



Nike, Inc.

Nike - Just Buy It

\$NKE has rebounded well this year, up 6.15% in the past 6 months, surviving a long drop-off period after poor sales, largely due to their failure to successfully integrate a direct-to-consumer sales channel. Now, with a shift back towards wholesale channels, sales improvement and upcoming massive U.S sporting events should be a way forward for the company to grow. **We initiate with a BUY rating and a one-year PT of \$80.**

World Cup Sponsorship

Nike has a strong relationship with some of the top FIFA teams in the world. 8 of the top 15 ranked FIFA teams, including the United States, will wear the Nike patch on their jerseys for the upcoming 2026 World Cup. Soccer has been an area of relative struggle, with most of the brand's popularity coming from basketball, and their extension brands like Jordan and Converse. The company will have a large presence in the upcoming World Cup, which in turn could be a boost to their North American sales, which make up 42% of their overall sales. Furthermore, with the World Cup taking place in the United States, Nike has a prime chance to steal soccer market share from ADIDAS in the US.

Wholesale The Way Forward

Over the past few years, former Nike CEO John Donahoe placed a large emphasis on Nike direct to consumer channels, away from their recent success as a wholesale company. That brand vision has struggled, as sales have slumped across all categories, including a 10% sales decrease in the past year. The shift to DTC allowed other footwear brands like Hoka and On Cloud to better position themselves with suppliers. New CEO Elliot Hill, a former Nike employee who rose through the ranks since 1988, has announced plans to get back to what they do best, focusing on wholesale sales and product innovation. Some of that product innovation includes a focus on outdoor athletics, including a new line of running shoes, aimed at increasing sales in China. By exploring new markets and products, and moving the focus back to wholesale, the company should be able to return sales growth rates back to pre-DTC days.

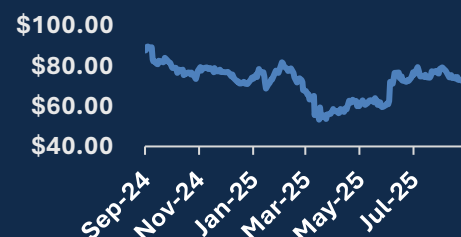
Company Overview

Founded in 1967, Nike is the largest seller of athletic footwear and apparel in the world. Nike handles the design, development, and selling of athletic footwear, apparel, equipment, accessories, and services. Nike offers products under the Jordan and Converse brands, which helps them cover a wide variety of markets from basketball to casual wear. While maintaining a dominance in basketball, especially with the Jordan brand, the company also has a large stronghold in a number of other sports and markets, including running, football, and everyday wear. That helps separate Nike from its competitors, and keep them as the leader in market share for athletic wear. The company mainly produces their products in China and Vietnam, and relies heavily on international sales, as it makes up 57% of their overall sales. China and Europe are two of their biggest international markets and have begun to see more success in Asia Pacific and Latin America, largely due to revenue growth in Mexico.



TICKER:	\$NKE
RATING:	BUY
PRICE:	\$70.89
PRICE TARGET:	\$80.00
MARKET CAP:	\$104 b
52-W RANGE:	\$52.28 - \$90.62
P/E:	33.0x
IMPLIED UPSIDE:	10.5%

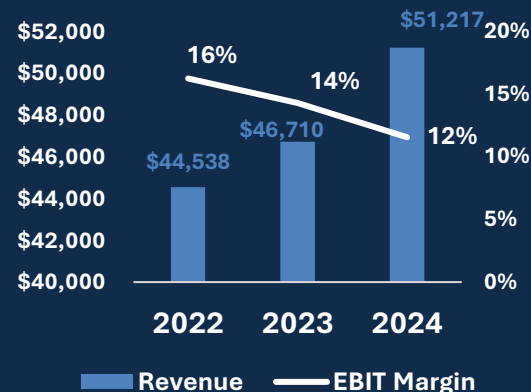
1 Year Price History



Recent Events Timeline



EBIT Margin with Annual Revenue



Failed Marketing Integration

During Nike’s push toward DTC, many wholesale partners filled shelves with trendy, high-growth competitors such as Hoka and On which have since built strong brand equity and loyal followings, gaining roughly 1% market share in the global sportswear market, whereas Nike lost a little over a percent of share. Although Nike still holds around 14% global sportswear market share, as they seek to reclaim this channel, shelf space is more limited, and consumer momentum may not easily shift back. Retailers may also prefer a diversified mix to reduce dependency on Nike, creating less favorable terms and limiting Nike’s ability to fully regain share. All in all, if wholesale re-entry proves slower or less profitable than expected, Nike risks muted revenue growth and potential margin compression.

Tariffs Persist, Sales Soften

Nike produces most of their products in international countries, particularly in China, which the United States has yet to reach a trade deal with. If tariffs remain high or uncertain, Nike may see lower margins and likely will have to raise prices as a response. Price hikes may lead to less consumer spending, and Nike may continue to struggle with sales.

Catalysts

Near-term catalysts for NKE are the successful marketing campaigns for upcoming United States hosted events like the 2026 World Cup and the 2028 Summer Olympics. If the company can capitalize on prime marketing opportunities especially within the United States, then Nike should see a boost in revenue for those years. More catalysts for this stock would be positive inflation data, which should allow for consumers to spend more. Furthermore, a successful trade deal with China, and low tariffs, would allow Nike to keep its margins and keep growing.

Valuation

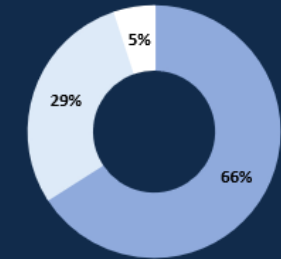
DCF Analysis (\$mm)							
	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/30/2028	12/30/2029	12/31/2030
Revenue	51,362	48,540	51,452	54,282	56,996	59,561	61,944
Revenue Growth	0%	-5%	6%	6%	5%	5%	4%
Sales Revenue	51,362	48,540	51,452	54,282	56,996	59,561	61,944
EBIT	6,754	6,601	6,998	7,979	9,005	10,066	11,150
EBIT Margin	13%	14%	14%	15%	16%	17%	18%
Tax Expense	1,000	990	1,120	1,297	1,486	1,686	1,895
Effective Tax Rate	15%	15%	16%	16%	17%	17%	17%
NOPAT	5,754.00	5,611.44	5,877.92	6,682.83	7,519.53	8,379.82	9,254.39
D&A	796	775	823	896	969	1,042	1,115
Capex	812	830	926	964	997	1,027	1,053
Changes in NWC	(1,012)	(400)	772	1,018	1,282	1,563	1,858
UFCF	6,750	5,956	5,003	5,597	6,209	6,831	7,458
PV of FCF		5,904	4,757	4,984	5,177	5,334	5,454

Our base case DCF valuation is based on rebounding revenue growth, at fairly moderate growth rates of 2.6% CAGR. Furthermore, the model projects a 9.5x EV/EBITDA Exit Multiple, a conservative multiple compared with peers. These projections reflect the strengthening of the company following their recent restructuring, and project an increase in both sales and margin. Nike can meet and exceed the sales growth rate with successful marketing and product innovation, which has always driven performance. Please reference bottom of the appendix on the next page for descriptions of our downside and upside DCF projections.

Conclusion

In Nike, investors can find a company diversified for changes in consumer athletic and casual preferences. The business has rebounded through tough periods before, and they should be able to rebound once again under new management and a shift back to what worked best. **We initiate \$NKE with a buy rating, and a PT of \$80, representing 11% upside in the next year.**

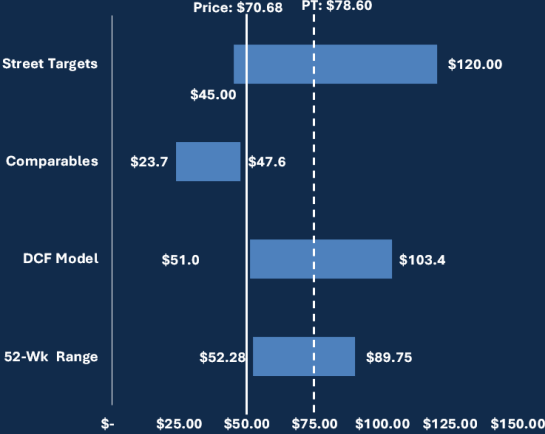
Revenue Segments



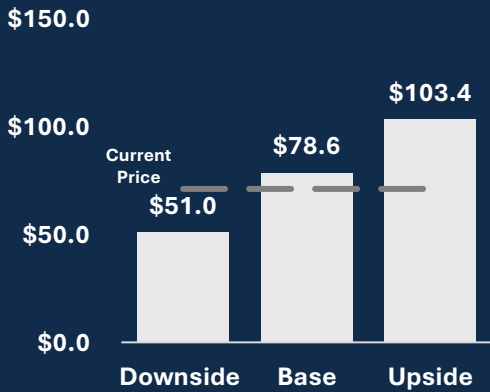
Footwear Apparel Equipment

Terminal Value	
Exit Multiple Method	
2030 EBITDA	\$12,265
EV/EBITDA Exit Multiple	9.5x
Terminal Value	\$116,516
PV of Terminal Value	\$85,204
PV of Projection Period	\$31,610
PV of Terminal Value	\$85,204
Implied TEV	\$116,814
(-) Debt	\$9,406
(+) Cash	\$8,348
Implied Equity Value	\$115,756
Diluted Shares Outstanding	1,477
Implied Share Price	\$78.38
Upside/Downside	10.0%

Football Field Valuation Range



Risk vs. Reward - DCF Cases



Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	51,362	48,540	51,452	54,282	56,996	2.6%
EBITDA	7,550	7,376	7,821	8,875	9,974	7.2%
EBIT	6,754	6,601	6,998	7,979	9,005	7.5%
NOPAT	5,754	5,611	5,878	6,683	7,520	6.9%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	14.7%	15.2%	15.2%	16.4%	17.5%	15.8%
EBIT Margin	13.1%	13.6%	13.6%	14.7%	15.8%	14.2%
Revenue Growth	0.3%	-5.5%	6.0%	5.5%	5.0%	2.3%
EBIT Growth	14.2%	-2.3%	6.0%	14.0%	12.9%	9.0%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	15.5x	17.6x	20.9x	18.7x	16.9x	17.9x
EV/Sales	2.1x	2.2x	2.1x	1.9x	1.9x	2.0x
EV/EBITDA	14.0x	14.3x	13.5x	11.9x	10.6x	12.9x
FCF Yield	6.4%	5.7%	4.8%	5.3%	5.9%	5.6%

Comparable Companies

\$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Deckers Outdoor Corporation (NYSE:DECK)	\$16,880	\$15,472	17.4x	\$5,125	\$1,288
lululemon athletica inc. (NasdaqGS:LULU)	\$20,114	\$20,721	11.5x	\$10,904	\$2,977
Under Armour, Inc. (NYSE:UAA)	\$2,053	\$2,817	21.3x	\$5,115	\$351
adidas AG (XTRA:ADS)	\$37,612	\$43,537	27.0x	\$28,786	\$2,732
NIKE, INC. (XNYS:NKE)	\$104,698	\$106,568	32.8x	\$46,309	\$4,477

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth	Rate LF
Deckers Outdoor Corporation (NYSE:DECK)	12.0x	57.6%	25.1%	23.7%		15.5%
lululemon athletica inc. (NasdaqGS:LULU)	7.0x	59.1%	27.3%	22.9%		9.2%
Under Armour, Inc. (NYSE:UAA)	8.0x	48.1%	6.9%	4.3%		(8.2%)
adidas AG (XTRA:ADS)	15.9x	51.2%	9.5%	7.3%		11.0%
NIKE, INC. (XNYS:NKE)	23.8x	42.7%	9.7%	8.0%		(9.8%)

High	23.80x	59.1%	27.3%	23.7%	15.5%
75th Percentile	15.94x	57.6%	25.1%	22.9%	11.0%
Average	13.35x	51.7%	15.7%	13.2%	3.5%
Median	10.03x	51.2%	0.0%	8.0%	9.2%
25th Percentile	8.04x	48.1%	9.5%	7.3%	-8.2%
Low	6.96x	42.7%	6.9%	4.3%	-9.8%

NIKE, INC. (XNYS:NKE)

Implied Enterprise Value (25th Percentile)	\$	35,987
Implied Enterprise Value (Median)	\$	44,891
Implied Enterprise Value (75th Percentile)	\$	71,346

Implied Share Price (25th Percentile)	\$	23.65
Implied Share Price (Median)	\$	29.68
Implied Share Price (75th Percentile)	\$	47.59

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	1.31
Risk Free Rate	4.14%
Cost of Equity	5.25%
Weighted Average Cost of Debt	3.93%
Tax Rate	16.00%
Cost of Debt	1.53%
Total Equity	\$104,698
Total Debt	\$1,058
Equity/Total Capitalization	53.60%
Debt/Total Capitalization	46.40%
WACC	6.78%

Downside Case: Our downside case projects poor revenue growth, and little additional sales for upcoming events. This reflects slow sales from broader economic struggles, and worsening margins from a poor tariff situation with China. The multiple we used was 8.0x EV/EBITDA, bringing our downside valuation to \$51.

Upside Case: Our upside case shows high revenue growth spurred by marketing success in the World Cup and Olympics. This implies low inflation opening up consumer ability to spend, and low tariffs allow Nike to maintain and create higher margins. Our EV/EBITDA multiple is 11.5x, bringing our upside valuation to \$103.

Disclosures and Ratings: Bluegrass Capital Research does not hold any professional relationships with the securities mentioned in this report. Our ratings are defined as follows: **Buy** (expected to outperform the market), **Hold** (expected to perform in line with the market), and **Sell** (expected to underperform the market), typically over a 12-month horizon. This report is for educational and informational purposes only and should not be considered as financial advice.