three years registering a high of almost 31%, double the industry average for the same period. Their gross profit margin has been increasing, with current margins around 45%. The above three factors have been identified as moats for the company, and with a positive and strong earnings surprise history (see Figure 1.4), Nike has outperformed target estimates, beating consensus estimates last four quarters (see Figure 1.3). There is no indication that these won’t hold true in the upcoming year and as such, the market sentiment remains positive.

Moats:

A) Brand Authority – Nike is the most valuable athletic brand internationally, allowing for value-based premium pricing. High markup product lines, like as Air Jordan, and collaborations with celebrities and athletes ensure long-term consumer demand and cultural relevance.

B) Digital Transformation and DTC Strategy - Nike has aggressively shifted toward a direct-to-consumer model, minimizing reliance on third parties and increasing margins. Investments in its digital ecosystem, which includes the Nike app, SNKRS app, and online shop, have resulted in a greater proportion of overall income coming from digital sales. The digital ecosystem enables larger profits, profound consumer insights, and brand loyalty through engaging and personalized experiences.

C) Emerging Markets and Growth in China - Nike’s focus on emerging markets, particularly China, provides significant growth potential. China is already one of their fastest-growing markets, benefitting from a growing focus on health and wellness among consumers. Localized marketing, and an e-commerce presence have allowed it to build a presence in the region.

D) Financial Strength and Shareholder Returns - Nike’s financials (see Financial Summary) provide flexibility to invest in revenue driving initiatives, pursue strategic deals, and increased returns to shareholders. They have consistently raised dividend, highlighting their commitment to returning value to shareholders while maintaining the resources necessary for reinvestment and extenuating circumstances.

Risks :

A) Supply Chain and Inventory Management - Risks related to its global supply chain, including disruptions from factory closures, port congestions, and raw material shortages affect inventory, production timelines, and overall costs. The company relies on suppliers and factories, mostly outside the USA, exposing them to supply chain disruptions, especially in volatile regions.

B) Regulatory and Compliance Risks – With a global presence, Nike faces regulatory challenges across various countries, such as labor laws and environmental regulations. Adherence to varying regulations increases operational costs and legal risks. Furthermore, scrutiny of environmental and social governance (ESG) could lead to brand risks if Nike fails to meet rising standards in sustainable practices and its own ESG targets.

C) Consumer Preferences and Brand Perception - Nike’s success hinges on its ability to predict and adapt to changing consumer preferences. A shift in demand towards varied brands or categories could negatively impact Nike's market share. The company also recognizes the importance of maintaining a positive brand image, as any public relations or ethical issues could damage consumer trust and reduce brand loyalty.

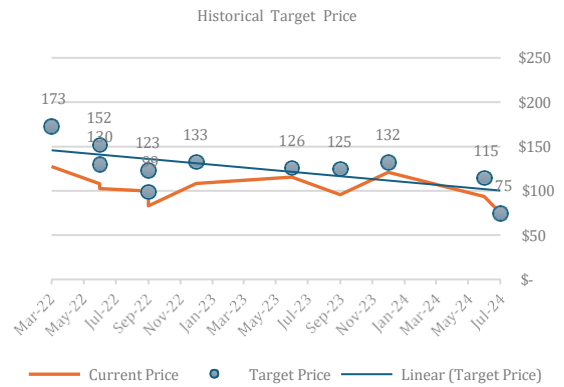


Figure 1.3
Source - Bloomberg

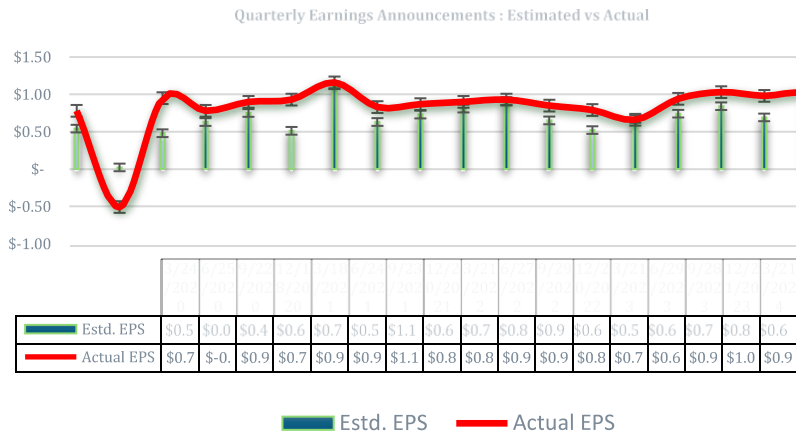


Figure 1.4
Source - Bloomberg

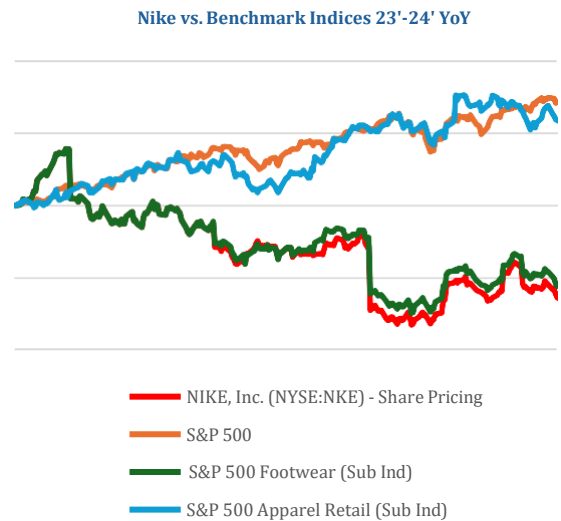


Figure 1.5
Source - Bloomberg

Valuation under DCF Snapshot

in £ mn

Year count	Feb 25 E	Feb 26 E	Feb 27 E	Feb 28 E	Feb 29 E
EBIT	4,822	5,708	6,473	7,162	7,977
Tax on EBIT	(1,013)	(1,201)	(1,365)	(1,531)	(1,718)
NOPAT	3,809	4,507	5,108	5,631	6,258
+ D&A	774	792	836	795	844
- CAPEX	(1,083)	(1,182)	(1,267)	(1,220)	(1,292)
+/- Change in operating working capital	(155)	(149)	(324)	19	91
Unlevered Free Cash Flow	3,346	3,968	4,353	5,225	5,901
Terminal value	<u>1,79,673</u>				
Discount factor	0.92	0.84	0.78	0.71	0.66
Discounted FCF	3,386	3,691	3,736	4,106	4,265
Sum of P.V. of free cash flows	19,184				
Present value of terminal value	1,17,852				
Enterprise value	1,37,036				
+ Cash & Cash Equivalents	10,294				
- Financial Debts	(12,126)				
Equity value at end FY25 (£ mn)	1,35,204				
Fair equity value per share (p/sh)	90.83				

Table 1.1

DCF Valuation and Result

Based on intrinsic value alone, calculations show the value per share of NKE around \$90.83, which is approximately 21% higher than its current trading price of \$75.2, suggesting that the stock is currently undervalued in the market. The intrinsic value suggests a potential upside for Nike, with the market currently undervaluing them due to their recent performance. The conservative assumptions—especially a modest revenue growth rate of 3% (see Figure 1.5)—help to build in a margin of safety. The projected EBIT shows a steady growth track (see Figure 1.7), with \$4.8 bn estimated for FY25, growing to \$7.9 bn at the end of five years in FY29. Free Cash Flow projections also signal an upward trend, translating into a strong cash-generating capability, which will be essential to finance new projects in the pipeline, service their debt, and return value to shareholders. The discounted terminal value depicts a major portion of Nike's enterprise value, indicating that their long-term growth potential is a key driver of their intrinsic value. Prudent Cost management of Nike's operations, coupled with an anticipated increase of revenue, places them in a compelling position in a robust market position in the upcoming years, signaling expanded margins if their strategies pay off.

However, Management has reiterated uncertain global economic forecasts as a major impediment to their growth objective. If recessionary pressures materialize, achieving forecasted EBIT will be an uphill climb. Purchasing power is dear to consumers during such pressures, which may result in tight demand and subsequent rise of input costs, all of which may contribute to missed targets.

¹ Reflecting long-term growth potential slightly above inflation rate and adjusted below Nominal GDP to take a moderately optimistic estimate, reflecting Nike's potential to maintain moderate growth beyond the forecast period.

² WACC is 8.8%, calculated with a cost of debt at 2.2%, cost of equity is at 11.07% with a median Beta amongst 5 peers at 1.24, an equity risk premium of 5.5% which is a historical average for the U.S. market, derived from analyses of stock market returns relative to Treasury bonds and risk-free rate taken as the coupon rate for 10-year US Treasury Bonds.

³ Taken as average of 5-year estimates since quarterly reporting shows a decline in revenue

Key Assumptions

LT Effective Tax Rate	14%
Terminal Growth Rate¹	5%
WACC²	8.8%
Revenue Growth Rate³	3%
EBIT Margins	1.13%
CAPEX	0.12%
Depreciation	1.26%

Figure 1.6

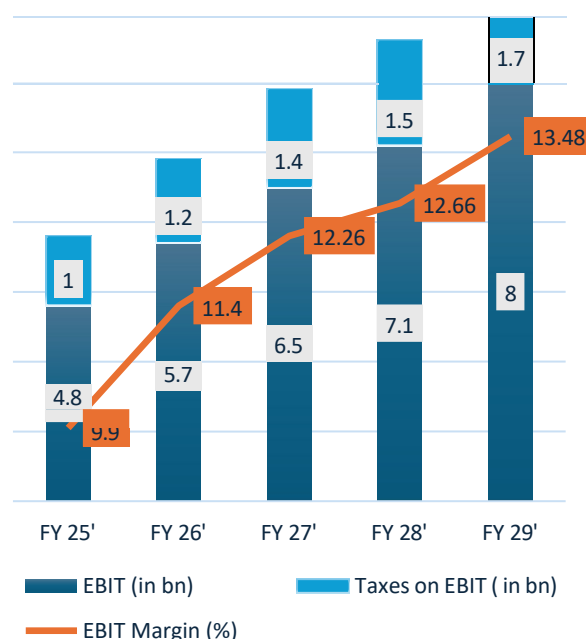


Figure 1.7

Comparable Company Analysis Snapshot

	Ticker	Price	Market Cap (in Mn)	Revenue, YE 2024	EBITDA	Earnings	EV / Revenue	EV / EBITDA	P / E
NIKE Inc	NKE	75.88	1,12,947.10	51,362	7,598	5,700	2.2x	15.1x	19.8x

Peers

Lululemon Athletica Inc	LULU	308.53	37,880.20	9,619	2,587	1,550	3.9x	14.6x	24.4x
Deckers Outdoor Corporation	DECK	177.08	26,902.30	4,288	994	760	6.0x	26.1x	35.4x
Skechers, U.S.A., Inc	SKX	62.29	9,404.00	8,000	968	546	1.3x	10.9x	17.2x
V.F. Corporation	VFC	20.96	8,160.10	10,455	943	-969	1.4x	16.0x	-8.4x
Ralph Lauren Corporation	RL	222.58	13,821.80	6,631	1,025	646	2.2x	14.4x	21.4x

2024 Trading Multiple				Equity Value			Implied Share Price		
Calculating Implied Share Price	Revenue	EBITDA	P/E	Revenue	EBITDA	Net Income	Revenue ⁴	EBITDA	Net Income
Minimum	1.3x	10.9x	17.2x	66,118	81,216	96,431	\$ 44.42	\$ 54.56	\$ 64.78
Mean	3.0x	16.4x	18.0x	1,51,892	1,22,767	1,00,793	\$ 102.04	\$ 82.48	\$ 67.71
Median	2.2x	14.6x	21.4x	1,12,798	1,08,995	1,19,693	\$ 75.78	\$ 73.22	\$ 80.41
Maximum	6.0x	26.1x	35.4x	3,08,838	1,96,354	1,98,217	\$ 207.48	\$ 131.91	\$ 133.17

Table 1.2

A relative valuation (see Table 1.2) with peers within the athletic and apparel industry such as Lululemon (LULU), Skechers (SKX), VF Corporation (VFC), and Ralph Lauren (RL). These companies compete with Nike for market share, brand focus, and industry segment, thus, an appropriate benchmark for relative valuation.

P/E Ratio: Nike’s P/E of 19.8x is slightly above the industry average (see Figure 1.8) of 18x but below the median of 21.4x. This puts Nike in a reasonably valued position, leaning slightly towards undervaluation. Peers like Lululemon (24.4x) and Ralph Lauren (21.4x) trading at higher P/E multiples reflect their strong brand positioning and soaring potential for growth. Lululemon is currently viewed as a high-growth company with very strong investor sentiments. Nike’s comparatively lower P/E suggests that it does not position itself as firmly for growth, as would a player in the industry for fifty years. A slightly lower P/E ratio may also reflect market concerns about Nike’s near-term revenue growth and regional performance disparities. Global economic uncertainty, FX fluctuations, and competition have hurt earnings. If revenue growth continues to stagnate, Nike’s P/E ratio will appear inflated, leading to potential downside in stock price, and failing to meet consensus targets. Nike’s present P/E ratio signals a mature, stable company with slower growth than its flashy competitors but also is less risky. A market reassessment, with a moderately positive outlook, will result in an upside for Nike, making it an attractive investment for investors looking for a balanced mix of growth and stable returns.

EV/EBITDA Ratio: Nike’s EV/EBITDA of 15.1x is slightly below the industry average of 16.4x and slightly above the median of 14.6x, indicating a balanced position with outliers like Deckers and Skechers which have slightly skewed the average. Nike’s multiple just below the mean represents a fair valuation compared to peers. The sportswear market is intensely competitive, with smaller brands like Skechers and Lululemon and their high growth prospects, posing threats to Nike’s dominance in the industry. Companies like Skecher’s with lower multiples are attractive for value investors while surging growth narratives by companies like Deckers divert growth focused investors. This leaves Nike right in the middle, in a position of moderately optimistic growth with an established and mature presence with a time-tested trajectory, which may be less ‘exciting’ for some.

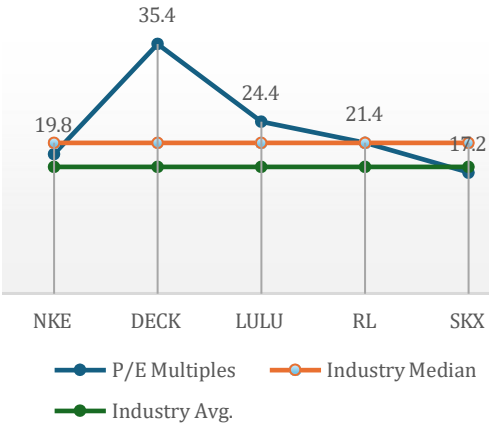


Figure 1.8

⁴ For a comparative valuation, EV/Revenue was not used, as it is the analyst’s view that it is a weaker measure of performance compared to P/E and EV/EBITDA multiples.

Earnings Per Share :

Nike experienced YoY growth in Basic EPS to \$3.76 from \$3.27 in 2023, reflecting a 15% annual growth. Similarly, Diluted EPS increased to \$3.73, up from \$3.23 in 2023. The marginal difference between Basic and Diluted EPS reflects the potential dilutive impact of stock options and convertible securities. A major driver for an increased EPS is the 12% growth of Net Income YoY. Nike's \$4.25 billion share repurchase program reduced the number of outstanding shares, amplifying the EPS growth even further. Nike has a consistent history of returning value to shareholders through dividends. In fiscal 2024, Nike's annual dividend per share grew to \$1.44, up from \$1.36 in 2023. The dividend payout ratio, which measures the proportion of net income paid out to shareholders as dividends, stood at approximately 38.5% in 2024, signaling a balanced approach between reinvestment and shareholder returns. The remaining 61.5% of earnings is retained within the company to fund growth initiatives, such as digital transformation and product innovation. Nike's robust EPS supports a high ROE of 34.9%, reflecting the effective utilization of shareholder equity to generate profits. With rivals quick to capture lost market share by Nike, measured interventions such as their focus on enhanced digital presence and gaining larger shares in emerging markets will help them meet moderate projections, keeping in mind an uncertain global economy.

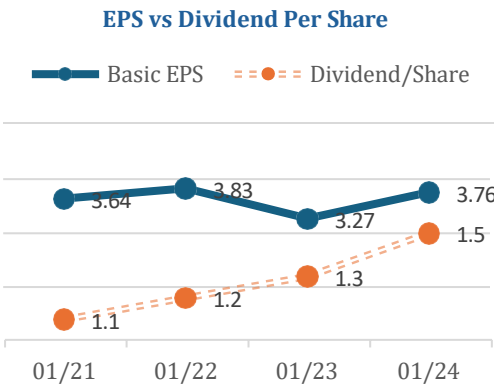


Figure 1.9
Source – Capital IQ

Market Capitalisation:

Nike's market capitalization is approximately \$112 bn, making it a dominant player in the athletic footwear and apparel industry. Over the past five years, Nike's market cap has seen steady growth, driven by both rising EPS and investor sentiment toward its digital transformation and sustainability efforts. Presence in high-growth regions like Greater China solidifies its position. Nike's market cap could be impacted by recession fears, particularly as consumer spending on discretionary items slows. With a significant portion of its market cap tied to growth in Greater China, geopolitical tensions or economic slowdowns in the region pose risks to Nike's valuation. Rivals like Lululemon, and Adidas, present challenges to Nike's market dominance, especially at its core market. However, with recent management changes, Nike positions itself to face these challenges, which has reassured sentiments across the market, reflected by the average consensus, which has remained optimistic, despite projecting declining revenue in 2025.

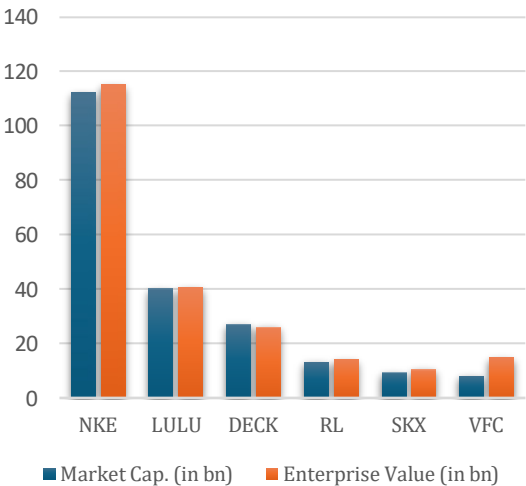


Figure 1.9
Source – Capital IQ

Synthesis of DCF and Relative Valuation

Both valuation approaches offer complementary insights: The DCF model suggests significant intrinsic undervaluation (target price of \$90.83 vs. current price of \$75.20), indicating that Nike has latent value based on expected cash flows. The Relative Valuation places Nike at a fair or modest discount relative to peers, with lower P/E and EV/EBITDA multiples hinting at undervaluation when compared to industry norms. These findings align to support a positive investment thesis: Nike's intrinsic value per share exceeds its current market price, and while not the cheapest, Nike's valuation is justified by its resilience, market dominance, and potential for steady long-term growth, making it an attractive option for balanced investors.

NIKE INC - Background

Nike Inc. is a global leader in the design, production, marketing, and distribution of athletic footwear, apparel, equipment, accessories, and services, catering to men, women, and children. The company's portfolio includes the NIKE as a brand, Jordan and Converse. The NIKE Brand and Jordan emphasize performance-oriented athletic and casual footwear, apparel, equipment, and accessories, alongside lifestyle products that feature their iconic SWOOSH and JUMPMAN logos. Converse focuses on casual sneakers, apparel, and accessories under trademarks such as Converse, All Star, Chuck Taylor, Star Chevron, Jack Purcell and One Star.

Corporate Social Responsibility -

Nike's "Move to Zero" initiative is a cornerstone of its Corporate Social Responsibility (CSR) strategy, focusing on climate action and environmental sustainability. By 2024, the company achieved a 70% reduction in carbon emissions across owned and operated facilities compared to its 2015 baseline, leveraging sustainable materials, upcycling, recycling, and renewable energy in its supply chain. Nike also reported diverting over 90% of manufacturing waste from landfills. The company is recognized as a leader in responsible labour practices, investing in fair wages, worker safety, and training for over 1 million workers within its global supply chain.

Additionally, Nike markets licensed apparel promoting college and professional team logos, authorizes third parties to manufacture and sell sportswear using its trademarks, and offers interactive digital platforms that include fitness and wellness apps, activity tracking, and retail features. In certain international markets, Nike licenses these trademarks to third parties for product design, marketing, and sales. Jordan Brand's sales are included in NIKE Brand's geographic operating segments, while Converse operates as a stand-alone brand. With over 50 years of innovation and disruptive industry practices, Nike has established itself as a market leader with a loyal customer base. Its strategy centres on driving sustainable and profitable long-term revenue growth through the creation of innovative, trendsetting, products, fostering personal connections with consumers, and delivering culturally relevant experiences via their digital and retail channels.

Operations

Revenue :

Nike reported revenue of \$51.36 billion in 2024, an increase as per filings, by 0.3% from FY 23, registering increased revenues in Greater China and Asia Pacific & Latin America, leading to the growth of Nike's revenues by one percent. However, this was partially counter balanced by lower revenues in Converse, which reduced NIKE, Inc. Revenues by approximately one percent. The Jordan segment, saw continued significant growth, reflecting consumer demand for Nike's iconic basketball division. Nike has consistently reported increased YoY. growth, with total revenue growing at a CAGR of 8.5% from 2020 at \$37.4 bn to \$51.36 bn in 2024. The umbrella NIKE Brand, which accounts for over 90% of Nike Inc.'s total revenues, also registered an increase of 1%. The NIKE Brand footwear, their largest segment in terms of revenues, also increased by 1% driven by sturdy growth of their Jordan line as well as higher margins in Men's and Women's footwear. Footwear remains the largest revenue contributor at \$33.4 billion, with Apparel stable at \$13.8 billion. Nike's apparel segment remained stagnant, with higher revenues in their Kid's division being offset by lower revenue in their men and women division. Wholesale revenues reported a one percent increase compared to FY 23. Nike's core market (see Figure 2.2), North America saw a marginal decline in revenues but higher disclosures in Greater China and APLA helped balance margins. NIKE Direct revenues also increased by 1%, with comparable store sales up by 3% and new store openings, though digital sales declined 3% due to reduced traffic. Nike's DTC channel, including e-commerce and owned retail stores, continues to grab a higher share, contributing nearly 43% of total revenue. This shift supports higher margins, which are projected to overtake wholesale margins in upcoming fiscal years. Innovation-driven products in the high-margin Jordan and Flyknit series stimulated higher sales.

Gross Profit :

Nike's Group Gross Profit for FY 2024 increased 3% to \$22.87 bn compared to \$22.29 bn for FY 2023. Their gross margin increased to 44.6% for 2024 compared to 43.5% for 2023. The increase is credited to strategic pricing actions, lower NIKE Brand products, and other costs. Although their NIKE Direct business has higher margins compared to their wholesale operations, the benefits of which are already reflected in their revenue, the margins are yet to be optimized and are lower than the net realizable value. Operating income rose to \$7.4 billion in fiscal 2024, an increase of 6% from \$7.0 billion in 2023. Operating margin improved to 14.4%, up from 13.7% in 2023, highlighting effective cost management interventions and the growing share of DTC sales. Selling and administrative expenses increased to \$14.7 billion (up 2%), reflecting investments in marketing, technology, and employee costs. However, as a percentage of revenue, expenses were stable, showing efficiency in scaling operations.

Net Income :

Nike reported a Net Income of \$5.7 bn in 2024, an increase of 12.4% from 2023, indicating that the company continues to be profitable, logging favorable returns, despite cautionary spending by consumers in an uncertain global economy. Nike's net profit margin rose to approximately 11.1% in 2024, compared to 9.9% in 2023.

Additionally, Nike's commitment to diversity and inclusion has resulted in 50% representation of women in corporate roles globally and 40% of leadership positions in the U.S. being held by individuals from diverse backgrounds. These efforts align with Nike's broader Environmental, Social, and Governance (ESG) goals to foster inclusivity and promote a positive community impact. The 2024 Annual Report highlights these achievements as integral to Nike's long-term strategy of combining profitability with social and environmental responsibility.

Figure 2.0

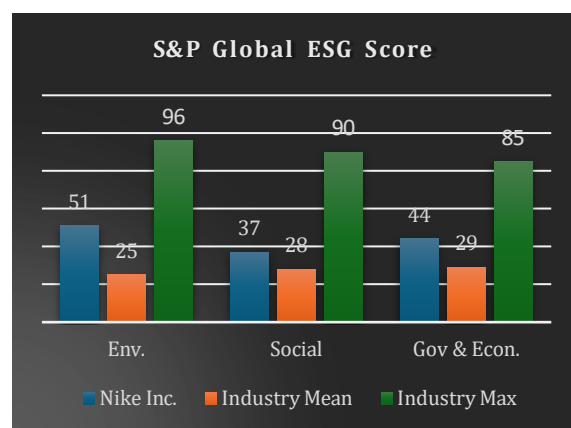


Figure 2.1
Source – S&P Global

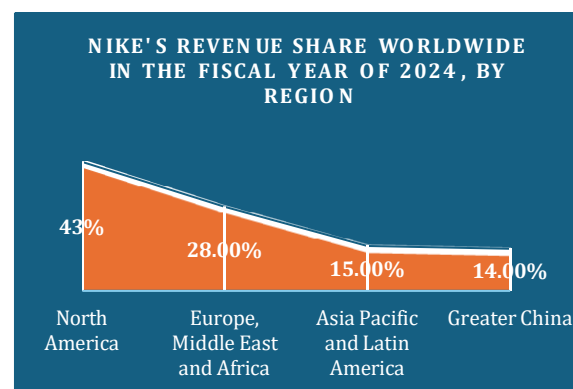


Figure 2.2

This indicates that Nike is increasingly efficient at converting revenue into profit, benefiting from their DTC with higher margins. Growth in Greater China played a significant role in sustaining net income. Nike repurchased \$4.25 bn stock during fiscal 2024, a clear indicator of the company's confidence in its financial stability and its intent to return value to shareholders whilst balancing reinvestment in growth opportunities. Fluctuations in foreign currencies against the U.S. dollar negatively affected revenue and operating income by approximately \$1.3 bn as per their latest 10k filings. Inflationary pressures impacted consumer purchasing power, particularly in North America and APLA, evidenced by loss of market share to their competitors in their largest region in terms of revenue. While necessary to maintain brand strength, higher marketing expenditures limited margin expansion. Overall, Nike's growth has been flat, as revenue increased only by 3% YoY. This marginal growth raises concerns about stagnation, particularly in a competitive and dynamic industry. North America, Nike's largest market, saw a slight decline in revenue due to weaker wholesale demand. This may signal market saturation or weakening brand dominance in its core market. Nike's commitment to sustainability (Move to Zero) could lead to higher production costs, which may pressure margins, especially if consumers are unwilling to pay a premium for sustainable products, a move not yet entirely market-tested by Nike.

Despite obstacles, Nike's strong net income growth, expanding profit margins, and rising EPS indicate solid financial health and an ability to weather competitive and macroeconomic challenges effectively. Their increased marketing and technology investments are focused on the direction of developing wider brand awareness via digital platforms, increasing engagement with consumers digitally, and increasing marketing efforts to stimulate higher sales. Nike's continued heavy investments in technology and digital transformation, slightly impacted operating margins but is a foundation for the company's long-term growth. This profitability, coupled with its robust DTC strategy, positions Nike favorably for future growth.

Capital Structure :

Assets - Total Assets increased to \$38.1 bn. Key assets include C&CE \$9.8 bn, Inventories \$7.5 bn, and P&PE \$5 bn. Current Assets saw an increase to \$25.4 bn, complemented by an increase in cash & cash equivalents and lower prepaid expenses, indicating a better liquidity position for Nike compared to last year. Inventories were reported as \$7.5 bn compared to \$8.4 bn last year. Management claims this is due to optimized inventory turnover rates, supply chain optimization, and hope of reduced lead times through their digital platforms. **Debt** - Nike's long-term debt stood at \$7.9 billion as of May 31, 2024, a reduction from \$8.9 billion in 2023. Short-term borrowings are minimal, with no significant short-term debt obligations reported, indicating that Nike does not rely heavily on short-term financing for operational needs. Nike uses debt primarily for strategic investments, including expanding digital capabilities, funding innovation, and scaling operations in key regions.

As of May 31, 2024, Nike reported \$9.86 billion in cash and cash equivalents, exceeding its long-term debt obligations. This strong liquidity position highlights Nike's ability to repay debt comfortably if needed, reducing financial risk. **Equity** - Shareholder's Equity stands at \$14.4 bn, showing a stable equity position with a strong capital base. Reported retained earnings were deficit in 2024, partially due to the buyback of shares as well as increased investments into creating demand via their digital and direct platforms. Nike's equity position reflects a stable commitment to the shareholders.

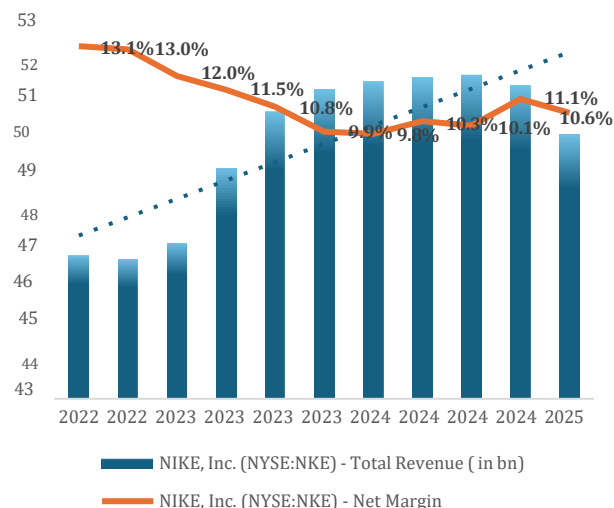


Figure 2.3

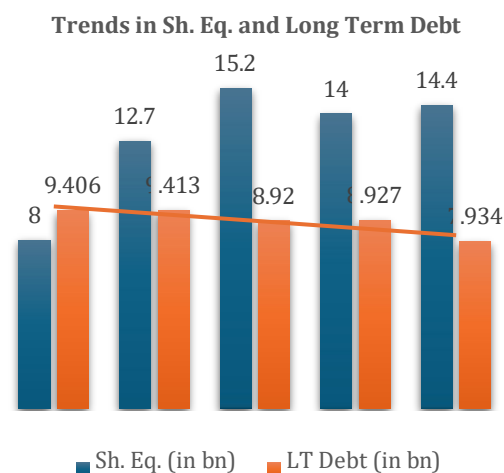


Figure 2.4
Source – Capital IQ

Financial Summary (Compressed)

Income Statement (In USD Mn)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue	37,403	44,538	46,710	51,217	51,362
Cost Of Goods Sold	21,162	24,576	25,231	28,925	28,475
Gross Profit	16,241	19,962	21,479	22,292	22,887
Selling General & Admin Exp.	13,126	13,025	14,804	16,377	16,576
Operating Expense, Total	13,126	13,025	14,804	16,377	16,576
Operating Income	3,115	6,937	6,675	5,915	6,311
Net Interest Exp.	89	262	205	(6)	(161)
EBT Excl. Unusual Items	2,949	6,695	6,745	6,498	7,130
EBT Incl. Unusual Items	2,887	6,661	6,651	6,201	6,700
Income Tax Expense	348	934	605	1,131	1,000
Net Income	2,539	5,727	6,046	5,070	5,700

Balance Sheet (In USD Mn)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
ASSETS					
Total Cash & ST Investments Accounts & Notes	8,787	13,476	12,997	10,675	11,582
Receivable	2,749	4,463	4,667	4,131	4,427
Total Receivables	2,749	4,463	4,667	4,131	4,427
Inventories	7,367	6,854	8,420	8,454	7,519
Prepaid Exp.	1,653	1,498	2,129	1,942	1,854
Total Current Assets	20,556	26,291	28,213	25,202	25,382
Net Property, Plant & Equipment	7,963	8,017	7,717	8,004	7,718
Deferred Charges, LT	1,610	2,027	2,606	2,780	3,176
Other Long-Term Assets	1,213	1,405	1,785	1,545	1,834
Total Assets	31,342	37,740	40,321	37,531	38,110
LIABILITIES					
Short-term Borrowings	696	469	930	431	1,483
Accounts Payable	2,231	2,805	3,329	2,827	2,846
Curr. Income Taxes Payable	358	306	222	240	534
Other Current Liabilities	(185)	31	29	35	5
Total Current Liabilities	8,284	9,674	10,730	9,256	10,593
Long-Term Debt	12,319	12,344	11,697	11,713	10,469
Other Non-Current Liabilities	2,684	2,955	2,613	2,558	2,618
Total Liabilities	23,287	24,973	25,040	23,527	23,680
Retained Earnings Comprehensive Inc. and Other	(191)	3,179	3,476	1,358	965
	(56)	(380)	318	231	53
Total Equity	8,055	12,767	15,281	14,004	14,430
Total Liabilities and Equity	31,342	37,740	40,321	37,531	38,110

Cash Flow (in USD Mn)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Net Income	2,539	5,727	6,046	5,070	5,700
Depreciation & Amort., Total	721	744	717	703	796
Other Non-Cash Adj	470	141	85	581	217
Changes in Non-Cash Capital	(1,245)	45	(1,660)	(513)	716
Cash from Ops.	2,485	6,657	5,188	5,841	7,429
Capital Expenditure	(1,086)	(695)	(758)	(969)	(812)
Cash from Investing	(1,086)	(695)	(758)	(969)	(812)
Net Short-Term Debt Issued/Repaid	49	(52)	15	(4)	-
Long-Term Debt Issued	6,134	-	-	-	-
Long-Term Debt Repaid	(6)	(197)	-	(500)	-
Total Debt Issued/Repaid	6,177	(249)	15	(504)	-
Pref. Dividends Paid	(1,452)	(1,638)	(1,837)	(2,012)	(2,169)
Total Dividends Paid	(1,452)	(1,638)	(1,837)	(2,012)	(2,169)
Increase in Capital Stocks	885	1,172	1,151	651	667
Decrease in Capital Stocks	(3,067)	(608)	(4,014)	(5,480)	(4,250)
Other Financing Activities	(118)	7	(294)	(193)	(152)
Cash from Financing	2,425	(1,316)	(4,979)	(7,538)	(5,904)
Net Change in Cash	3,824	4,646	(549)	(2,666)	713

Key Financials	FY 2022A	FY 2023A	FY 2024A	FY 2026E	FY 2026E	FY 2027E
Total Revenue	46,710	51,217	51,362	47,639	49,761	52,622
Growth Over Prior Year	4.9%	9.6%	0.3%	-7.2%	4.5%	5.8%
Gross Profit	21,479	22,292	22,887	21,112	22,330	23,802
Margin %	46.0%	43.5%	44.6%	44.3%	44.9%	45.2%
EBITDA	7,985	7,203	7,725	5,546	6,374	7,031
Margin %	17.1%	14.1%	15.0%	11.6%	12.8%	13.4%
EBIT	6,675	5,915	6,311	4,855	5,662	6,328
Margin %	14.3%	11.5%	12.3%	10.2%	11.4%	12.0%
Net Income	6,046	5,070	5,700	4,122	4,719	5,251
Margin %	12.9%	9.9%	11.1%	8.7%	9.5%	10.0%
Diluted EPS Excl. Extra Items	4	3	4	3	3	4
Growth Over Prior Year	5.3%	-13.9%	15.5%	-23.7%	15.6%	11.4%

References -

- 1) Bloomberg Terminal
- 2) S&P Capital IQ and S&P Capital IQ Pro
- 3) Yahoo Finance
- 4) S&P Global
- 5) Nike SEC 10k Filings
- 6) NIKE Impact Report
- 7) Wall Street Journal