

Company: Nike, Inc.	Ticker: NKE	Price: \$110.37	Industry: Consumer Discretionary
Target Price: \$112.26 Stop Loss: \$100 52 Week High/Low: \$131.31/\$88.66	TTM P/E: 34.06x Forward P/E: 30.46x EPS (FY23): \$3.24	Beta (5Y): 1.09 Credit Rating: A1 (Moody's) Rating Outlook: Stable	Market Cap: 167.97B Dividend Yield: 1.34%

Company Background:

Nike is the world’s largest supplier of athletic shoes and apparel, in addition to being a major manufacturer of sports equipment. Nike currently has a 30% market share and is currently operating in 170 countries and as a result found a way to cater to almost any demographic due to their large product selection. Additionally, Nike is licensed to make merchandise with logos from your favorite teams and athletes across a number of sports which helps boost their brand’s reputation. Nike has had wholly owned subsidiaries in its brand portfolio: Nike currently owns converse and used to wholly own the Hurley and Cole Haan brands before selling them off. Nike also continues to invest in infrastructure to support future growth, specifically focused around digital capabilities, our end-to-end technology foundation, our corporate facilities and improvements across our supply chain. Bolstered by a skilled management team and strong historical financials, Nike remains a great stock to put into the portfolio with potential to grow.

Industry Outlook:

Nike competes in the Footwear, Apparel, and Sports Equipment spaces. Some of their competitors include Adidas and Puma in the footwear segment and Lulu Lemon and VF Corp in the apparel segment. As the retail industry as a whole shifts increasingly towards e-commerce, Nike has been proactive in enhancing its online presence and moved towards a Distributorship Business Model in appropriate areas. Despite the retail sector facing uncertainties due to inflation fears and Federal Reserve rate hikes, recent trends show consumer spending continuing to exceed expectations, indicating a resilient market dynamic. Barriers of entry into the space have decreased tremendously over the past few years as E-Commerce options have been popping up like Alibaba. Despite the retail sector facing uncertainties due to inflation fears and Federal Reserve rate hikes, recent trends show consumer spending continuing to exceed expectations, indicating a resilient market dynamic.

Investment Thesis:

Nike’s is a great investment because of its strong brand equity. The brand equity is continuing to grow as Nike continues to invest in R&D and innovate in this space. Their global presence allows them to reach a large customer base, influence emerging markets, and diversify their revenue streams. Additionally, their endorsements with Professional Athletes and Sports Leagues/Organizations continues to boost the credibility of their products. The less than industry average PE ratio and our DCF leads us to believe they are undervalued relative to their competitors, making it an attractive investment.

Risks and Mitigants:

Given that Nike operates in 170 countries, they are exposed to a variety of Foreign Currency Exchange Risks, which they have mitigated by utilizing hedging to reduce their risk against volatility in the Forex markets. Because of the lower barriers of entry into this industry, Nike has capitalized on their economies of scale and increased efforts in Social Media, Marketing, the Digital Experience, Customer Service and Product Offerings to maintain their market share and influence emerging markets. As for inventory concerns, Nike has learned a few strategies from the pandemic to deal with this, such as Nike Direct and Department Store Warehouses

ESG

Nike's ESG standards are to promote people, planet, and play. In regards to the Environment, Nike has a goal of reducing its GHG emissions by 70% and in 2 years they have already reduced emissions by 63%. In social, Nike is committed to empowering the outside community as they have invested \$36MM in HBCU's and organizations addressing racial inequality. As for Governance, Nike aims to increase representation in the workplace and promote leadership. So far they have achieved over 30% of Female Board Members.

5-Year Financial Performance:



DCF Valuation:

Terminal Value: Growth in Perpetuity	
Long Term Growth Rate	4%
2030 FCF	10,708
Terminal Value	214,165
PV of Terminal Value	133,307
PV of Stage 1 CF	39,945
TEV	173,251
Terminal Value as a % of TE	77%
Stage 1 CF as % of TEV	23%
Implied TV Exit Multiple	16.3x

Net Debt	
Source Docu	2024 10Q Q1
Source Date	9/28/23
Gross Debt and Equivalents	
Debt	8,935
Cash	8,790
Net Debt	145

Valuation	
Enterprise Value	173,396
Net Debt	145
Equity Value	173,251
Shares Outstanding	1,543
Equity Value per share	112.26

Comparable Companies Analysis:

Comparable Company Analysis													
2022													
Company Name	Market Data					Financial Data (FY+1)			Valuation (FY+1)				
	Price (\$/Share)	Shares (M)	Market Cap (\$M)	Net Debt (\$M)	EV (\$M)	Sales (\$M)	EBITDA (\$M)	Net Income (\$M)	EV/Sales x	EV/EBITDA x	P/E x	OPERATING INCOME	
NIKE, INC.	97.5	1,522	166,436	4,920	171,356	51,217	6,774	5,070	3.35	25.3	32.83	\$6,675.00	
Adidas AG (100.99	179	32,875	11,405	44,280	22,511	1,263	612	1.97	35.06	53.72	\$732.00	
Puma SE (O	5.81	150	9,010	2,631	11,641	8,465	769	354	1.38	15.14	25.49	\$640.00	
LULULEMC	430.37	127	54,459	337	52,435	8,111	2,018	855	6.47	25.98	63.71	\$1,726.14	
V.F. CORPO	16.52	389	6,218	8,425	13,522	11,612	1,304	119	1.16	10.37	52.44	\$1,050.15	
Average									2.23	25.17	37.34		
Median									1.97	25.3	32.83		