



Nike (NYSE:NKE)

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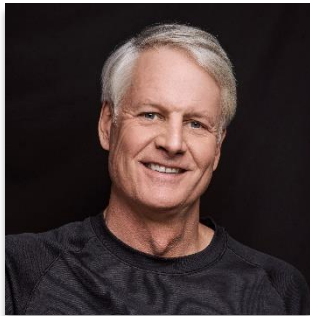
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Business Overview

- **Nike (NYSE: NKE)** designs, develops, markets, and sells athletic and casual footwear, apparel, equipment, and accessories around the world.
- The company offers a wide array of branded products in six categories, including running, Nike Basketball, the Jordan Brand, football (soccer), training, and sportswear.
- Nike's business segments include North America, Europe, Middle East & Africa, Greater China, Asia Pacific & Latin America, Global Brand Divisions, Converse, and Corporate.

Management Team



John Donahoe
Chief Executive Officer

John has been the CEO since January 2020, and previously served on Nike's Board of Directors. Prior to this, John was president and CEO for ServiceNow and eBay.



Andy Campion
Chief Operating Officer

Andy took on the role of COO in April of 2020. He currently serves on the Board of Directors for Starbucks and the L.A. 2028 Olympic and Paralympic Games.



Matthew Friend
Chief Financial Officer

Matthew assumed the role of EVP and CFO in April 2020. He has prior experience in investment banking at Goldman Sachs and Morgan Stanley.

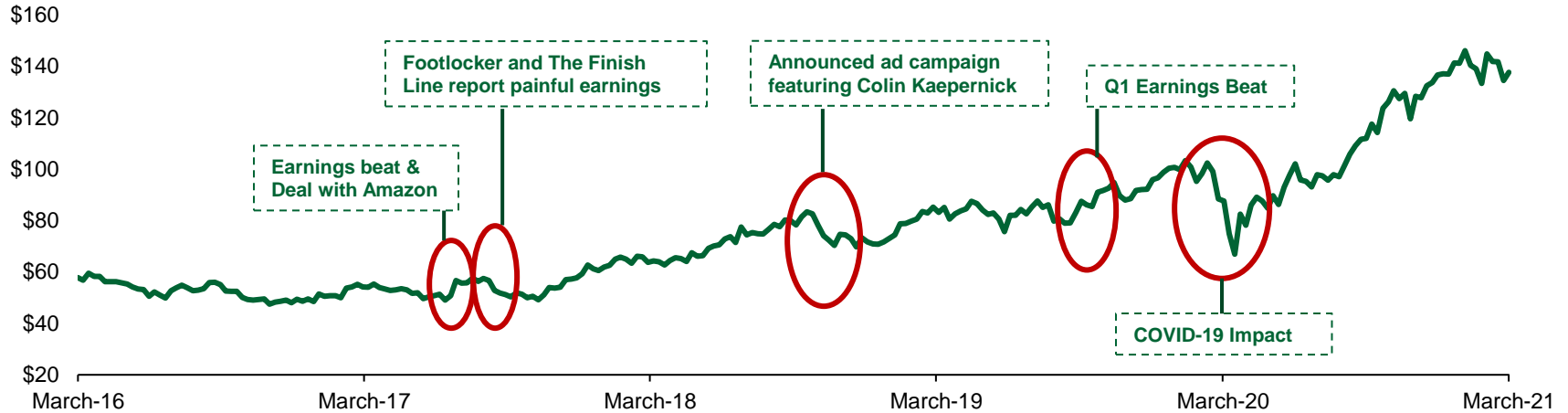


Thomas Clarke
President of Innovation

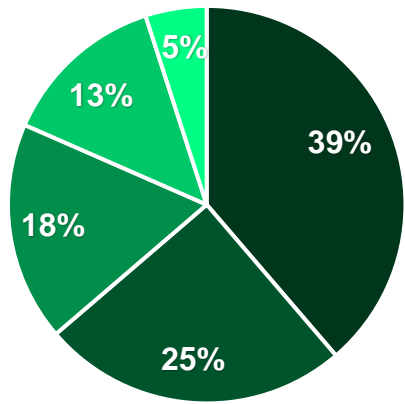
Thomas has been the president of Innovation at Nike since July of 2013. He was Nike's President and Chief Operating Officer from 1994-2000.



5-Year Historic Stock Performance



2020 Segmented Revenue (By Region)



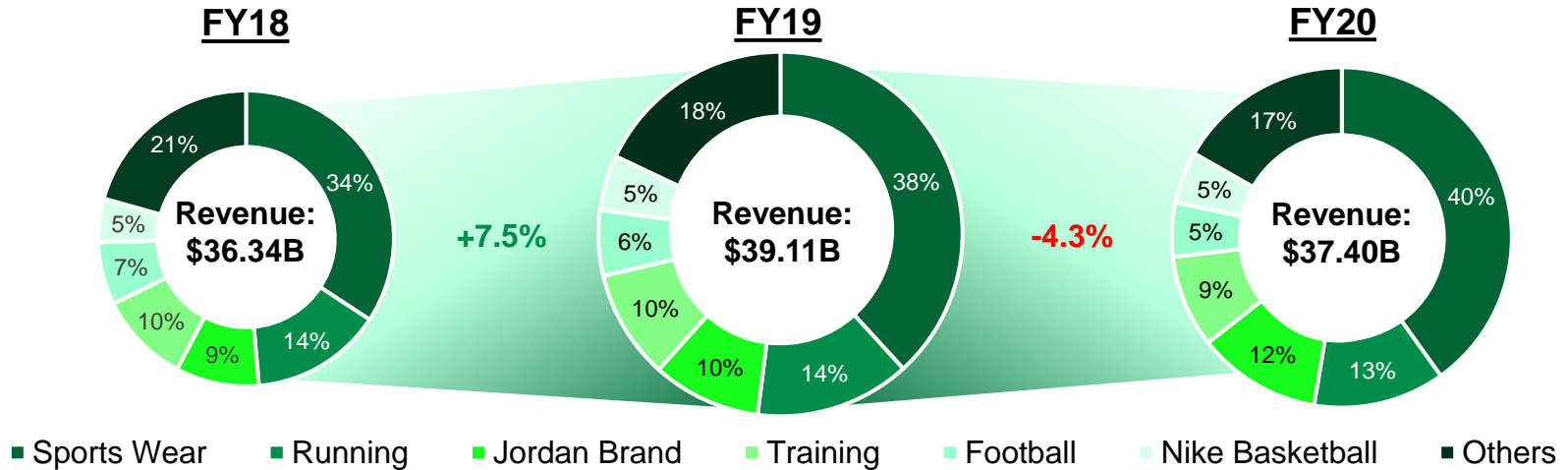
- North America
- EMEA
- Greater China
- Asia Pacific & Latin America
- Other

Key Statistics (March 2021)

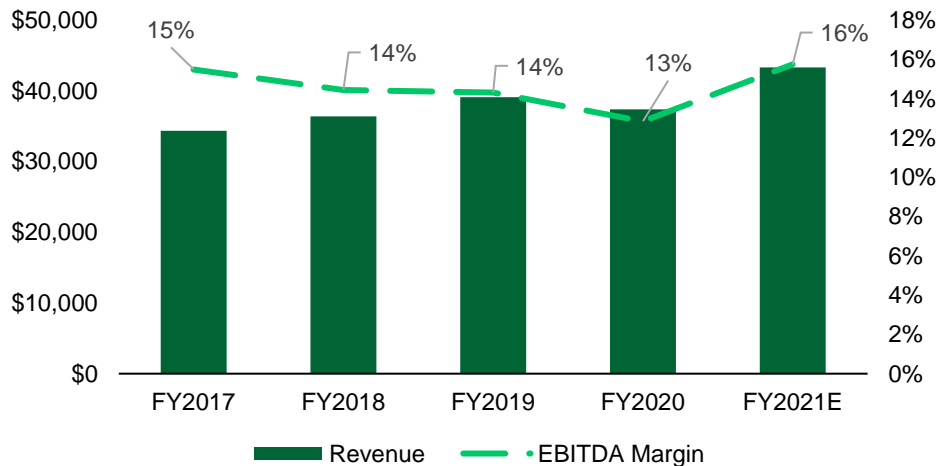
Share Price	\$135.71
Market Cap	\$213.84B
52 Week Range	60.00 - 145.08
Net Debt	\$4.22B
Enterprise Value	\$218.07B
EBITDA	\$4.92B
EV/Revenue	5.70x
EV/EBITDA	44.33x
Diluted EPS	\$1.60



Revenue Growth & Product Breakdown



Revenue & Margins



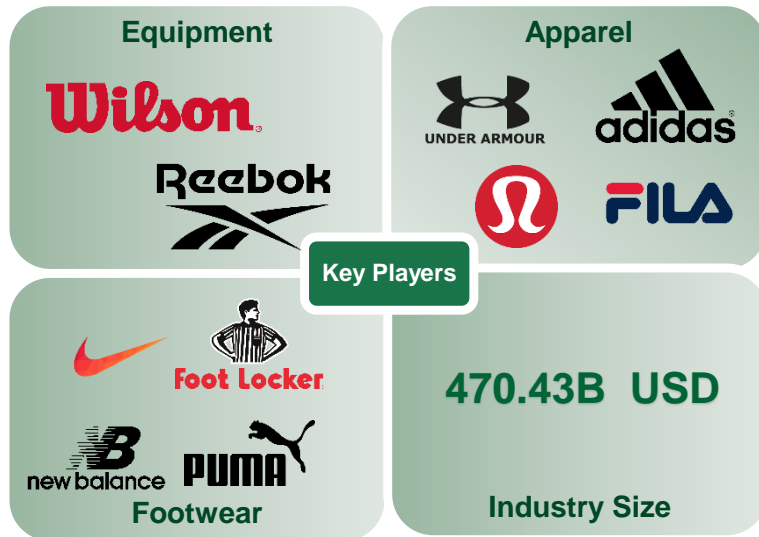
Liquidity (FY20)

Cash & Equivalents	\$8.78B
Total Debt	\$13.02B
Interest Coverage ⁽¹⁾	16.81x
Quick Ratio	1.38x



Industry Breakdown

- The Sports Equipment and Accessories industry provides goods and services to end consumers, targeted towards sports accessories, footwear & equipment
- The US footwear market is estimated to bring in around \$80bn USD in revenue while US sportswear is estimated to bring in \$15bn USD
- Industry players generally operate within multiple branches and compete in wide variety of products across multiple countries
- Expected CAGR of 7.2% through FY20-26 (US)



Trends



- **Consumer Preferences;** Individual outdoor sports and home exercises are expected to experience lasting increases in participation

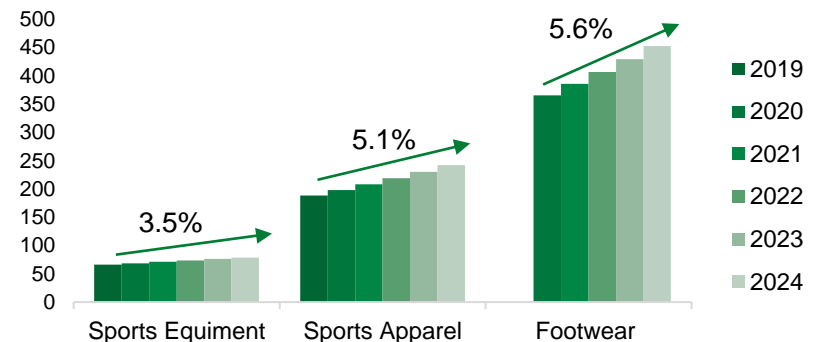


- **Athleisure;** Rising acceptance of comfortable wear in previously more formal contexts



- **Sustainable supply chains;** Increasingly urgent consumer priority, accelerated with current supply chain disruptions caused by the pandemic

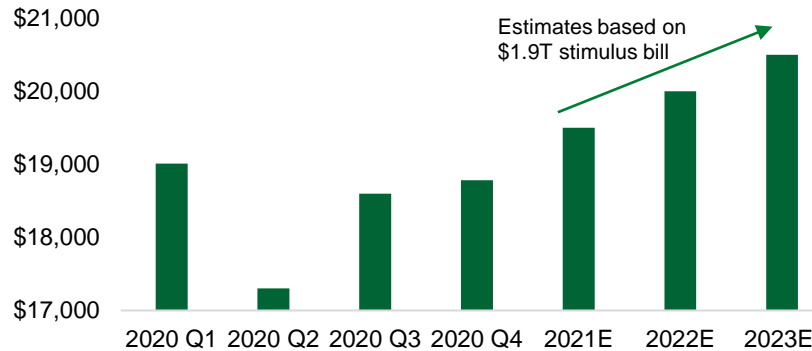
Fastest Growing Segments (Global)



Footwear is expected to fuel global market growth for the next 5 years.

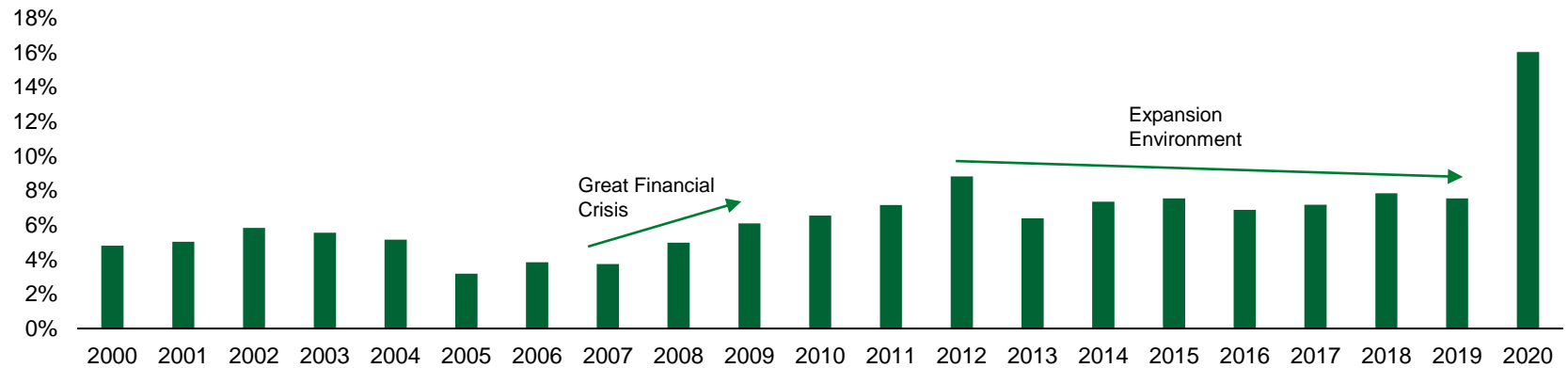


US Real GDP



- US real GDP expected to recover from Q2 2020 low partly due to federal government stimulus, on top of recovering economy and reopening of local areas
- Recent President Biden stimulus package expected to help grow real GDP by 4% in 2021 and 2% in 2022, helping aid economic recovery
- Federal support for future stimulus packages signals interest in curtailing economic setback caused by pandemic

Savings % of Disposable Income



- US savings as a % of disposable Income has increased two-fold due to economy shutdowns and government stimulus. Effect also seen worldwide but to different degrees

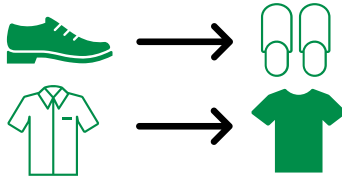


- Consumers are beginning to alter savings patterns, demonstrated by 5.3% increase in January retail sales, savings expected to propel economic growth in recovery stage

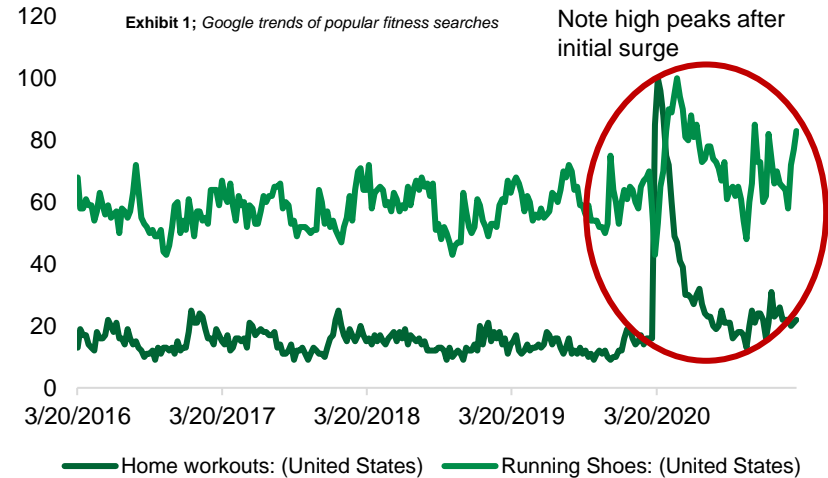


Shifting Consumer Preferences

- Athleisure; Casual wear becoming less noticeable
- Global Trend, China shows similar receptiveness to Western brands and consumer preferences
- Sustainable, healthy lifestyles projected to be dominant fashion industry trend post-pandemic



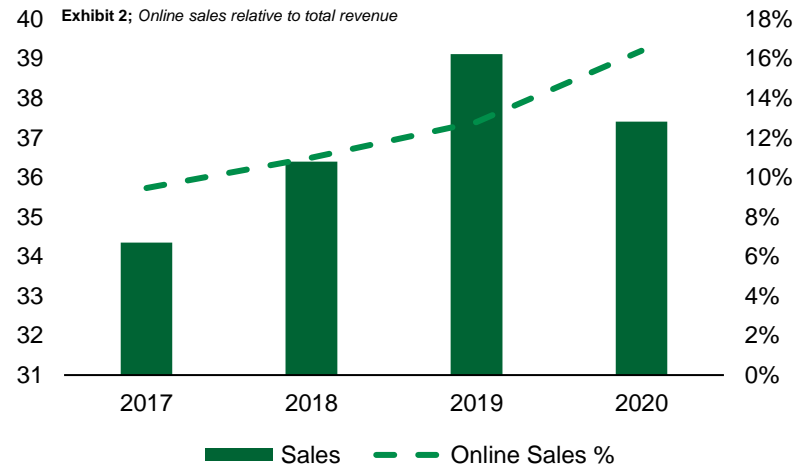
Trend Monitoring



Online Sales Growth Story

- Despite pandemic acceleration of strategy, Nike has strategically invested in online B2C sales since 2017, leaving it positioned to continue capturing the growing market
- McKinsey State of Fashion report for 2021 states 'Mainstream consumers are moving into a decisive phase of digital adoption and online sales of apparel and footwear are projected to grow rapidly
- Companies with foothold in these markets expected to see much of the estimated growth

Online Sales Capture





Risks



Competition: Nike sits in a globally competitive industry as rising brands alongside changing consumer preferences are a constant threat



Counterfeit Market: The increasing sales of fake Nike products affect the revenue and reputation of the company

Catalysts



E-commerce Growth: Nike prioritized their e-commerce push and has promised to continue expanding their digital platform



Return of Live Sports: Historically, Nike has greatly benefited from their strong brand connection to sports and athletic events across the world

Mitigating Factors



Emerging Markets: Nike has already built a strong presence around the world, but there are still endless opportunities and markets to explore. Countries like India, China and Brazil have a lot of potential for Nike to continue expanding their market



Innovation: Nike continues to invest in technology and innovation. The combination of technology and athletic wear is still relatively new but holds a lot of potential as Nike continues to innovate and explore. Nike has also made a heavy investment into data science technologies, including three acquisitions that expanded Nike's digital sales capabilities



Gordon Growth Method

PV of Forecast Period	58,771
<i>% of Enterprise Value</i>	<i>22.8%</i>
<u>Terminal Value</u>	
Terminal Year UFCF	11,022
Perpetuity Growth Rate	2.0%
Terminal Value	328,440
PV of Terminal Value	198,868
<i>% of Enterprise Value</i>	<i>77.2%</i>
Enterprise Value	257,640
Less: Net Debt	(4,023)
Equity Value	253,617
Fully Diluted Shares Outstanding	1,576
Implied Share Price	\$160.87
Current Share Price	\$135.71
Implied Margin of Safety	18.5%

Terminal Multiple Method

Cumulative PV of Free Cash Flow	58,771
<i>% of Enterprise Value</i>	<i>22.9%</i>
<u>Terminal Value</u>	
Terminal Year EBITDA	16,321
EBITDA Multiple	20.0x
Terminal Value	326,426
PV of Terminal Value	197,649
<i>% of Enterprise Value</i>	<i>77.1%</i>
Enterprise Value	256,420
Less: Net Debt	(4,023)
Equity Value	252,397
Fully Diluted Shares Outstanding	1,576
Implied Share Price	\$160.10
Current Share Price	\$135.71
Implied Margin of Safety	18.0%

Sensitivity Analysis

Terminal Growth Share Price Sensitivity (\$)

Terminal Growth	WACC				
	4.4%	4.9%	5.4%	5.9%	6.4%
1.0%	173.38	149.69	131.40	116.86	105.04
1.5%	197.57	166.99	144.26	126.70	112.75
2.0%	231.73	190.21	160.87	139.06	122.21
2.5%	283.66	223.02	183.18	155.02	134.08
3.0%	372.07	272.88	214.68	176.44	149.41

Exit Multiple Share Price Sensitivity (\$)

Exit Multiple	WACC				
	4.4%	4.9%	5.4%	5.9%	6.4%
19.0x	167.03	160.27	153.83	147.70	141.84
19.5x	170.46	163.55	156.97	150.69	144.71
20.0x	173.89	166.83	160.10	153.69	147.57
20.5x	177.32	170.11	163.23	156.68	150.44
21.0x	180.75	173.39	166.37	159.68	153.31


Comparable Companies Valuation Summary




Universe of Comparable Companies

Company Name	Market	Enterprise	Cash &	Revenue	EBITDA	Price	EPS	EV/Revenue	EV/EBITDA	P/E
Nike	Cap.	Value	S-t Inv.	NTM	NTM	Per Share	NTM	NTM	NTM	NTM
<i>(all figures presented in USD millions, except per share figures or where noted)</i>										
Manufacturing & Industrial Sportswear										
Adidas AG	65,108	67,698	3,050	27,561	4,147	\$ 326.68	8.83	2.6x	17.2x	32.1x
Under Armour Inc	7,276	6,762	1,517	4,967	355	\$ 17.99	0.19	1.9x	25.4x	101.5x
Lululemon Athletica Inc	31,191	30,098	1,094	5,580	1,446	\$ 333.47	7.01	6.7x	25.7x	41.5x
Anta Sports Products Ltd	24,193	24,113	1,810	7,468	1,999	\$ 17.30	0.47	5.5x	20.5x	32.1x
Puma Se	11,556	12,023	616	7,273	889	\$ 98.28	2.27	2.2x	17.9x	44.4x
Average	27,865	28,139	1,617	10,570	1,767	159	3.75	3.8x	21.4x	50.3x
Nike	213,840	218,070	8,787	47,255	7,961	\$ 135.71	3.72	4.4x	26.4x	38.6x


Analysis & Valuation Summary



Nike currently trades at a premium relative to the industry.



Nike finished 2020 off by outperforming the S&P 500 after seeing a dramatic drop in sales earlier on in the year.



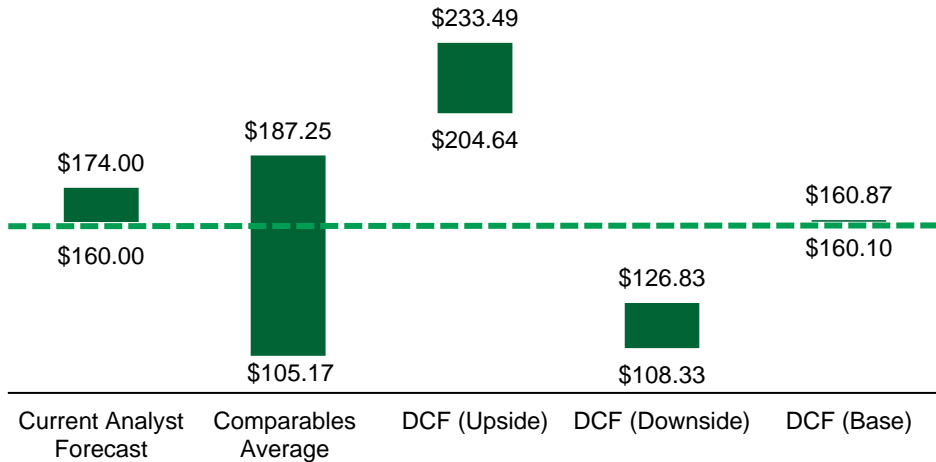
Nike boasts one of the lowest NTM P/E ratios among comparable companies.

Comparables Valuation	EV/EBITDA	EV/Revenue
Industry Multiple	21.4x	3.8x
Nike NTM Metric	7,961	47,255
Total Enterprise Value	169,983	178,057
(-) Total Debt	13,015	13,015
(+) Cash & Equivalents	8,787	8,787
Equity Value	\$165,755	\$173,829
Shares Outstanding (m)	1,576	1,576
Implied Share Price	\$105.17	\$110.30
Comparables P/E	50.3x	
Nike EPS (NTM)	3.72	
Implied Share Price	\$187.25	

Source: Refinitiv

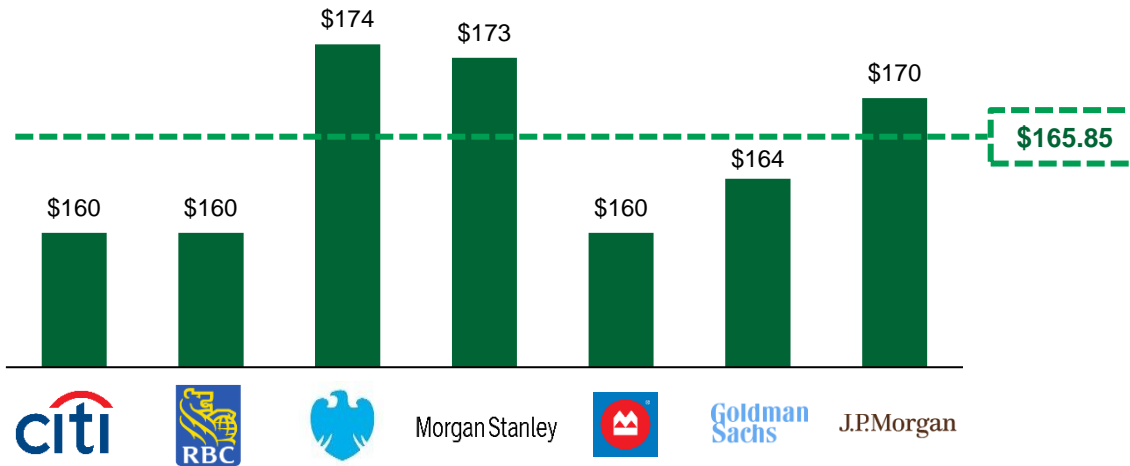


Football Field Analysis



Analysis	Average	Weight
Current Analyst Forecast	\$165.85	20%
Comparables Valuation	\$134.24	20%
DCF (Upside)	\$219.06	20%
DCF (Downside)	\$117.58	20%
DCF (Base)	\$160.48	20%

Selected Broker Price Targets



Price Target: \$159.44

Implied Margin of Safety: 17.48%

Recommendation: Buy

Source: Selected broker websites



Appendices





Exhibit 1: Assumptions

Assumptions	Base									
	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue Growth	15.0%	11.0%	10.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
EBITDA Margin	15.5%	17.0%	17.0%	18.0%	18.0%	17.0%	17.0%	17.0%	17.0%	17.0%
Tax Rate	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
AR, % of Revenue	7.5%	8.1%	8.5%	8.8%	9.0%	9.5%	9.5%	9.5%	9.5%	9.5%
Inventories, % of Revenue	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
AP, % of Revenue	7.5%	7.0%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
Additions to PP&E, % of sales	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
PP&E Depreciation, % of gross	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Other D&A, % of Gross	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%

Assumptions	Upside									
	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue Growth	18.0%	14.0%	13.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
EBITDA Margin	18.5%	20.0%	20.0%	21.0%	21.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Tax Rate	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
AR, % of Revenue	8.5%	9.1%	9.5%	9.8%	10.0%	10.5%	10.5%	10.5%	10.5%	10.5%
Inventories, % of Revenue	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
AP, % of Revenue	9.0%	8.5%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Additions to PP&E, % of sales	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
PP&E Depreciation, % of gross	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Other D&A, % of Gross	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%

Assumptions	Downside									
	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue Growth	12.0%	8.0%	7.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
EBITDA Margin	12.5%	14.0%	14.0%	15.0%	15.0%	14.0%	14.0%	14.0%	14.0%	14.0%
Tax Rate	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
AR, % of Revenue	6.5%	7.1%	7.5%	7.8%	8.0%	8.5%	8.5%	8.5%	8.5%	8.5%
Inventories, % of Revenue	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
AP, % of Revenue	6.0%	5.5%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
Additions to PP&E, % of sales	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)
PP&E Depreciation, % of gross	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Other D&A, % of Gross	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%



Exhibit 2: WACC Analysis

Capital Structure	Total Value	Weight
Equity	\$213,945,457,900.0	94.35%
Debt	\$12,810,000,000.0	5.65%
Preferred Equity	-	0.00%
Total	\$226,755,457,900.0	100.00%

WACC Analysis	
10-Year U.S. Treasury	1.4%
Market Risk Premium	4.6%
Beta	0.91
Cost of Equity	5.6%
Cost of Debt	2.0%
Tax Rate	14.0%
After-Tax Cost of Debt	1.7%
WACC	5.4%

Equity Analysis	
Price:	
Current Trading Price	\$135.71
Shares Outstanding:	
Fully Diluted S/O	1,576,490,000
Cost Breakdown:	
10-Year U.S. Treasury	1.4%
Market Risk Premium	4.6%
Bottom-up Beta	0.91
2Y Levered Beta	0.87
5Y Levered Beta	0.88
Cost of Equity	5.6%
Total Weight	\$213,945,457,900.0



Exhibit 3: Bull Gordon Growth Method

PV of Forecast Period	67,696
<i>% of Enterprise Value</i>	<i>20.7%</i>
Terminal Value	
Terminal Year UFCF	14,352
Perpetuity Growth Rate	2.0%
Terminal Value	427,656
PV of Terminal Value	258,943
<i>% of Enterprise Value</i>	<i>79.3%</i>
Enterprise Value	326,639
Less: Net Debt	(4,023)
Equity Value	322,616
Fully Diluted Shares Outstanding	1,576
Implied Share Price	\$204.64
Current Share Price	\$135.71
Implied Margin of Safety	50.8%

Exhibit 4: Bull Terminal Multiple Method

Cumulative PV of Free Cash Flow	67,696
<i>% of Enterprise Value</i>	<i>18.2%</i>
Terminal Value	
Terminal Year EBITDA	25,138
EBITDA Multiple	20.0x
Terminal Value	502,757
PV of Terminal Value	304,416
<i>% of Enterprise Value</i>	<i>81.8%</i>
Enterprise Value	372,112
Less: Net Debt	(4,023)
Equity Value	368,089
Fully Diluted Shares Outstanding	1,576
Implied Share Price	\$233.49
Current Share Price	\$135.71
Implied Margin of Safety	72.0%

Exhibit 5: Bull Sensitivity Analysis

Terminal Growth Share Price Sensitivity (\$)

Terminal Growth	WACC				
	4.4%	4.9%	5.4%	5.9%	6.4%
1.0%	220.75	189.99	166.26	147.42	132.11
1.5%	252.24	212.52	183.01	160.23	142.15
2.0%	296.72	242.75	204.64	176.32	154.46
2.5%	364.34	285.47	233.68	197.10	169.92
3.0%	479.47	350.39	274.70	225.00	189.89

Exit Multiple Share Price Sensitivity (\$)

Exit Multiple	WACC				
	4.4%	4.9%	5.4%	5.9%	6.4%
19.0x	243.52	233.44	223.83	214.68	205.96
19.5x	248.81	238.49	228.66	219.29	210.37
20.0x	254.09	243.54	233.49	223.91	214.78
20.5x	259.38	248.59	238.31	228.53	219.20
21.0x	264.66	253.64	243.14	233.14	223.61



Exhibit 6: Bear Gordon Growth Method

PV of Forecast Period	51,397
<i>% of Enterprise Value</i>	<i>25.2%</i>
Terminal Value	
Terminal Year UFCF	8,456
Perpetuity Growth Rate	2.0%
Terminal Value	251,974
PV of Terminal Value	152,568
<i>% of Enterprise Value</i>	<i>74.8%</i>
Enterprise Value	203,966
Less: Net Debt	(4,023)
Equity Value	199,943
Fully Diluted Shares Outstanding	1,576
Implied Share Price	\$126.83
Current Share Price	\$135.71
Implied Margin of Safety	(6.5%)

Exhibit 7: Bear Terminal Multiple Method

Cumulative PV of Free Cash Flow	51,397
<i>% of Enterprise Value</i>	<i>29.4%</i>
Terminal Value	
Terminal Year EBITDA	10,191
EBITDA Multiple	20.0x
Terminal Value	203,813
PV of Terminal Value	123,407
<i>% of Enterprise Value</i>	<i>70.6%</i>
Enterprise Value	174,805
Less: Net Debt	(4,023)
Equity Value	170,782
Fully Diluted Shares Outstanding	1,576
Implied Share Price	\$108.33
Current Share Price	\$135.71
Implied Margin of Safety	(20.2%)

Exhibit 8: Bear Sensitivity Analysis

Terminal Growth Share Price Sensitivity (\$)

Terminal Growth	WACC				
	4.4%	4.9%	5.4%	5.9%	6.4%
1.0%	136.54	118.31	104.21	93.00	83.88
1.5%	155.10	131.58	114.08	100.56	89.79
2.0%	181.31	149.39	126.83	110.03	97.05
2.5%	221.15	174.56	143.94	122.28	106.16
3.0%	288.98	212.81	168.11	138.71	117.92

Exit Multiple Share Price Sensitivity (\$)

Exit Multiple	WACC				
	4.4%	4.9%	5.4%	5.9%	6.4%
19.0x	113.05	108.63	104.42	100.40	96.56
19.5x	115.19	110.68	106.37	102.27	98.35
20.0x	117.33	112.72	108.33	104.14	100.14
20.5x	119.47	114.77	110.29	106.01	101.93
21.0x	121.62	116.82	112.24	107.88	103.72