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Write the Future: Valuing Nike in an Age of Rapid Market Changes

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A Project carried out on the Master in Finance Program, under the supervision of:

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Abstract

This report evaluates Nike, Inc. at a time of rapid market developments and takes into account the strong influence of global competition and digital transformation. Nike is a leader in the sale of sports apparel and footwear and has positioned itself through direct consumer interaction and extensive market research. The valuation is based on a discounted cash flow analysis that reflects the company's ongoing return on capital and growth strategies. A share price target of $93.01 is forecast as at 31 December 2024, with an expected dividend of $1.34. In view of the not yet fully recovered market and Nike’s moderate innovative capabilities, a "hold" recommendation is issued. This reflects the low upside potential of 1.75% compared to the current share price of $92.72, but offers security due to the strong brand presence and successful management.

Equity Research, Financial Modeling, Equity Report, Equity Valuation

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This report is part of the joint report (annexed), developed by Moritz Constantin Feklist (53162) and Alexandru Chitu (54162) and should be read has an integral part of it.

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Introduction

This analysis is part of a "Joint Equity Research Report" evaluating the shares of Nike Inc., a leading company within the sportswear industry. The report is divided into several sections: Firstly, there is a company overview, followed by a financial performance analysis. The business segments and capital structure are then analysed in detail. This report concludes with a comprehensive valuation using the discounted cash flow method and a final recommendation. The sections that Alexandru Chitu (54162), my pair, covers to comprehend the full equity report are the industry analysis, the supplementary valuation section which includes the comparable companies analysis (CCA) and finally the ESG report.

The valuation is based on a methodical discounted cash flow analysis that aims to determine the fair value of Nike's shares, taking into account the current market climate and future growth expectations. This introduction lays the foundation for the subsequent analysis, which shows why a hold recommendation for Nike shares is justified, particularly in view of the company's not yet fully consolidated market position and limited innovation activities.

Company Overview

This chapter introduces the analyzed firm Nike, Inc (hereinafter referred to as "Nike"). Whenever reference is made to e.g. 'FY23' in the subsequent report, this refers to the firm's fiscal year within the annual reporting; in the case of Nike, FY23 starts on the 1st of June 2022 and ends on the 31st of May 2023.

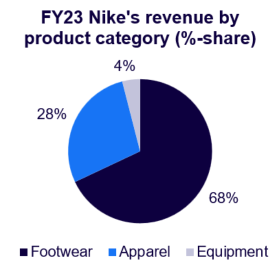

***Figure 1**: FY23 Nike's revenue by product category (%share) – Source: Annual Report 2023*

Company Description

Nike was founded in 1964 as Blue Ribbon Sports and is headquartered in Beaverton, Oregon, USA. Worldwide, the company employed around 80,000 people and generated revenue of **51.22 $bn** up to the end of FY23. The company is managed by John Donahoe as CEO together with CFO Matthew Friend, both in office since 2020. Nike's product mix is divided into three major divisions. Footwear, apparel, and equipment; footwear contributed 68% of sales in FY23 - twice as much as apparel. Leading the way in footwear are men's, women's, and Jordan brand shoes. Similarly, the men's and women's items sell best in apparel. The kids' segment is lagging. Equipment - like bags, socks, sports balls, glasses, chronometers, and electronic devices - is far behind with 4% sales contribution in FY23. Nike is traditionally strong in its home US market, where Nike achieved 44% of its FY23 sales. EMEA follows with 28% before the growth regions Greater China (15%) and APLA (13%).

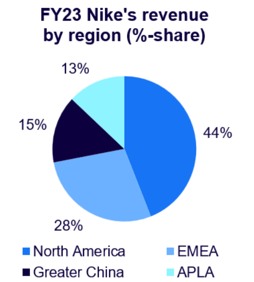

***Figure 2**: FY23 Nike's revenue by region (%-share) – Source: Annual Report 2023*

Business Segments

Nike has fully outsourced its production to contract manufacturers

Nike, the world's leading seller of **athletic footwear**, **apparel**, and **accessories** engages in the **design**, **development**, **marketing**, and **global sales** of a wide range of products. Whereas, almost the entire production is carried out by independent contractors. Therefore, Nike focuses strongly on innovation and quality in its product manufacturing. This is evident from its large research and development (R&D) organization, which recently introduced a new Nike Sport Research Lab series. This initiative involves long-term observation of athletes in a research setting to better meet their needs. The company's distribution strategy encompasses direct sales through both Nike-owned retail outlets and digital platforms, known collectively as "NIKE Brand Digital". Overall Nike Direct generated 44% FY23 sales. Additionally, Nike extends its market reach through retail accounts and a diverse network of independent distributors, licensees, and sales representatives with the "Wholesale" channel (56%) across virtually all countries worldwide. In the future, Nike intends to push the direct channel to alter the balance and generate the majority of its sales through it.

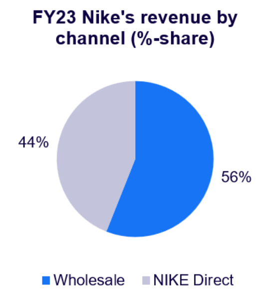

***Figure 3**: FY23 Nike's revenue by channel (%-share) – Source: Annual Report 2023*

- Gegraphic Segmentation

__Nike's core business is divided into four regional business segments plus Converse__

The organizational structure of Nike is strategically aligned by geography and reflects the firm's extensive international footprint. This ensures that each of Nike's reportable segments, including **North America**, **Europe**, **Middle East & Africa** (EMEA), **Greater China**, and **Asia Pacific & Latin America** (APLA), is focused on Nike and Jordan brands' **athletic footwear**, **apparel**, and **equipment** product categories. In the market analysis section, we examine the specific regional performance to put it in perspective with the market dynamics in these regions. Beyond its four geographic segments, Nike also encompasses a distinct brand-focused segment through **Converse**, which is dedicated to the casual sneaker, apparel, and accessories market. The financial results from direct sales and digital commerce under the Converse brand are consolidated irrespective of the regional distribution.

- Converse

__The Jordan Brand is included in the regional business reporting, unlike Converse__

The fully owned subsidiary of Nike, Converse, is disclosed separately in the annual report, contrary to the case for the Jordan Brand. As learned through discussions with experts at Nike, the main reason for this is that Converse serves a slightly different market segment. While Nike primarily focuses on the athletic performance component of its products, Jordan does so specifically for basketball. **Converse designs**, **distributes**, and **markets footwear**, **apparel**, and **accessories** in the **casual segment**. This separation allows for a distinct brand identity, market positioning, and performance evaluation for Converse.

The distinction necessity arises as Nike products are developed for athletic use, although today many of the products are also worn for leisure activities. However, this is a significant difference to Converse. This brand is exclusively geared towards the leisure needs of customers in need of an individual strategic set-up.

Brand Equity and Collaborations

#	Company	Brand equity ($ bn)	HQ
1	Louis Vuitton	32.24	FR
2	Nike	29.87	US
3	Hermes	26.07	FR

__Figure 4:__ Top 3 global brand equity ranking in the Apparel industry – Source: Brand Finance, 2024

Brand equity is crucial for Nike, as it represents the value derived from consumer perception and experiences with the brand. It enables Nike to differentiate itself in the competitive cyclical consumer products industry, granting the ability to **charge premium prices** and **foster customer loyalty**. High brand equity enhances Nike's competitive advantage, supports the successful launch of new products, and contributes significantly to its financial performance and shareholder value. Nike claims to have a very strong brand in its annual report, but it is difficult to reliably derive this from the goodwill value in the balance sheet or the marketing expenses in the income statement. To quantify this nevertheless, we rely on the assessment of the internationally recognized brand valuation company Brand Finance, which values **Nike's brand** at **~30 $bn**. This puts Nike in 62nd place worldwide and in 2nd

place behind Louis Vuitton in the apparel segment for 2024. Focusing solely on the sportswear industry Nike stands out ranked 1st, with Adidas lagging far behind in 141st place. For Nike, maintaining and investing further in such strong brand equity is essential to remain a market leader and drive long-term growth (Brand Finance, 2024).

Nike has crafted a diverse branding strategy that leverages partnerships with leading figures in sports and culture as well as major events. This approach, anchored in contemporary insights, seeks to enhance the above-mentioned brand equity and positively impact consumer attitudes, especially within the sportswear sector. Sport is associated with emotions, particularly in this context **people strive to imitate their favorite athletes**. This starts with the equipment. Research indicates that sports celebrity endorsements significantly boost consumer purchase intent, as they enhance the brand and advertisement perception (von Felbert & Breuer, 2009). For Nike, leveraging endorsements from athletes known for their attractiveness, trustworthiness, and familiarity is crucial in improving brand loyalty, perceived quality, and buying decisions. This strategy, confirmed by studies to effectively drive sales growth and bolster brand image, underlines the value of Nike's partnerships with prominent sports and cultural figures in strengthening consumer connections with the brand (Hussain, 2020). Notable long-term partnerships have included Michael Jordan, LeBron James, Cristiano Ronaldo, and Serena Williams, among others.

Celebrity endorsements significantly elevate consumer purchase intent

Nike Stock

Nike stock continues to pay and increase dividends for over two decades

Nike is listed on the New York Stock Exchange (NYSE). Since its IPO in December 1980, Nike has been a significant force in the financial markets, evidenced by its inclusion in two key US stock market indices. It is a member of the Dow Jones Industrial Average (DJIA), featuring 30 major US companies, and is also included in the S&P 500 Index, which encompasses the 500 largest publicly traded corporations in the US. In terms of governance, the Board of Directors is chaired by Mark Parker, the former CEO. As per the last election of Directors in September 2023 10 out of 13 appointed directors qualify as independent. More details on our assessment are in figure 62 in the appendix.

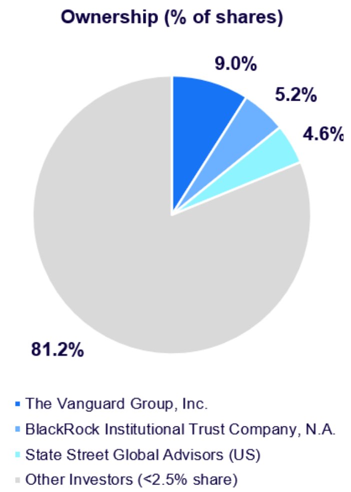

Figure 5: Ownership (% of shares) – Source: Refinitiv

The largest shareholders are The Vanguard Group with 9.00%, BlackRock Institutional Trust Company with 5.17%, and State Street Global Advisors with 4.64%. All other shareholders hold less than 2.50% of the shares, details of which can be found in figure 63 in the appendix. The free float share, i.e. the share not held by major shareholders, insiders or management, totals 98.63%. Thus, Nike is not exposed to excessive influence by individual shareholders. As of November 30, 2022, Nike's market capitalization, based on the aggregate market values of Class A (7.80 $bn) and Class B (136.50 $bn) common stock held by non-affiliates,

98.63% of Nike stock is free float available to the public

totalled around 144.30 $bn. Today Refinitiv reports 140.05 $bn. There is no difference between the common stock types in terms of dividends, liquidation rights, or participation rights. However, the voting rights of Class B shares are restricted concerning the election of board members. Nike has consistently paid dividends to its shareholders since 1984 and is increasing it for the 22nd time in a row in 2024. In 2023, $1.30 $ was paid out per share, for 2024 it will be $1.34. Nike stock suffered a sharp drop due to COVID-19 in 2020 and rising commodity prices caused by the Ukraine war in 2022. Nevertheless, the performance over the last 5 years has been superior to the MSCI World Index, which is a good indicator of overall global economic performance.

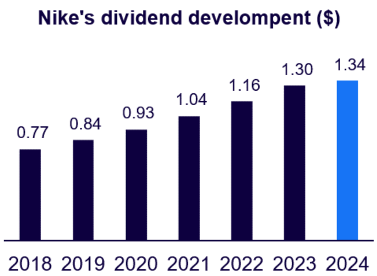

***Figure 6**: Nike's dividend development ($) – Source: Annual Report 2023, own analysis*

***Figure 7**: Nike vs. MSCI World Index development – Source: Refinitiv, own analysis*

Nike recorded declines in sales and profitability, during the COVID-19 pandemic, followed by a rapid recovery

Historic Financial Performance

Nike operates in a cyclical industry. Its performance is closely linked to economic cycles, with demand typically increasing during economic upturns and decreasing during recessions. These fluctuations are driven by changes in consumer purchasing power and confidence, which coincide with economic cycles. For instance, pre-COVID-19 sales totalled 39.12 $bn with YoY growth of 7.5% and fell to 37.40 $bn by FY20 end, a decline of -4.38%. Firstly, global uncertainty and concerns about their own existence meant that many people paid less attention to sport. Secondly, both professional and amateur sports were largely discontinued, which led to a sharp decline in demand for fan merchandise and sports equipment. Furthermore, over 90% of Nike's shops worldwide had to close, including a complete lockdown in China, a key growth market for Nike. In addition, most of the production facilities, particularly in Vietnam, where 50% of Nike's footwear and 28% of its apparel production takes place, were closed for months. This in combinations with the overloaded global supply chains doubled delivery times from 40 to 80 days. This is the time it took a Nike finished product from production plant to shelf. The risk of empty shelves was significant. In addition, the digital business could not immediately compensate for the loss of sales due to above mentioned reasoning. In 2020, profitability also fell to a low, while in previous years an EBIT

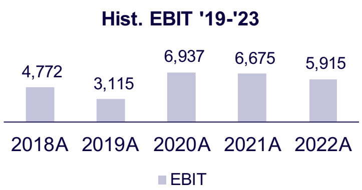

***Figure 8**: Hist. EBIT '19-'23 – Source: AR 2023*

margin of 12.20% was held constant, this fell to 8.33% during COVID-19, which corresponded to an absolute EBIT of 3.12 $bn. This had a significant impact on net income, which amounted to around 2.55 $bn in 2020 and a corresponding net income margin of 6.83%.

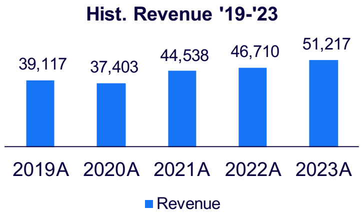

Figure 9: Hist. Revenue '19-'23 – Source: AR 2023

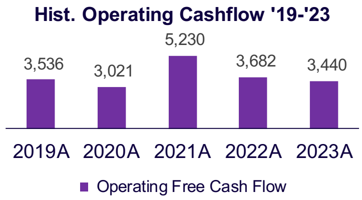

Figure 10: Hist. Operating Cashflow '19-'23 - Source: AR 2023, own analysis

In the next period, FY21, the business recovered rapidly, and Nike even surpassed the pre-COVID-19 mark straight away with sales 44.54 $bn, representing a growth of 19.08%. Along with this, FY21 shows a topline driven spike in operating free cash flow (FCF), which had direct implications on the share price, having reached its past five-year peak at that time. For Nike, on the other hand, the digital performance improvement has paid off. The strong e-commerce performance positively impacted operating FCF by enabling lower operating costs, more efficient warehousing, increased sales potential through global accessibility, improved scalability, and faster cash collections. Generally, consumers gradually got used to the new normality, which led to an increase in sports activities, especially individual sports. Large events also began to take place again, though under strict hygiene regulations. The increase in home office work worldwide led to increased demand for comfortable sportswear for use at home. By the end of FY23, over 90% of Nike's stores worldwide had reopened. The production facilities that were affected by the closures were partially relocated to other Asian countries, which restored the functionality of the supply chain. Nike's digital business quickly picked up speed as people increasingly shopped online during the pandemic. The firm offered convenient digital solutions. Profitability figures also increased again. Already in FY21, EBIT increased to 15.58%, corresponding to an absolute value of 6.94 $bn, and net income recovered to above pre-COVID-19 levels of 12.77% and even ~1% beyond, corresponding to an absolute value of 5.69 $bn (FY21). Nike continued to grow until 2023, but at a much slower rate than in previous years. While sales amounted to 46.71 $bn in FY22, corresponding to a growth of 4.88%, EBIT decreased to 14.29% from 15.58% in 2021. Nike reached a sales peak in 2023 with 51.22 $bn in sales. However, profitability continued to decline relative to sales, with the EBIT margin falling to 11.55% and the net profit margin to 9.12%, representing 5.92 $bn (EBIT) and 4.67bn respectively in absolute terms. Figure 36 shows the historical development of Nike's key financials.

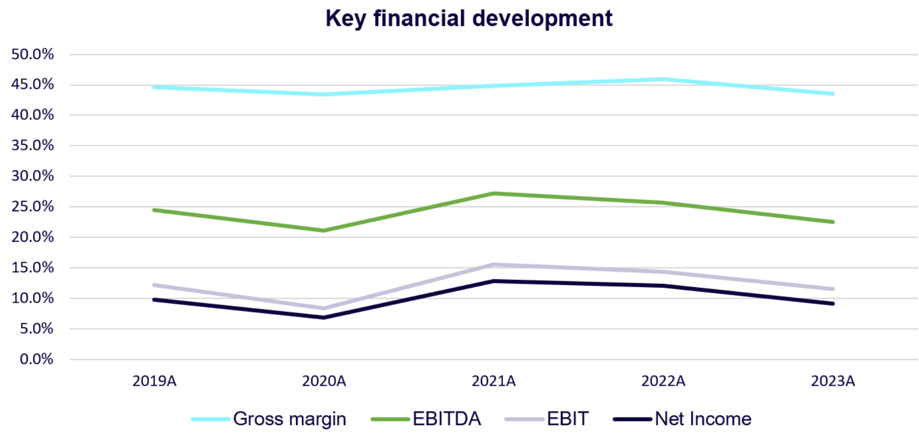

***Figure 11**: Nike's hist. key finacial development – Source: Annual Report 2023*

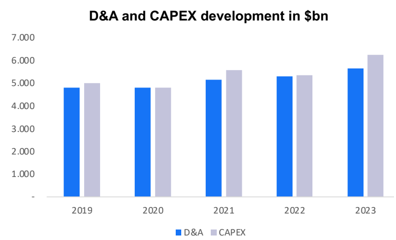

***Figure 12**: D&A and CAPEX development in $bn - Source: Annual Report 2023*

We avoid going into detail on the EBITDA figure here and in subsequent sections of the report, as Nike itself does not report EBITDA in its annual report and we want to maintain comparability with other industry participants. Nevertheless, we have calculated an adjusted EBITDA by adding depreciation and amortisation (D&A) to EBIT. Yet, this does not ensure full comparability. Specifically, D&A for assets used in manufacturing, warehousing, and product distribution are included in the cost of sales and not recognised separately in the balance sheet.

Although EBITDA has become a reformulated component of our financial analysis of Nike, particularly as D&A is not included in the detailed income statement, Nike is characterised by a high level of transparency in the disclosure of these components. This transparency makes it much easier to analyse the historical development of these items. Over the last five years, Nike has had a remarkably stable ratio of D&A to PP&E, with an average of ~51%. This supports our analysis to calculate D&A for the forecast period based on this average. The stability in the D&A and PP&E ratios to sales growth also indicates a stable trend in capital expenditure (CAPEX). D&A increased from 4.80 $bn in 2019 to 5.63 $bn in 2023, which corresponds to a 4.11% CAGR. CAPEX developed from 4.99 $bn in 2019 to 6.25 $bn in 2023, which represents a CAGR of almost 6%.

Business Forecast & Value Drivers

Revenue Forecast

Projected sales to reach 79.42 $bn by 2030, implying a global market share of ~17%

As Nike's sales are closely linked to the development of the sportswear market as a whole, we assume based on our analysis that Nike's growth will be in line with the growth of the entire market. For 2022 and 2023, Nike's market share is estimated at 16-17%, with minor fluctuations in subsequent years. In the first three quarters of FY24 cumulated, growth was only around 1% compared to the same period in the previous year, according to Reuters. This is due to certain products

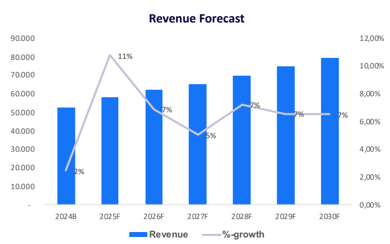

***Figure 13**: Revenue Forecast - Source: Own analysis*

being cut back for cost reasons, the direct-to-consumer (DTC) strategy for running shoes being less effective, and increased competition from innovative brands such as On and Hoka (Reuters, 2024). Our forecast shows that Nike will reach 79.43 $bn in sales by 2030, up from 51.22 $bn in 2023, representing a CAGR of 6.47% ('23-'30). This value is slighly below the projected market growth of 6.58% CAGR ('23-'28). The difference arises from Nike's weakened budgeting year, FY24. Q1-Q3 in FY24 performed below expectations. As we do not expect Nike to make up the growth deficit in Q4 vs. total FY23, we have included the lower ~1% growth in F24 in our model.

Moreover, Nike's focus on direct sales to consumers increases mainly by expanding the digital channel. This ambition is highlighted in its "Consumer Direct Acceleration" strategy, which aims to harness the power of e-commerce. According to our analysis, Nike's online revenue share in 2023 amounted to around 34% of total sales, which equates to ~17.6 $bn. In our forecast, we assume that Nike will further strengthen its digital direct sales channels and achieve a digital share of up to ~50% of its total business by 2030.

- Footwear

Figure 14: Footwear revenue and market share development – Source: Own analysis

Nike, including its subsidiary brand Converse, is undoubtedly the leading player in the international footwear market, with a significant market share of around 24.5% in 2023. Nike's strategy combines wholesale and direct sales, with a significant share of sales generated through direct sales channels such as its own Nike stores and the e-commerce platform "SNKRS". In FY23, Nike realised sales of over 35.53 $bn (incl. Converse) in the footwear segment alone. We expect the footwear market to grow at a CAGR of 5.95% and Nike to reach sales of 53.30 $bn in 2030, which justifies a stable market position and market share of 24.92% (average of the last three years). Converse, known for its iconic Chuck Taylor All-Stars, also contributes to Nike's success. The brand generated sales of 2.43 $bn in 2023 and benefits from its strong global presence and broad acceptance across various consumer groups. According to our analysis, sales for this sub-segment of Nike will amount to 3.64 $bn by FY23. Consumers associate the Converse brand with shoes. Due to the fact that athletic sneakers are increasingly worn by consumers for leisure time and the brand identity of Converse embodies not the performance but the lifestyle idea, the forecasted Converse growth is based on overall footwear market growth.

- Apparel

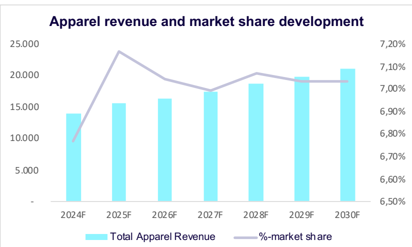

Figure 15: Apparel revenue and market share development – Source: Own analysis

Nike with its apparel category holds an implied market share of 7.20% in 2023 and due to modest growth in the following year only a share of 6.77% in 2024. Based on our analysis, the market share will increase again to a level of 7.03% by 2030. The projected market position is the result of a well-defined marketing and distribution strategy that includes both direct sales and strategic partnerships with wholesalers. Nike wants to make a more conscious decision for wholesalers and has already parted ways with partners such as Urban Outfitters in 2020. Hence, it has optimised its marketing spend and is increasingly relying on digital channels to drive direct customer access. Based on this, we anticipate a sales volume of 21.11 $bn by 2030, which corresponds to a CAGR of 6.21% compared to sales of 13.84 $bn in 2023.

- Equipment

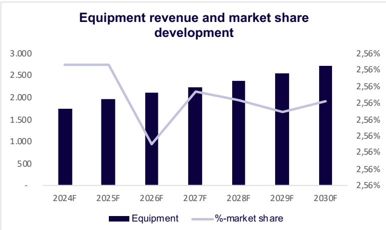

Figure 16: Equipment revenue and market share development – Source: Own analysis

Like it is the case for Adidas, the sports equipment product category is not a significant revenue driver. This explains the low market share and sales in 2023 of 2.56% and 1.73 $bn, respectively. We do not expect Nike to be able or willing to expand its market position here in particular. This is in line with Nike's strategic approach to this segment. In the past Nike has experienced that such niche products are particularly competitive and that the risk of sunk costs should be carefully assessed. Investments doomed to failure should be avoided. As was the case with “Nike Golfball”, where Nike although they entered major advertising partnerships with top athletes exited the market quickly. Nike realised that this is not its core strength. In our forecast, we expect the market share to remain constant which implies sales growth at a CAGR of 6.59% until 2030 totalling to 2.70 $bn.

Business Segment Analysis

Forecasting Nike's profitability is complex due to the company's reporting structure, as only EBIT is published on a geographical level. As Nike considers parts of its D&A to be operating costs, this means that we do not have access to the corresponding EBITDA figures, nor can we present profitability at the product level. For these reasons, and as part of our restatement, we have assumed that we add D&A to EBIT to arrive at our adjusted EBITDA. Our financial model shows that Nike's EBITDA was relatively stable from 2018 to 2023. The lowest point was ~21% (7.92 $bn) in 2020, impacted by COVID-19, and the highest was ~27% (12.01 $bn) in the subsequent period, FY21. Our forecasts assume an EBITDA margin of 24-25% (12.81 $bn) in 2024, which remains stable throughout the projection period and reaches 24.7% (19.65 $bn) in 2030.

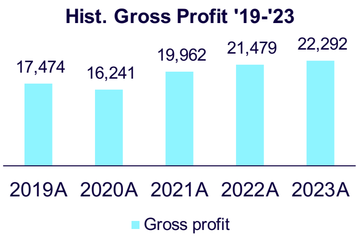

Figure 17: Hist. Gross Profit '19-'23 - Source: Annual Report 2023

In 2023, gross profit was 22.29 $bn while the margin was around 43%. We expect gross profit to grow with 7.16% CAGR until 2030, leading to a projected gross profit of 35.36 $bn and an increase in margin to around 45%. This development is reinforced by Nike's strategic decision to be less dependent on intermediaries, leading to higher gross margins. Consumer goods sold via the indirect channel have the disadvantage that the product margin must be shared with the middleman. Especially in tight margin situations, Nike is unable to pass on the margin reduction to the wholesaler in a timely manner. Thus, Nike attempts to reduce the middleman's share of sales to have to give up a smaller share of its gross profit.

- North America

Figure 18: North America revenue forecast – Source: Own analysis

Nike North America is considered the company's flagship segment, with sales of 21.61 $bn in 2023, it is the largest by sales volume, however the EBIT margin is one of the lowest with an average EBIT margin of 25%. Nike's EBIT margin here is mainly influenced by competition from other sportswear brands such as Adidas, Asics, Puma or Anta Sports. Anta, for instance, distinguishes itself in particular through its efficient control of production and distribution channels. Unlike Nike, which relies on CMs and retailers, Anta has its own factories and significantly more own shops, which enables the firm to bring new product lines to market faster. With Nike's initiative to focus more on direct sales to expand this agility, we see improvements and thus an increase in the margin in North America to between 26-27% (FY30) as justified, which is in line with the competition.

- EMEA

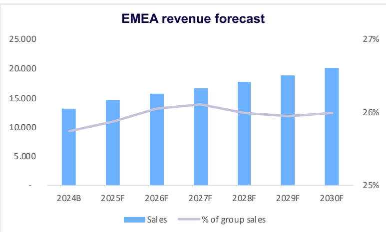

Figure 19: EMEA revenue forecast - Source: Own analysis

Nike has recorded a historical EBIT margin of around 22% in the EMEA region in previous years, rising to around 26.4% in 2022 and 2023. This increase was driven by several factors, including more efficient operations and increased market penetration through direct sales and digitalisation. These factors contributed to a reduction in costs and a better margin control. However, we forecast a reduction in the EBIT margin for 2024 to around 22%. In addition, according to our analysis, the decline in sales is influenced by the very strong competition in the region, especially the increasing presence of brands such as Anta and Li-Ning, which are expanding their global footprints and offering competitive products in terms of price and quality. These brands have gained strategic advantages through their vertically integrated production processes and fast time-to-market. Due to these challenges, in addition to regulatory requirements that imply increased costs and are further explained in the ESG report, we expect EBIT to grow from 3.53 $bn (FY23) to 4.71 $bn in 2023, but EMEA to be replaced by China as the second largest profitability driver. In terms of sales, EMEA remains the second largest market and will reach sales of 20.01 $bn by 2030.

- China

Figure 20: Greater China revenue forecast – Source: Own analysis

In recent years, Nike has achieved a significant EBIT margin in China, but this has changed due to various challenges. In 2023, Nike recorded an EBIT margin of 31.50% in China, but a decline in sales to 7.25 $bn compared to sales of USD 7.55 $bn in 2022. These results were driven by increasing challenges Nike had to overcome caused by supply chain issues, COVID-19 related disruptions, and inflation. Nike has built a significant brand reputation, particularly in China, by introducing customised products for the local market. For instance, Nike has responded to the growing popularity of basketball in China by developing specialised basketball shoes and equipment. In addition, Nike has created products specifically for popular sports in China, such as table tennis and badminton, targeting both professional athletes and amateurs. This is reinforced by our market analysis, which shows clearly that China has the highest expected market growth (10.33% CAGR) among the regions. Hence, it has been considered in our forecast and explains why China is by far the most profitable segment. Overall, we forecast sales of 14.96 $bn and an EBIT margin of around 34.5% for China by 2030, which corresponds to an absolute EBIT of 5.13 $bn.

- APLA

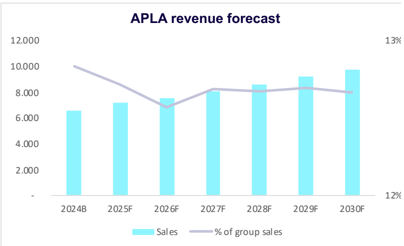

Figure 21: APLA revenue forecast – Source: Own analysis

With sales of 6.43 $bn and EBIT of 1.93 $bn in 2023, APLA is the smallest regional sales market. However, the EBIT margin is of great importance here, as the historical average was around 27%. Nike is also aligning its strategy accordingly due to the increasing importance of e-commerce, especially within the APAC and LATAM markets. Due to the growing importance of DTC businesses, which are anchored in Nike's future strategy, we see an increased significance for this sales market. Taking these aspects into account, we have forecast revenue growth of 2% for the APLA market in 2024 and expect a significant improvement in the EBIT margin. This is also confirmed by the quarterly reports, which show growth of around 3%. Overall, we consider the development in APLA to be significant. Sales in 2030, prospected, amount to around 9.77 $bn with an EBIT of 2.83 $bn, which corresponds to an EBIT margin of 29%.

Liquidity

In recent years, Nike has demonstrated significant financial stability, particularly by maintaining robust liquidity ratios. Here are the specific details and rationale that support this development and justify the use of these averages for future projections.

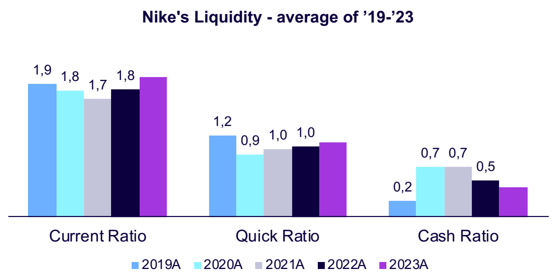

***Figure 22**: Nike's Liquidity - average of '19-'23 - Source: Annual Report 2023, own analysis*

Nike's average historical current ratio has been stable at 1.9x. This suggests that Nike consistently has twice as many current assets as current liabilities, indicating a strong liquidity position. This consistent value is equal to the industry benchmark, which is also 2.0x.

Nike's average historical quick ratio is slightly lower with an average of 1.1x compared to the industry average of 1.4x. This ratio shows that Nike has less cash and cash equivalents to cover short-term liabilities than some of its competitors, which is mainly due to supply bottlenecks that competitors such as Adidas have also had to contend with. This also meant that Nike has been forced to introduce aggressive discounting campaigns in response to this to reduce excess inventory, which has, however, had a negative impact on profit margins in recent years and especially in 2023.

Nike’s average historical cash ratio is 0.5x, which is lower than the industry average of 0.9x. This low ratio is primarily due to the high commitment to operating cash. To ensure that we are making a reasonable and valid assumption here, given its significant importance in the valuation section, we spoke to industry experts in the wholesale and retail segment who are not only familiar with the sports segment but have also worked with Nike. They confirmed to us that Nike, in particular, places a high value on liquidity management and deliberately has a high operating cash rate of around 6-8%, which resulted in our average of 7%, which was also assumed for our forecast.

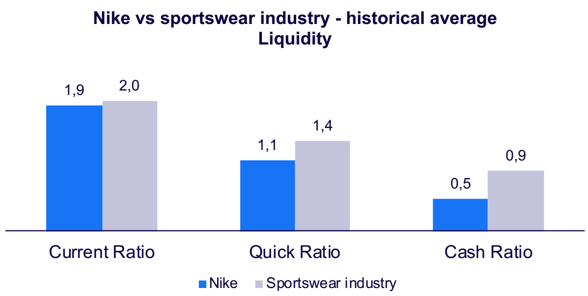

***Figure 23**: Nike vs sportswear industry - historical average Liquidity – Source: own analysis*

Cash Conversion Cycle

Nike's CCC 2023 of 99 days – significantly above industry average of 38 days, mainly due to lower DPO

Average Holding Period (AHP): In 2023, Nike had a AHP of 108 days, which is lower than the industry average of 137 days. This shows that Nike turns its inventory faster than its competitors, indicating efficient production and distribution processes.

Average Days Sales Outstanding (DSO): With a DSO of 34 days, Nike is also below the industry average of 40 days here. This means that Nike receives payments from its customers faster, which has a positive liquidity impact.

Average Days Payable Outstanding (DPO): Nike has a significantly shorter figure of 42 days compared to the industry average of 144 days. This could indicate that Nike settles its liabilities more quickly, which can strengthen the relationship with suppliers, but also puts pressure on liquidity in the short term.

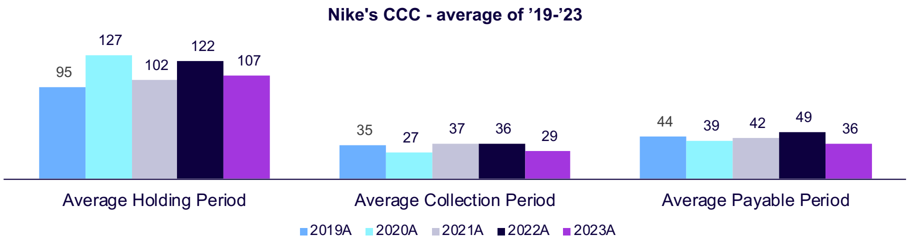

Figure 24: *Nike's CCC - average of '19-'23 – Source: Annual Report 2023, own analysis*

Nike's Cash Conversion Cycle (CCC) shows how efficiently the company manages its working capital. In 2023, Nike's CCC was 99 days, which is significantly higher than its competitors' average CCC of 38 days. This is mainly because Nike has a significantly lower DPO compared to the industry, while the inventory turnover period and the days sales outstanding are much lower in comparison. As the values have remained very constant in the past, we have decided to forecast the current assets and liabilities based on % of sales.

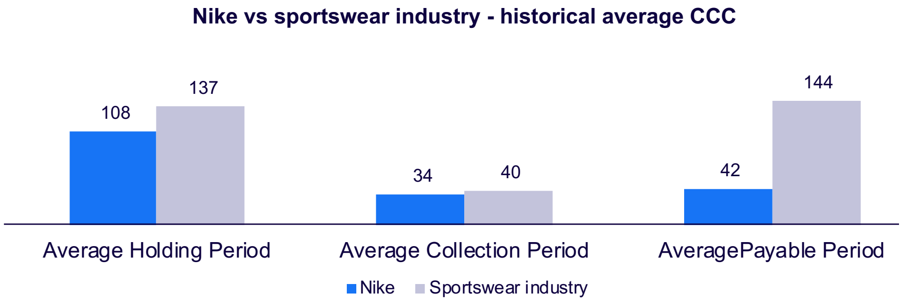

Figure 25: *Nike vs sportswear industry - historical average CCC - Source: Own analysis*

Capital Structure

Nike significantly increased its debt-to-equity ratio from 38% in 2019 to about an average of 104% in the following, in particular by recognizing operating lease liabilities, which account for a significant proportion of financial debt. This change is due to the introduction of Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which requires companies to recognize lease obligations on the balance sheet (FASB, 2024). This adjustment resulted in Nike and others such as Adidas, recognizing a significant portion of its liabilities from operating leases. In 2020, Nike also substantially increased its long-term debt, which significantly increased the company's debt balance. This increase underscores Nike's strategic adaptation to the uncertainties and financial adversities presented by the COVID-19 pandemic, aiming to bolster liquidity and safeguard investments in long-term growth, thereby mitigating the potential risks associated with failing to fulfill its balance sheet obligations. Historically, Nike has had a significantly higher leverage ratio compared to the average of its peers, which was at 54%.

Although the debt-to-equity ratio is comparatively high, the assessment of Nike's operating efficiency in terms of covering balance sheet obligations shows that Nike operates at a lower debt-to-EBIT ratio of 187% compared to its peers, which have an average debt-to-EBIT ratio of 222%. This suggests that Nike can cover its liabilities more efficiently through operating profit.

Nike's solvency ratio, calculated on the bases of equity-to-liabilities, historically stands at 58%, which is significantly lower than the average of its competitors, which is 100%. This emphasizes, once more, that a lower proportion of Nike's total liabilities are covered by equity.

Moreover, Nike's financial autonomy, as measured by its equity-to-assets ratio, which historically stands at 36%, shows that a lower proportion of its assets are financed by equity compared to 47% for its peers. This illustrates that Nike pursues a different financial strategy, which indicates that a higher proportion of its use of funds is financed by debt, implying an increased risk of default.

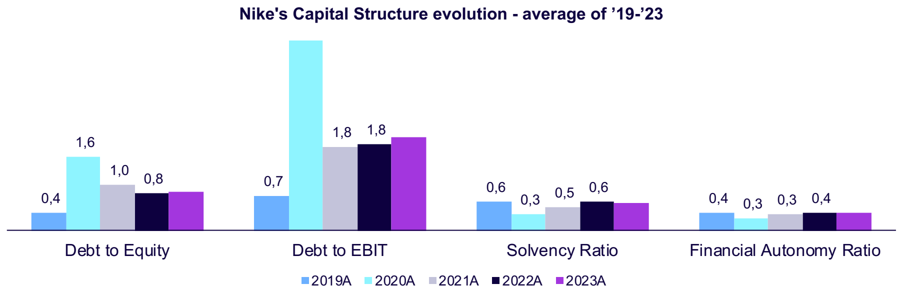

***Figure 26**: Nike's Capital Structure evolution - average of '19-'23 – Source: Annual Report 2023, own analysis*

Overall, the higher level of debt can be attributed to strategic decisions. Nike has chosen to hold significant cash reserves while continuing to invest in growth areas. At the end of 2023, Nike's debt level was 11.72 $bn, while they had excess cash of 3.86 $bn, resulting in a net debt of 7.86 $bn. Despite an ~15% decline in EBIT last year, Nike's ability to convert a significant portion of its EBIT into free cash flow (~187% of EBIT) shows that the company is better positioned to manage its debt effectively than the industry average. This underscores the company's financial stability and capital management capabilities despite its debt burden. Nevertheless, it cannot be overlooked that Nike has a relatively higher level of debt in relation to equity and invested assets compared to its competitors. This suggests an increase in refinancing costs, since higher leverage is typically perceived as increased risk by lenders, thus imposing higher interest rates or increased covenants.

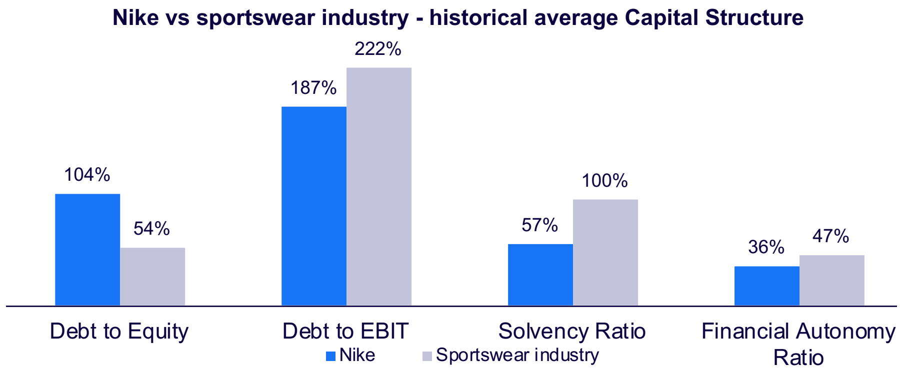

Figure 27: Nike vs. sportswear industry - historical average Capital Structure – Source: own analysis

Valuation

Cost of Capital

- ### Cost of Equity

Cost of equity	2025	TV
Risk free rate	4.6%	4.6%
Debt/Equity	92%	96%
Debt beta	0.16	0.16
Equity beta (unlever	0.67	0.67
Equity beta (levered)	0.46	0.47
Market risk premium	0.04	0.04
Cost of equity	**6.41%**	**6.44%**

Figure 28: Cost of equity – Source: Own analysis

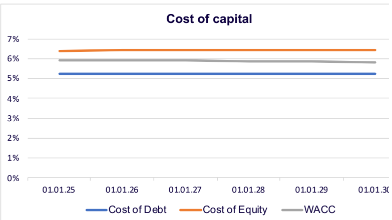

Figure 30: Cost of capital development – Source: own analysis

We use the Capital Asset Pricing Model (CAPM) as a method for determining the cost of equity. We determine the equity beta by regression analysing the return on Nike shares in relation to the MSCI World Index, which serves as our benchmark. To do this, we use monthly data from the last five years. We then adjust the resulting equity beta using the current debt ratio and set it to our forecasted target debt-to-EV ratio. Nike's debt structure is based on the assumption that the debt-to-sales ratio remains stable, as operating leases in particular link the debt burden to Nike's sales. During the COVID-19 crisis in 2020, this ratio was temporarily above 25%, but it turned out that these were one-off effects and Nike is strategically aiming to reduce its debt. In the long term, we therefore expect the debt-to-sales ratio to stabilise at around 18%. In our dynamic DCF model, we continuously calculate the debt to EV ratio, forecasting a ratio of about 9% to 11% from 2024 to 2030. Our analysis yields an equity beta of 1.16. To check the plausibility of our results, we compare them with the equity beta values of companies from the peer group that we take into account in our valuation approach. After adjusting the beta values of these companies to our assumed target debt ratio, we arrive at a re-levered equity beta of 0.46. As an approximation for the risk-free interest rate, we use the current yield on ten-year US government bonds, which is 4.58%. We calculate the excess market return as the historical median of the MSCI World Index over the last twenty years, which is 3.99%. Taking these factors into account, we calculate the cost of equity at 6.40%, as displayed in figure 54. Uncertainties in the derivation of the CAPM factors, such as the determination of the equity beta, are taken into account in our sensitivity analysis down below.

- ### Cost of Debt

We have calculated the cost of debt based on the credit ratings of the *peer* group

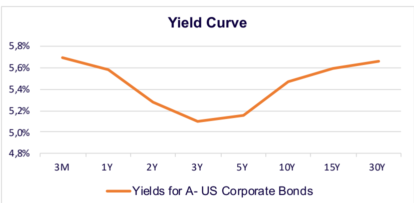

Figure 29: Yield Curve – Source: Refinitiv

firms. Our analysis resulted in a rating of A-. With this rating, the yield on na average ten-year A- rated US Corpoarte bond is 5.47%. To avoid double-counting for the possibility of default, which is already included in the cash flow calculation, we have adjusted this rate by the annualised ten-year probability of default for companies with the same rating (0.2) and the average loss given default for companies with the same rating (41.43%). The resulting cost of capital of the debt is 5.24%.

- WACC Calculation

Cost of capital	2025	TV
D/EV	9,4%	11,1%
Debt/Equity	95,8%	96,0%
Equity beta (unlevered	0,67	0,67
Debt beta	0,16	0,16
Equity beta (levered)	1,16	1,16
Peer group beta (levered)	0,46	0,46
Cost of equity	6,4%	6,4%
Cost of debt	5,2%	5,2%
WACC	**5,92%**	**5,83%**

Figure 31*: Cost of capital – Source: Own analysis*

As we choose to apply the DCF method, we calculate the WACC in order to use it for the discount rates. This method includes the standard WACC calculations, taking into account the values described above. To obtain an accurate representation of our financial model, we have developed a continuous WACC based on a dynamic D/EV ratio (see above). The WACC for the discount year 2025 to derive the value as at 31 December 2024 is 5.92%.

Discounted Cash Flow (DCF)

We believe that the DCF method provides the most comprehensive analysis of the cash flows generated by Nike's operations. The DCF method is ideal for valuing Nike as the company generates stable and predictable cash flows due to its strong global presence and established market position. Nike operates in a mature market, making the DCF method suitable as it takes into account operating cash flows and market position without the need to consider complex financing structures.

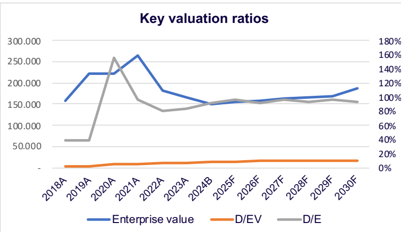

Figure 32*: Key valuation ratios – Source: own analysis*

To calculate the EV, the operating free cash flows or cash flows to the company are discounted at the risk-adjusted cost of capital assuming a standard growth rate of 2.00%. As we have calculated a continuous EV, this results in an EV of 150,775.14 $mn as of 31.05.2025, which we have then discounted using the WACC (as explained above), which is 5.92%. Since Nike's fiscal year ends on 31/05 of each year, we need to account for the periodic difference to derive the EV as of 31/12/2024, which is otherwise impossible to obtain. Additionally, we also need to discount the free cash flow for 2025 (accounting for periodic difference as well), and when we add this to the discounted EV, we derive an EV of 148,645.53 $mn as of 31 Dec 2024. To arrive at the final equity value used to calculate the target price, we subtract the net debt of 12,031.78 $mn, which is total financial debt less excess cash, and since Nike holds 0 minority interests, we get an equity value of 136,614.75 $mn. Since Nike has 1.504 mn shares outstanding, we can divide the equity value by the number of shares and derive a price target of $90.83 (figure 66 in the appendix).

Recommendation

Based on our financial analysis of Nike **as of December 31st, 2024**, we forecast a **price target of $93.01**. Combined with the expected dividend of $1.34 and the current share price of $92.72 this implies a potential upside of $1.62 or 1.75%. We see the upside potential to be justified by the solid foundation of the company's operations, even in cyclical markets, complemented by significant opportunities to maintain market leadership. We believe that Nike is well equipped to deal with potential risks, particularly through its continuous investments in digital markets and the DTC business, as well as its strong brand presence and iconic products. We do not expect a significant decline in sales, but rather a stable continuation of the existing status quo. Nike shows a decent positioning in its business areas, however, has opportunities in segments with already attractive margins, which can strengthen through further investments.

Our investment recommendation is **HOLD**.

The determination of our price target is based on both the DCF and the CCA financial valuation methods. These have been complemented and reasoned by an extensive sensitivity analysis including a Monte Carlo simulation. Both methods pose equal importance to us. Consequently, we consider our target price to be reasonable, with a range between **$90.83 and $95.18.**

Appendix

NIKE INC (NKE:US)

COMPANY REPORT

SPORTSWEAR INDUSTRY

17 MAY 2024

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Can Nike still do it?

Relying on a strong brand to navigate future challenges among intensifying competition and evolving consumer behaviour

- Based on our valuation, we recommend a **HOLD** for Nike, we project a price target of $93.01 by December 31st, 2024, which represents a marginal upside potential of 1.75% from the current share price of $92.72, inclusive of an anticipated dividend of $1.34.
- The cyclical consumer goods industry had to overcome severe setbacks in the sports segment in recent years due to COVID-19 ('20) and commodity price hikes ('22), yet the economic situation is on a stabilisation trajectory.
- We expect the sportswear market to exhibit stable growth in the future with a forecasted five-year growth CAGR of 6.58% ('23-'28) worldwide, driven by the ongoing digitalisation of sales and emerging markets such as China and Latin America.
- We anticipate that Nike will be able to maintain a constant market share in the future, growing its EBIT in line with the market at a CAGR of 7.62% ('24-'30) amounting to 10.11 $bn by 2030.
- Nike's robust global presence and agnostic product portfolio in the sports sector shield the company from new entrants like On Holding and Anta Sports. However, sustaining this competitive edge demands ongoing investments.

Company Description

Nike, Inc. is a globally recognized American corporation that specializes in the design, development, and marketing of athletic footwear, apparel, and equipment. As of Nike's fiscal year ending May 31st, 2023, Nike employed around **80,000 people** worldwide and earned **revenues of 51.22 $bn** resulting in **EPS of $3.27**.

Recommendation:	HOLD
Price Target FY24*:	**93.01 $**

**FY24 as of 31-December-24*

Price (as of 17-May-24)	92.72 $

Source: Refinitiv (NKE)

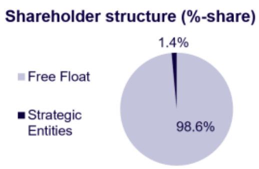
52-week range ($)	88.66 - 123.39
Market Cap ($ bn)	140.05
Outstanding Shares (mn)	1,504

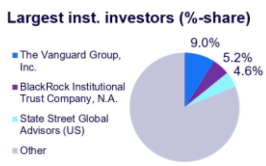
Source: Refinitiv

Source: Refinitiv

(Values in $ mn)	2023A	2024B	2025F
Revenues	51,217	52,484	58,130
Revenue growth	*9.7%*	*2.5%*	*10.8%*
Gross profit	22,292	23,347	25,837
Gross profit margin	*43.5%*	*44.5%*	*44.5%*
Adj. EBITDA	11,549	12,813	14,214
Adj. EBITDA margin	*22.5%*	*24.4%*	*24.5%*
EBIT	5,915	6,502	7,223
EBIT margin	*11.5%*	*12.4%*	*12.4%*
Net income	4,673	5,303	5,898
Net income margin	*9.1%*	*10.1%*	*10.1%*
EPS ($)	3.27	3.57	4.04

Source: Annual Report 2023, Own calculation





Source: Refinitiv

Table of Contents

Company Overview

This chapter introduces the analyzed firm Nike, Inc (hereinafter referred to as "Nike"). Whenever reference is made to e.g. 'FY23' in the subsequent report, this refers to the firm's fiscal year within the annual reporting; in the case of Nike, FY23 starts on the 1st of June 2022 and ends on the 31st of May 2023.

Company Description

Nike was founded in 1964 as Blue Ribbon Sports and is headquartered in Beaverton, Oregon, USA. Worldwide, the company employed around 80,000 people and generated revenue of **51.22 $bn** up to the end of FY23. The company is managed by John Donahoe as CEO together with CFO Matthew Friend, both in office since 2020. Nike's product mix is divided into three major divisions. Footwear, apparel, and equipment; footwear contributed 68% of sales in FY23 - twice as much as apparel. Leading the way in footwear are men's, women's, and Jordan brand shoes. Similarly, the men's and women's items sell best in apparel. The kids' segment is lagging. Equipment - like bags, socks, sports balls, glasses, chronometers, and electronic devices - is far behind with 4% sales contribution in FY23. Nike is traditionally strong in its home US market, where Nike achieved 44% of its FY23 sales. EMEA follows with 28% before the growth regions Greater China (15%) and APLA (13%).

Figure 1: FY23 Nike's revenue by product category (%share) – Source: Annual Report 2023

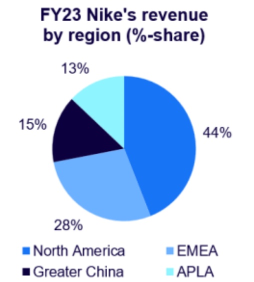


Figure 2: FY23 Nike's revenue by region (%-share) – Source: Annual Report 2023

Business Segments

Nike has fully outsourced its production to contract manufacturers

Nike, the world's leading seller of **athletic footwear**, **apparel**, and **accessories** engages in the **design**, **development**, **marketing**, and **global sales** of a wide range of products. Whereas, almost the entire production is carried out by independent contractors. Therefore, Nike focuses strongly on innovation and quality in its product manufacturing. This is evident from its large research and development (R&D) organization, which recently introduced a new Nike Sport Research Lab series. This initiative involves long-term observation of athletes in a research setting to better meet their needs. The company's distribution strategy encompasses direct sales through both Nike-owned retail outlets and digital platforms, known collectively as "NIKE Brand Digital". Overall Nike Direct generated 44% FY23 sales. Additionally, Nike extends its market reach through retail accounts and a diverse network of independent distributors, licensees, and sales representatives with the "Wholesale" channel (56%) across virtually all countries worldwide. In the future, Nike intends to push the direct channel to alter the balance and generate the majority of its sales through it.

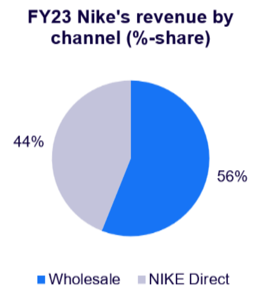


Figure 3: FY23 Nike's revenue by channel (%-share) – Source: Annual Report 2023

- Gegraphic Segmentation

Nike's core business is divided into four regional business segments plus Converse

The organizational structure of Nike is strategically aligned by geography and reflects the firm's extensive international footprint. This ensures that each of Nike's reportable segments, including **North America**, **Europe**, **Middle East & Africa** (EMEA), **Greater China**, and **Asia Pacific & Latin America** (APLA), is focused on Nike and Jordan brands' **athletic footwear**, **apparel**, and **equipment** product categories. In the market analysis section, we examine the specific regional performance to put it in perspective with the market dynamics in these regions. Beyond its four geographic segments, Nike also encompasses a distinct brand-focused segment through **Converse**, which is dedicated to the casual sneaker, apparel, and accessories market. The financial results from direct sales and digital commerce under the Converse brand are consolidated irrespective of the regional distribution.

- Converse

The Jordan Brand is included in the regional business reporting, unlike Converse

The fully owned subsidiary of Nike, Converse, is disclosed separately in the annual report, contrary to the case for the Jordan Brand. As learned through discussions with experts at Nike, the main reason for this is that Converse serves a slightly different market segment. While Nike primarily focuses on the athletic performance component of its products, Jordan does so specifically for basketball. **Converse designs**, **distributes**, and **markets footwear**, **apparel**, and **accessories** in the **casual segment**. This separation allows for a distinct brand identity, market positioning, and performance evaluation for Converse.

The distinction necessity arises as Nike products are developed for athletic use, although today many of the products are also worn for leisure activities. However, this is a significant difference to Converse. This brand is exclusively geared towards the leisure needs of customers in need of an individual strategic set-up.

Brand Equity and Collaborations

Brand equity is crucial for Nike, as it represents the value derived from consumer perception and experiences with the brand. It enables Nike to differentiate itself in the competitive cyclical consumer products industry, granting the ability to **charge premium prices** and **foster customer loyalty**. High brand equity enhances Nike's competitive advantage, supports the successful launch of new products, and contributes significantly to its financial performance and shareholder value. Nike claims to have a very strong brand in its annual report, but it is difficult to reliably derive this from the goodwill value in the balance sheet or the marketing expenses in the income statement. To quantify this nevertheless, we rely on the assessment of the internationally recognized brand

#	Company	Brand equity ($ bn)	HQ
1	Louis Vuitton	32.24	FR
2	Nike	29.87	US
3	Hermes	26.07	FR

Figure 4: Top 3 global brand equity ranking in the Apparel industry – Source: Brand Finance, 2024

valuation company Brand Finance, which values **Nike's brand** at **~30 $bn**. This puts Nike in 62nd place worldwide and in 2nd place behind Louis Vuitton in the apparel segment for 2024. Focusing solely on the sportswear industry Nike stands out ranked 1st, with Adidas lagging far behind in 141st place. For Nike, maintaining and investing further in such strong brand equity is essential to remain a market leader and drive long-term growth (Brand Finance, 2024).

Celebrity endorsements significantly elevate consumer purchase intent

Nike has crafted a diverse branding strategy that leverages partnerships with leading figures in sports and culture as well as major events. This approach, anchored in contemporary insights, seeks to enhance the above-mentioned brand equity and positively impact consumer attitudes, especially within the sportswear sector. Sport is associated with emotions, particularly in this context **people strive to imitate their favorite athletes**. This starts with the equipment. Research indicates that sports celebrity endorsements significantly boost consumer purchase intent, as they enhance the brand and advertisement perception (von Felbert & Breuer, 2009). For Nike, leveraging endorsements from athletes known for their attractiveness, trustworthiness, and familiarity is crucial in improving brand loyalty, perceived quality, and buying decisions. This strategy, confirmed by studies to effectively drive sales growth and bolster brand image, underlines the value of Nike's partnerships with prominent sports and cultural figures in strengthening consumer connections with the brand (Hussain, 2020). Notable long-term partnerships have included Michael Jordan, LeBron James, Cristiano Ronaldo, and Serena Williams, among others.

Nike Stock

Nike stock continues to pay and increase dividends for over two decades

Nike is listed on the New York Stock Exchange (NYSE). Since its IPO in December 1980, Nike has been a significant force in the financial markets, evidenced by its inclusion in two key US stock market indices. It is a member of the Dow Jones Industrial Average (DJIA), featuring 30 major US companies, and is also included in the S&P 500 Index, which encompasses the 500 largest publicly traded corporations in the US. In terms of governance, the Board of Directors is chaired by Mark Parker, the former CEO. As per the last election of Directors in September 2023 10 out of 13 appointed directors qualify as independent. More details on our assessment are in figure 62 in the appendix.

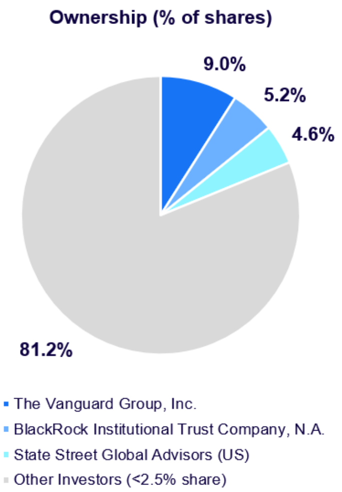


Figure 5: Ownership (% of shares) – Source: Refinitiv

The largest shareholders are The Vanguard Group with 9.00%, BlackRock Institutional Trust Company with 5.17%, and State Street Global Advisors with 4.64%. All other shareholders hold less than 2.50% of the shares, details of which can be found in figure 63 in the appendix. The free float share, i.e. the share not held by major shareholders, insiders or management, totals 98.63%. Thus, Nike is not exposed to excessive influence by individual shareholders. As

98.63% of Nike stock is free float available to the public

of November 30, 2022, Nike's market capitalization, based on the aggregate market values of Class A (7.80 $bn) and Class B (136.50 $bn) common stock held by non-affiliates, totalled around 144.30 $bn. Today Refinitiv reports 140.05 $bn. There is no difference between the common stock types in terms of dividends, liquidation rights, or participation rights. However, the voting rights of Class B shares are restricted concerning the election of board members. Nike has consistently paid dividends to its shareholders since 1984 and is increasing it for the 22nd time in a row in 2024. In 2023, $1.30 $ was paid out per share, for 2024 it will be $1.34. Nike stock suffered a sharp drop due to COVID-19 in 2020 and rising commodity prices caused by the Ukraine war in 2022. Nevertheless, the performance over the last 5 years has been superior to the MSCI World Index, which is a good indicator of overall global economic performance.

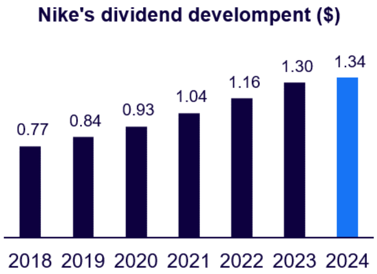


***Figure 6**: Nike's dividend development ($) – Source: Annual Report 2023, own analysis*

***Figure 7**: Nike vs. MSCI World Index development – Source: Refinitiv, own analysis*

Industry Analysis

Marcoeconomic Situation

The COVID-19 pandemic caused a global GDP collapse in 2020, followed by a rebound in 2021. GDP growth fell again in 2022, particularly in advanced economies. The IMF forecasts continued slow growth worldwide, with real GDP projected at 3.10% in 2024 and 3.20% in 2025. Particularly interesting for Nike, the US is expected to see below-average real GDP growth of 2.10% in 2024 and 1.70% in 2025. While the eurozone is lagging well behind, developing economies such as China and Middle Eastern nations stand out with real GDP figures of above 4% in 2025 and beyond (IMF, 2024).

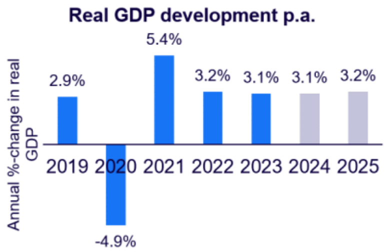


***Figure 8**: Real GDP development p.a. – Source: IMF 2024, own analysis*

The escalating crude oil prices, exacerbated by the Ukraine conflict and lingering COVID-19 effects, have significantly impacted Nike's margin performance, especially since oil is a critical base material to produce plastics and fuel to source Nike's global supply chain. From 2020 to 2024, oil prices doubled, peaking at over $100 per barrel in 2022 when the war began (IEA, 2024). Although prices have recently declined, the potential for future increases remains

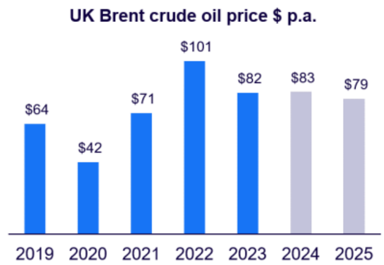


***Figure 9**: UK Brent crude oil price $ p.a. – Source: IEA, 2024, own analysis*

amid geopolitical tensions in Ukraine. Experts disagree on how long this conflict will last.

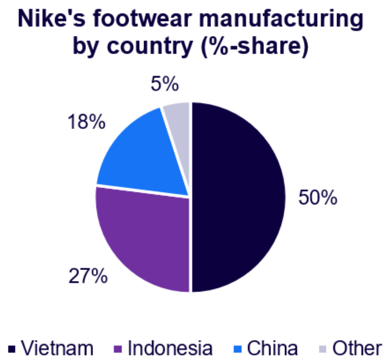


Figure 10: Nike's footwear manufacturing by country (%-share) – Source: Annual Report 2023

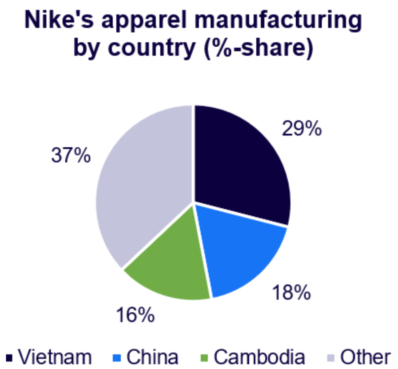


Figure 11: Nike's apparel manufacturing by country (%-share) – Source: Annual Report 2023

Moreover, political relations between the US and China are tense and the Middle East is at risk of destabilization due to the conflict between Israel and neighbouring countries. Both can lead to further restrictions in global trade, such as customs duties or the insecurity of transport routes, and pose a major risk for a globally operating firm. Regarding the procurement of raw materials, we expect purchase prices to remain stable in the medium term; only the oil price is volatile due to mentioned outside influences. Nike's footwear manufacturing heavily relies on materials like rubber, plastics, foam, leather, and synthetic fibres, with most production based in Vietnam (50%), Indonesia (27%), and China (18%). Instead, the apparel product division, which predominantly uses natural and synthetic fabrics (cotton, polyester, etc.), operates in Vietnam (29%), China (18%), and Cambodia (16%). The surge in procurement and transportation costs due to these factors led to a 15% increase in Nike's cost of goods sold, rising from 25.2 $bn in 2022 to 28.9 $bn in FY23. As these costs are largely borne by contract manufacturers (CMs), it poses a considerable risk to Nike's margins. The company might have to absorb part of these costs or pass them on to consumers through price hikes. To mitigate some internal costs, Nike announced plans to reduce its workforce by ~2% (around 1,600 employees) in early 2024 (Bloomberg, 2024).

Sportswear Market Analysis

Global sportswear market size is projected to reach 543.98 $bn by 2028, growing at a robust CAGR of 6.58%

In 2023 the worldwide sportswear market is worth 395.54 $bn which is divided into the **athletic apparel (230.86 $bn)** and **athletic footwear (164.68 $bn)** main sub-segments. To be precise the "sportswear" under analysis encompasses apparel and footwear for sports activities and athletic performance as well as leisurewear inspired by sports fashion. It includes a variety of products such as activewear, sports shoes, and accessories that fulfil both, performance, and lifestyle needs, driven by trends in fitness, health, and athleisure fashion. This market is projected to expand at a **five-year CAGR of 6.58% from 2023 to 2028**, **culminating in a total value of 543.98 $bn in 2028**. The regional market developments are detailed in figure 12. Based on the ramp-up projected by Euromonitor Int., the distribution of individual regions' shares of the overall market will remain largely stable until 2028, with only Greater China increasing its share by around 3% from 2023 to 2028 (Euromonitor International, 2024).

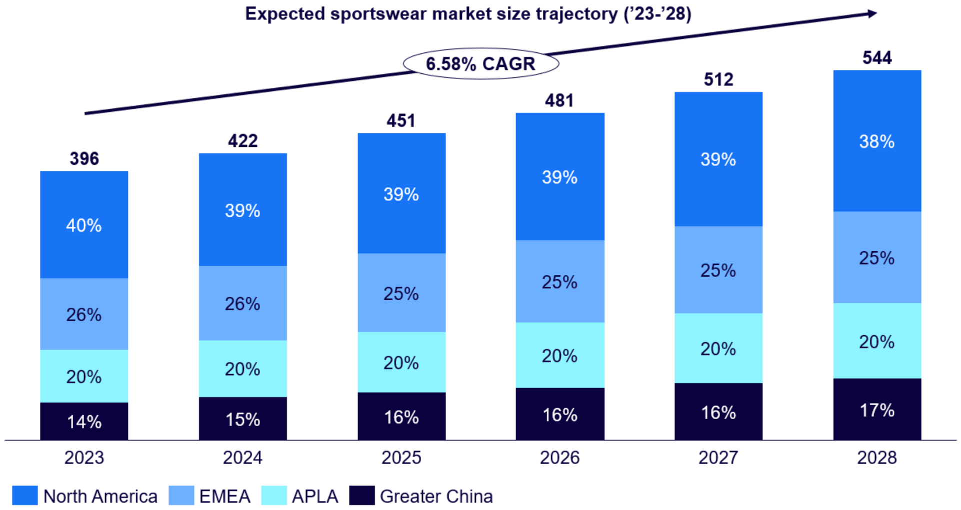


Figure 12: Expected sportswear market size trajectory ('23-'28) – Source: Euromonitor Int., 2024

The subsequent section is divided into Nike's business segment regions and organized according to Nike's highest share of revenue in FY23 (figure 2). We first look at the specific macroeconomic conditions of the sportswear market within the region to then assess the significance per region for Nike. Therefore, as mentioned in the business segment chapter, we take a closer look at Nike's performance across product categories and distribution channels.

North America generates Nike's highest sales (42%) and is the strongest region within the sportswear market (38%)

- North America

In North America, the sportswear market is **valued at 157.85 $bn in 2023** and is projected to **grow at a CAGR of 5.62%** over the next five years, reaching 207.51 $bn by 2028. This growth is below average compared to the overall market, resulting in a relative contraction of North America to ~38% (figure 12). Economic conditions show moderate real GDP growth in the US and Canada, with inflation rates that peaked at ~8% in 2022 and have reduced to above 4% in 2023; they are anticipated to stabilize at 2.10% by 2028. In this competitive landscape, Nike holds the leading position in the US sportswear market with an 18.10% share in 2023, achieving a growth CAGR of 1.62% since 2018, while Adidas has seen a decline to 4.90%. (Euromonitor International, 2024).

Figure 13: Expected sportswear market size in $bn (North America) – Source: Euromonitor Int., 2024

Figure 14: Nike`s market share in % (North America) – Source: Euromonitor Int., 2024

North America is the key market for Nike with **42% revenue share, amounting to 21.61 $bn in 2023**. Concerning product segment revenues, footwear accounted to 14.90 $bn (69%), apparel to 5.95 $bn (28%), and equipment to 0.76 $bn (4%). Regarding revenue sources, in 2023 48% came from the Nike Direct channel, meaning that absolute sales more than doubled from 5.03 $bn (2019) to 10.34 $bn. Wholesaler customer sales accounted for the remaining 52% (2023). The Nike Direct channel is divided in 213 factory stores, 74 in-line stores and various digital platforms, the latter driving 23% revenue growth in the digital business (vs. 2022). Ultimately, the EBIT margin has returned to pre-COVID-19

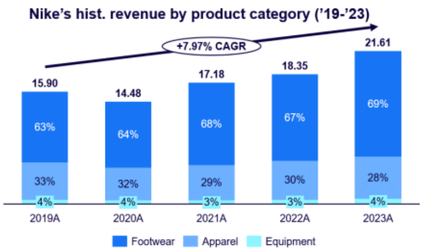


Figure 15: Nike's hist. revenue by product category ('19-'23) in North America– Source: AR 2023

levels at 25% in 2023. After a collapse to 20% (2020) and a significant rebound to 30% (2021) and 28% (2022), both the initial uncertainty and the increased willingness of consumers to invest in sports during COVID-19 have normalized.

- EMEA

EMEA's sales growth is primarily driven by developing economies

In the EMEA region, the sportswear market is **valued at 104.63 $bn in 2023** and is expected to **grow at a CAGR of 5.27%**, reaching 135.26 $bn by 2028. This growth is below average compared to the overall market, resulting in a relative contraction of EMEA to ~25% (figure 12). Economic growth varies significantly within the region: modest GDP growth is anticipated in Western Europe at 0.90% (2024) and 1.70% (2025), while emerging European markets see slightly better growth rates of 2.80% (2024) and 2.50% (2025). In contrast, MEA is projected to experience more robust growth, exceeding 4% by 2050. Inflation, having peaked at ~14% in Europe in 2022 and currently above 9%, is expected to fall to below 4% by 2028. In EMEA, inflation peaked at 16.44% in 2023 and is anticipated to decrease to below 7% by 2028. Nike ranks first across EMEA sportswear market, with a market share of 18.40% in MEA, 17.90% in Western Europe, and 10.50% in Eastern Europe. Since 2018, Nike's market share across EMEA has grown at a weighted average CAGR of 2.43%, reflecting the relative market sizes of the three subregions.

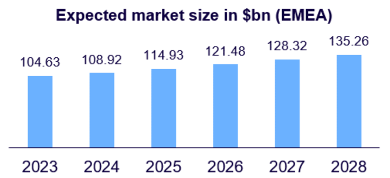


***Figure 16**: Expected market size in $bn (EMEA) – Source: Euromonitor Int., 2024*

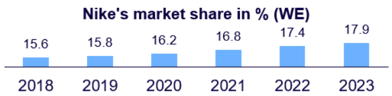


***Figure 17**: Nike's market share in % (WE) – Source: Euromonitor Int., 2024*

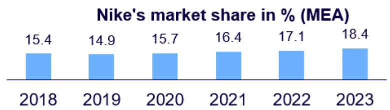


***Figure 18**: Nike's market share in % (MEA) – Source: Euromonitor Int., 2024*

EMEA is the second largest market for Nike with **26% revenue share, amounting to 13.42 $bn in 2023**. With respect to product segment revenues, footwear accounted to 8.26 $bn (62%), apparel to 4.56 $bn (34%), and equipment to 0.59 $bn (4%). Regarding revenue sources, in 2023 36% came from the Nike Direct channel, meaning that absolute sales grew with 15.66% CAGR from 2.74 $bn (2019) to 4.90 $bn. Wholesaler customer sales accounted for the remaining 64% (2023) as displayed in figure 20. Within Nike Direct the digital sales performance increased by 43% (vs. 2022), double the growth rate of physical Nike store sales. Ultimately, the EBIT margin has increased versus pre-COVID-19 levels to 26% in 2023. After a collapse to 16% (2020) and a rebound to 21% (2021) and 26% (2022), EBIT is now ~5% above the 2019 value.

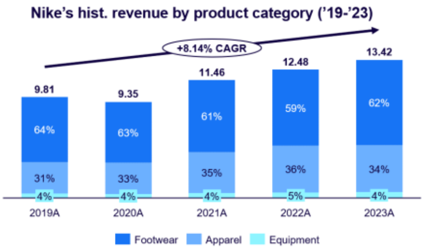


***Figure 19**: Nike's hist. revenue by product category ('19-'23) in EMEA - Source: AR 2023*

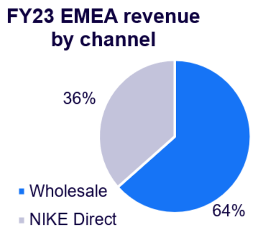


***Figure 20**: FY23 EMEA revenue by channel - Source: AR 2023*

- Greater China

Although China is expected to be the fastest-growing region, its economy faces challenges post-Covid-19

In Greater China, the sportswear market is poised for substantial growth despite recent setbacks. In 2023, the **market stood at 55.54 $bn**, having rebounded from a drop to 50.13 $bn in 2022 due to stringent COVID-19 restrictions. It is projected to **expand at a CAGR of 10.33%** from 2023 to 2028, reaching 90.79 $bn by the end of the period (figure 21). Despite historically double-digit GDP growth rates, current forecasts for China are more modest at 4.60% (2024) and

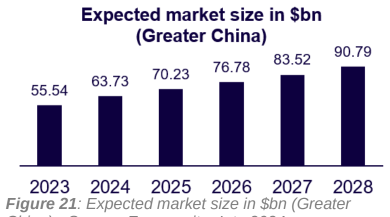


Figure 21: Expected market size in $bn (Greater China) - Source: Euromonitor Int., 2024

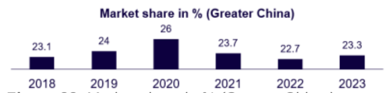


Figure 22: Market share in % (Greater China) - Source: Euromonitor Int., 2024

4.10% (2025). Inflation remains exceptionally low, under 1% in 2023, due to factors including: **i)** limited growth from COVID-19 restrictions, **ii)** low energy price inflation due to affordable Russian commodities, **iii)** cautious fiscal and monetary policies, and **iv)** minimal supply chain disruptions (Handelsblatt, 2023). Projected inflation will stabilize at about 2.20% by 2028. Nike continues to lead the market with a 23.30% share, consistent with the 2018 value (figure 22). However, local competitors Anta and Li Ning are making significant inroads, holding market shares of 20.60% and 10.10%, and achieving CAGRs of 9.48% and 10.98%, respectively (2018-2023). In contrast, Adidas has seen a considerable decline, falling to 9.00% market share from historical 19.40% in 2018.

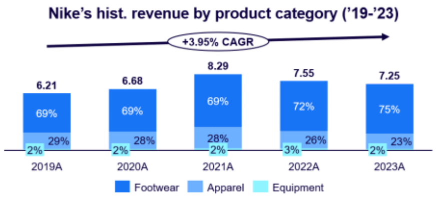


Figure 23: Nike's hist. revenue by product category ('19-'23)

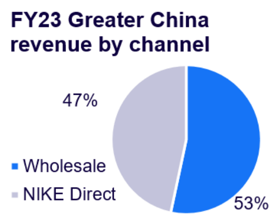


Figure 24: FY23 Gretaer China revenue by channel – Source: AR 2023

Greater China is the third largest market for Nike with a **14% revenue share, amounting to 7.25 $bn in 2023**. Concerning product segment revenues, footwear accounted to 5.44 $bn (75%), apparel to 1.67 $bn (23%), and equipment to 0.15 $bn (2%). Regarding revenue sources, in 2023 47% came from the Nike Direct channel, meaning that absolute sales grew from 2.48 $bn (2019) to 3.38 $bn. In 2021, at the zenith of COVID-19, sales peaked at 3.78 $bn. However, according to investor relations, especially online sales decreased with the end of the pandemic. Wholesaler customer sales accounted for the remaining 53% (2023). Within Nike Direct the digital sales performance declined by 4% (vs. 2022). Eventually, the EBIT margin has declined versus pre-COVID-19 levels to 31% in 2023. After remaining stable at ~38% in 2019, 2020, and 2021 it fell in 2022 to 31%. The EBIT margin is now ~7% below the 2019 value.

- APLA

APLA's significant growth potential for Nike stems primarily from its emerging economies like India

In the APLA region, the sportswear **market is valued at 77.52 $bn in 2023**, with projected **growth at a CAGR of 7.33%** from 2023 to 2028, reaching 110.44 $bn (figure 27). This growth outpaces the global average, reflecting robust regional dynamics. Real GDP in Latin America and Australia is expected to see moderate increases of 1.90% (2024) and 2.50% (2025), while the Asian continent anticipates more substantial growth, exceeding 4% by 2025, led by India with 6.5% expected growth in 2024 and 2025. Inflation scenarios vary significantly; Latin America is expected to peak at 17.94% in 2024, then drop to 10.40% in 2025, and to ~7% by 2028. In contrast, Asia-Pacific inflation, which peaked at 4.35% in 2022, will fall to 2.76% by 2024 and stabilize through 2028. Nike maintains a leading position in the APLA sportswear market, holding a 19.10% share in Asia-Pacific (figure 26), 17.60% in Latin America (figure 25), and 14.40% in Australia, though its APLA market share growth has been flat with 0.88% CAGR since 2018, due to stagnant growth in Latin America.

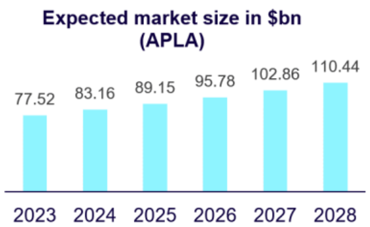


Figure 27: Expected market size in $bn (APLA) - Source: Euromonitor Int, 2024

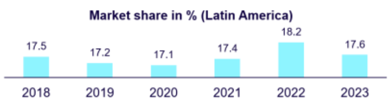


Figure 25: Market share in % (Latin America) - Source: Euromonitor Int., 2024

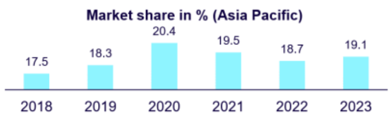


Figure 26: Market share in % (Asia Pacific) - Source: Euromonitor Int., 2024

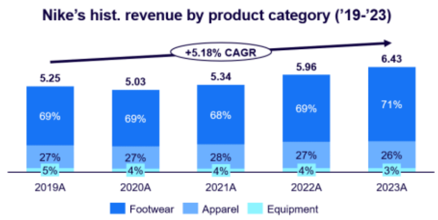


Figure 29: Nike's hist. revenue by product category ('19-'23) – Source: AR 2023

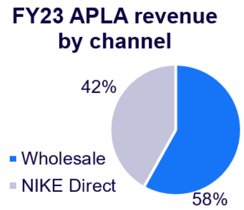


Figure 28: FY29 APLA revenue by channel – Source: AR 2023

APLA accounts for **13% of Nike's revenue share, amounting to 6.43 $bn in 2023**. With respect to product segment revenues, footwear accounted to 4.54 $bn (71%), apparel to 1.66 $bn (26%), and equipment to 0.22 $bn (3%). Regarding revenue sources, in 2023 42% came from the Nike Direct channel, meaning that absolute sales grew with 15.62% CAGR from 1.51 $bn (2019) to 2.70 $bn. Wholesaler customer sales accounted for the remaining 58% (2023). Within Nike Direct, digital sales performance increased in line with physical sales with growth rates of above 20% (vs. 2022). Ultimately, the EBIT margin has increased versus pre-COVID-19 levels to 30% in 2023. After a slight decrease to 24% (2020) and a climb to 29% (2021) and 32% (2022), EBIT margin is now ~5% above 2019 level.

A consolidated view of Nike's sales across all regions shows historical growth of 6.95% CAGR from 2019 to 2023, which is slightly above the expected future market growth of the sportswear market until 2028 (6.58% CAGR).

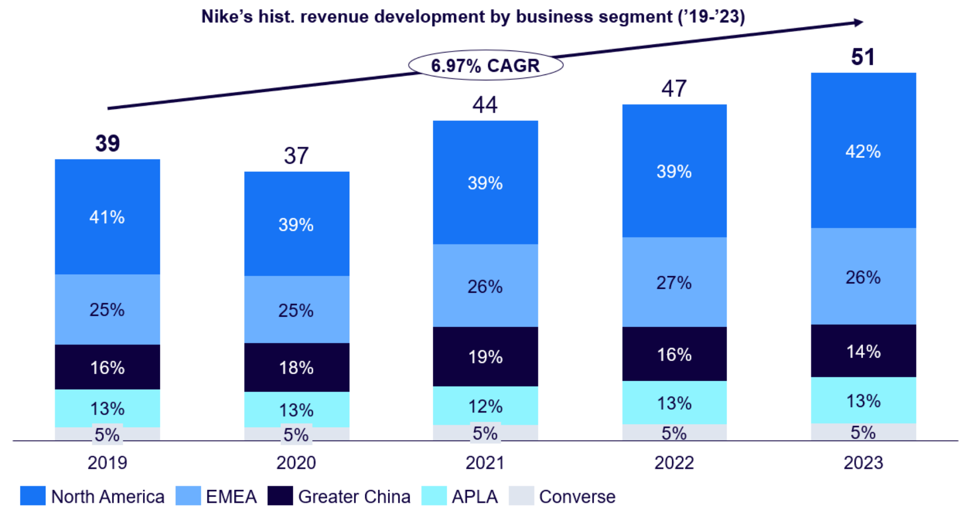


Figure 30: Nike's hist. revenue development by business segment ('19-'23) – Source: Annual Report 2023

Market Megatrends

Coming from the quantitative market analysis and prior to analyzing Nike's competitive situation, we provide context to relevant transformation processes in the industry. Megatrends are long-term, transformative changes that have a profound impact on the economy, society, and culture, with effects that span across the globe. Based on our analysis of the 10 megatrends in the consumer goods industry defined by Euromonitor Int., we consider 2 to be critical for Nike.

Social media platforms influence over 50% of users to make unplanned purchases

Digital Living: As the digital landscape expands, with nearly 90% of the global population projected to use the internet and virtually everyone owning a smartphone by 2040, premium brands like Nike must **capitalize on digitalization to drive growth**. The rapid shift towards digital living, highlighted by Euromonitor's findings on consumer preferences for on-demand services with instant checkouts and seamless online interactions, underscores the importance of a robust digital presence. Particularly, platforms like TikTok influence over 50% of users to make unplanned purchases, demonstrating the vast impact of digital marketing and social media engagement. Growth will be driven by EMEA and North America with Middle East standing out (Euromonitor International, 2024).

Tier 1 brands like Nike benefit from selling their products at a premium

Premiumization: Despite the lasting cost-of-living crisis, consumers, particularly from Gen Z, increasingly gravitate towards premium products that offer **self-improvement**, **wellness**, **technological benefits**, and **convenience**. This trend, highlighted by a Euromonitor Int. survey in 2023 where 34% of respondents, the majority, preferred **fewer but higher-quality items**, aligns with Nike's brand ethos. With Gen Z constituting a significant portion of the future consumer base, they value empowerment, creativity, and a sense of belonging, which can be integrated into Nike's digital strategies. Additionally, 27% of Gen Z are drawn to loyalty programs that offer emotional storytelling and nostalgia, while <50% trust social media recommendations highly. By enhancing its digital presence to align with these preferences – leveraging social media influence and crafting compelling digital narratives – Nike can effectively engage this key demographic, ensuring their brand remains relevant and preferred among future generations. Growth will be driven by emerging economies such as Eastern Europe, Asia-Pacific and the Middle East (Euromonitor International, 2024).

Competitive Landscape

Dimension	Risk level
Industry rivalry	
Threat of new entrants	
Threat of substitutes	
Bargaining power of suppliers	
Bargaining power of buyers	

***Figure 31**: Competitive landscape analysis - Porter's Five Forces dimensions and risk levels – Source: Own analysis*

The sportswear industry is a large and dynamic segment within the cyclical consumer goods space, characterized by **intense competition**. Despite the presence of numerous brands, major players like Nike or Adidas have secured consistent market leading positions, yet the market's competitive nature continues to demand constant innovation and adaptation. (McKinsey & Company, 2024) These circumstances and the various factors influencing Nike's business can be effectively analysed through the **Porter's Five Forces** analysis.

Industry rivalry: Due to its diverse business activities, Nike is confronted with numerous competitors. The most similar, i.e. competitors with an equally **agnostic product portfolio** as well as **global footprint** are outlined below according to their FY23 sales, highest first. Our multidimensional approach to identify the most similar peers via the similarity of the product portfolio - particularly the product portfolio extensiveness, including footwear, apparel, and equipment – and degree of global operations, is supplemented by the sales dimension. If sales are too different, then the comparison is flawed. A visualising chart (figure 64) is included in the appendix. The sportswear market consists of a

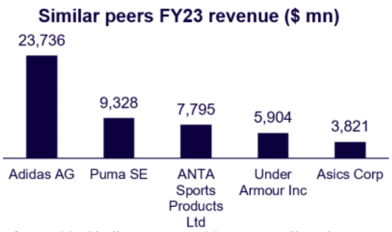


***Figure 32**: Similar peers FY23 revenue ($ mn) – Source: Refinitiv*

mixture of long-established brands such as Adidas and Under Armour, alongside rapidly advancing brands like On and Anta Sports.

Adidas AG: Founded in 1949, Adidas is a leading multinational company from Germany that specializes in sports and lifestyle products. In FY23, the firm achieved sales of 23.74 $bn. Adidas competes directly with Nike in virtually all product categories and covers a wide range of global markets (>50 countries), due to its agnostic portfolio. Given the business segment similarities, which are also reflected in the firms' accounting, Adidas is Nike's main global competitor.

Puma SE: Puma, founded in Germany in 1948, generated sales of 9.33 $bn in FY23. The company competes with Nike in all key business areas, like Adidas. Beyond sportswear and gear, Puma also focuses on stylish performance products in the areas of fragrance, eyewear, and watches.

Anta Sports Products Ltd: Since its foundation in China in 1991, Anta has expanded rapidly with ~9,000 stores globally and recorded sales of 7.79 $bn in FY23. Anta is now at eye level with Nike in Asia where it surpassed Nike's sales in 2022 (nicekicks, 2023). Following the acquisition of Amer Sports in 2019, the firm added brands such as Wilson, Salomon, and Atomic to its portfolio. Anta increased its market share in China from 13.10% (2028) to over 20% in 2023. Worldwide, its market share has doubled, making Anta the fourth largest sportswear market player with 3.40% (2023) and by market capitalization (Euromonitor International, 2024). The firm is expanding beyond China in the global market. Anta just secured its first major NBA endorsement by signing a five-year contract worth 125 $mn with eight-time NBA All-Star Kyrie Irving. This deal came after Irving ended his association with Nike (nicekicks, 2023). For instance, Anta strengthened its brand by partnering with the International Olympic Committee (IOC) to provide sportswear for the 2022 Winter Olympics in Beijing, similarly to how Nike engages in major strategic events.

Under Armour, Inc.: Founded 1996 in the US, Under Armour achieved sales of 5.90 $bn FY23. The company offers high-performance sportswear and competes directly with Nike, particularly in the field of athletic apparel. The missing comprehensive portfolio shows in the market share, only in North America Under Amour is represented in the top five with 3.40%, worldwide considerably lower.

Asics Corporation: Asics, founded 1949 in Japan, is known for high-quality running shoes and sports equipment, with sales of 3.82 $bn FY23. Asics competes directly with Nike in running and athletic equipment. Like Under Armour, the product portfolio is rather limited compared to Nike.

To conclude, some of Nike's competitors hold strong niche advantages that pose potential risks to the company. However, Nike maintains a significant competitive edge through its extensive product portfolio for all sports and market leadership across every region, an aspect that none of its peers offer except for Adidas. However, if we consider up-and-coming players such as Anta or On Holding (On) from Switzerland, our industry rivalry risk assessment is **moderate to high**.

Threat of new entrants: Although Nike enjoys high barriers to entry due to its established brand reputation, market share, economies of scale, and extensive advertising investments, the sportswear market has seen notable entries like On. On, founded 2010, has carved out a niche segment with innovative designs and a focus on running technology, rapidly gaining market share (1.33 $bn FY23 sales). In both Western Europe and North America regions, On already has a market share above 1% which makes it stronger than some established brands. Besides, the direct comparison with Nike is not accurate, as On is mainly active in the footwear segment while Nike has a comprehensive sport goods portfolio, thus a automatically larger shares. Nonetheless, Roger Federer is already On's brand ambassador, and Iga Swiatek, the world number one in women's tennis, has just entered a cooperation for her tennis apparel and footwear equipment. Although we do not rate On as a similar competitor for Nike on a global level due to its significantly smaller sales, this Swiatek partnership shows that entrants such as On represent a serious risk for Nike in dedicated areas. This hits Nike's tennis brand repute strong and has a signalling effect (Forbes, 2023). Similarly, Anta Sports has risen swiftly by punctually leveraging aggressive expansion and strategic endorsements. However, it is still difficult for any newcomers to establish a general global footprint. Hence, we consider the **risk to be moderate**.

Women's tennis world number one Iga Swiatek is contract partner of On

Threat of substitutes: Although sportswear and gear generally have few direct substitutes, lifestyle changes, and fashion trends can shift consumer preferences. Additionally, the ongoing cost-of-living crisis has increased interest in private label products, which are less expensive alternatives to branded sportswear. Retailers like Target and Walmart but also clothing brands such as Zara or H&M have been enhancing their sportswear lines, offering competitive quality at lower prices. Even though this might divert shoppers away from premium brands such as Nike, we consider the **risk to be low**, as private labels are more attractive for daily use fast-moving consumer goods like, for instance, laundry detergent.

Bargaining power of suppliers: Nike's scale and global presence give it considerable leverage over its CMs, allowing it to negotiate favourable terms. As of May 31st, 2023, Nike's CMs operated 123 footwear factories across 11 countries and 291 apparel factories in 31 countries. Cross-segment, 5 CMs account for above 10% of finished goods sold. Nike deliberately limits its dependence on single suppliers with multiple factories. The larger the CM's contribution, the greater the supplier's bargaining power. Nike is also indirectly sourced by 146 tier-2 suppliers, who provide base materials for footwear and apparel products. Ensuring operational integrity in such a diverse supplier base to uphold high production standards and ethical practices further restricts Nike's bargaining dominance. Hence, we consider the **risk to be moderate**.

Nike assumes that the power of consumers to push brands has never been stronger

Bargaining power of buyers: Globally, Nike's sales approach combines both B2B and B2C channels. Large retailers and distributors, forming a significant part of Nike's B2B sales (56%), have leverage due to their size and sales volume, which allows them to exert pressure on pricing and terms. However, Nike's growing B2C segment through Nike Direct, mitigates this power by enhancing direct consumer engagement. Linking to the above Gen Z consumer behaviour findings, Ann Miller, executive vice president and chief legal officer at Nike, acknowledges that: *"Consumers' ability to influence and push brands is stronger than ever." (*McKinsey & Company, 2023). This is mainly due to on-demand digital services and vast product availability across the market. Nonetheless, the overall bargaining power of buyers remains modest based on Nike's strong brand presence and diversified sales strategy, limiting individual buyer's influence over the firm. We consider the **risk to be low**.

Complementary, a SWOT analysis detailing Nike's **internal strengths** and **weaknesses**, as well as its **external opportunities** and **threats** is presented in figure 65 in the appendix. Based on this additional assessment layer focusing on firm specific circumstances the following strategies can be derived to ensure Nike's competitive advantage within the dynamic sportswear market in the future:

Strength-Opportunity: Nike can leverage its strong global brand, iconic products, and extensive R&D efforts to penetrate emerging markets like India and China, while expanding digital transformation efforts and sustainability initiatives to enhance market share and revenue growth.

Strength-Threats: Nike needs to mitigate the impact of economic downturns and global political instability by ensuring product availability through robust supply chain strategies and, hence, maintaining consumer loyalty.

Weakness-Opportunity: Nike can leverage opportunities in emerging markets and digital transformation to diversify its supply chain and reduce over-reliance on brand reputation by driving fast-paced innovation to market.

Weakness-Threats: Nike might consider to diversify its manufacturing locations to reduce dependence on Vietnam and continuously invest in innovation to stay ahead of the emerging competition.

Historic Financial Performance

Nike recorded declines in sales and profitability during the COVID-19 pandemic, followed by a rapid recovery

Nike operates in a cyclical industry. Its performance is closely linked to economic cycles, with demand typically increasing during economic upturns and decreasing during recessions. These fluctuations are driven by changes in consumer purchasing power and confidence, which coincide with economic cycles. For instance, pre-COVID-19 sales totalled 39.12 $bn with YoY growth of 7.5% and fell to 37.40 $bn by FY20 end, a decline of -4.38%. Firstly, global uncertainty and concerns about their own existence meant that many people paid less attention to sport. Secondly, both professional and amateur sports were largely discontinued, which led to a sharp decline in demand for fan merchandise and sports equipment. Furthermore, over 90% of Nike's shops worldwide had to close, including a complete lockdown in China, a key growth market for Nike. In addition, most of the production facilities, particularly in Vietnam, where 50% of Nike's footwear and 28% of its apparel production takes place, were closed for months. This in combinations with the overloaded global supply chains doubled delivery times from 40 to 80 days. This is the time it took a Nike finished product from production plant to shelf. The risk of empty shelves was significant. In addition, the digital business could not immediately compensate for the loss of sales due to above mentioned reasoning. In 2020, profitability also fell to a low, while in previous years an EBIT margin of 12.20% was held constant, this fell to 8.33% during COVID-19, which corresponded to an absolute EBIT of 3.12 $bn. This had a significant impact on net income, which amounted to around 2.55 $bn in 2020 and a corresponding net income margin of 6.83%.

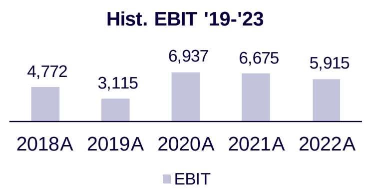


Figure 33: Hist. EBIT '19-'23 – Source: AR 2023

In the next period, FY21, the business recovered rapidly, and Nike even surpassed the pre-COVID-19 mark straight away with sales 44.54 $bn, representing a growth of 19.08%. Along with this, FY21 shows a topline driven spike in operating free cash flow (FCF), which had direct implications on the share price, having reached its past five-year peak at that time. For Nike, on the other hand, the digital performance improvement has paid off. The strong e-commerce performance positively impacted operating FCF by enabling lower operating costs, more efficient warehousing, increased sales potential through global accessibility, improved scalability, and faster cash collections. Generally, consumers gradually got used to the new normality, which led to an increase in sports activities, especially individual sports. Large events also began to take place again, though under strict hygiene regulations. The increase in home office work worldwide led to increased demand for comfortable sportswear for use at home. By the end of FY23, over 90% of Nike's stores worldwide had reopened. The production facilities that were affected by the closures were partially

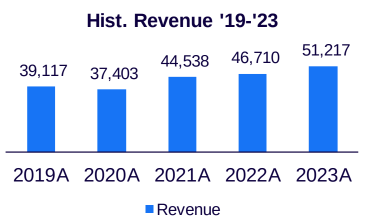


Figure 34: Hist. Revenue '19-'23 – Source: AR 2023

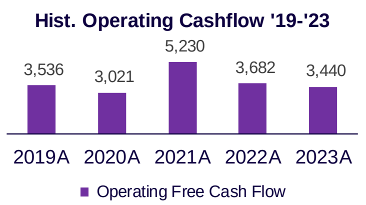


Figure 35: Hist. Operating Cashflow '19-'23 - Source: AR 2023, own analysis

relocated to other Asian countries, which restored the functionality of the supply chain. Nike's digital business quickly picked up speed as people increasingly shopped online during the pandemic. The firm offered convenient digital solutions. Profitability figures also increased again. Already in FY21, EBIT increased to 15.58%, corresponding to an absolute value of 6.94 $bn, and net income recovered to above pre-COVID-19 levels of 12.77% and even ~1% beyond, corresponding to an absolute value of 5.69 $bn (FY21). Nike continued to grow until 2023, but at a much slower rate than in previous years. While sales amounted to 46.71 $bn in FY22, corresponding to a growth of 4.88%, EBIT decreased to 14.29% from 15.58% in 2021. Nike reached a sales peak in 2023 with 51.22 $bn in sales. However, profitability continued to decline relative to sales, with the EBIT margin falling to 11.55% and the net profit margin to 9.12%, representing 5.92 $bn (EBIT) and 4.67bn respectively in absolute terms. Figure 36 shows the historical development of Nike's key financials.

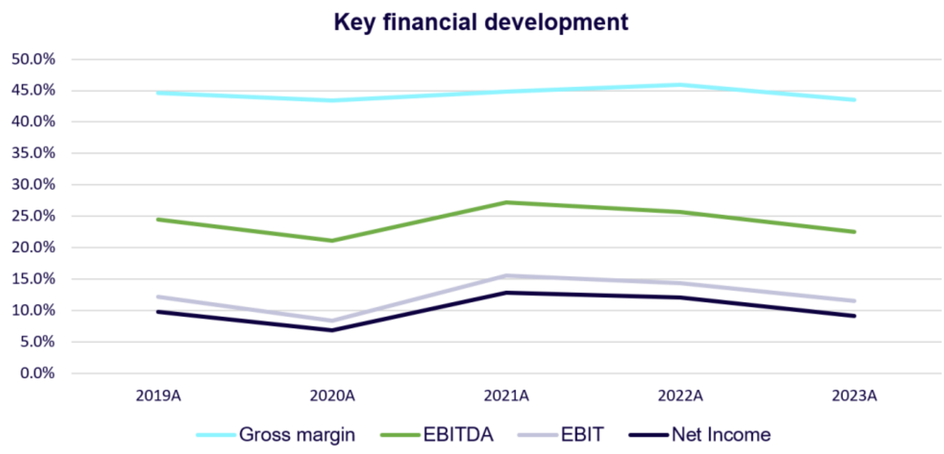


***Figure 36**: Nike's hist. key finacial development – Source: Annual Report 2023*

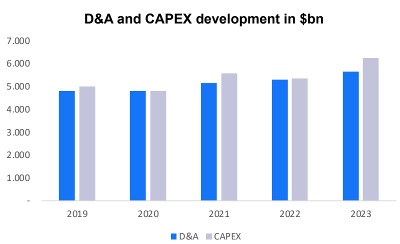


***Figure 37**: D&A and CAPEX development in $bn - Source: Annual Report 2023*

We avoid going into detail on the EBITDA figure here and in subsequent sections of the report, as Nike itself does not report EBITDA in its annual report and we want to maintain comparability with other industry participants. Nevertheless, we have calculated an adjusted EBITDA by adding depreciation and amortisation (D&A) to EBIT. Yet, this does not ensure full comparability. Specifically, D&A for assets used in manufacturing, warehousing, and product distribution are included in the cost of sales and not recognised separately in the balance sheet.

Although EBITDA has become a reformulated component of our financial analysis of Nike, particularly as D&A is not included in the detailed income statement, Nike is characterised by a high level of transparency in the disclosure of these components. This transparency makes it much easier to analyse the historical development of these items. Over the last five years, Nike has had a remarkably stable ratio of D&A to PP&E, with an average of ~51%. This supports our analysis to calculate D&A for the forecast period based on this average. The stability in the D&A and PP&E ratios to sales growth also indicates a stable trend in capital expenditure (CAPEX). D&A increased from 4.80 $bn in 2019 to 5.63 $bn in 2023, which corresponds to a 4.11% CAGR. CAPEX developed from 4.99 $bn in 2019 to 6.25 $bn in 2023, which represents a CAGR of almost 6%.

Business Forecast & Value Drivers

Revenue Forecast

Projected sales to reach 79.42 $bn by 2030, implying a global market share of ~17%

Figure 38: Revenue Forecast - Source: Own analysis

As Nike's sales are closely linked to the development of the sportswear market as a whole, we assume based on our analysis that Nike's growth will be in line with the growth of the entire market. For 2022 and 2023, Nike's market share is estimated at 16-17%, with minor fluctuations in subsequent years. In the first three quarters of FY24 cumulated, growth was only around 1% compared to the same period in the previous year, according to Reuters. This is due to certain products being cut back for cost reasons, the direct-to-consumer (DTC) strategy for running shoes being less effective, and increased competition from innovative brands such as On and Hoka (Reuters, 2024). Our forecast shows that Nike will reach 79.43 $bn in sales by 2030, up from 51.22 $bn in 2023, representing a CAGR of 6.47% ('23-'30). This value is slighly below the projected market growth of 6.58% CAGR ('23-'28). The difference arises from Nike's weakened budgeting year, FY24. Q1-Q3 in FY24 performed below expectations. As we do not expect Nike to make up the growth deficit in Q4 vs. total FY23, we have included the lower ~1% growth in F24 in our model.

Moreover, Nike's focus on direct sales to consumers increases mainly by expanding the digital channel. This ambition is highlighted in its "Consumer Direct Acceleration" strategy, which aims to harness the power of e-commerce. According to our analysis, Nike's online revenue share in 2023 amounted to around 34% of total sales, which equates to ~17.6 $bn. In our forecast, we assume that Nike will further strengthen its digital direct sales channels and achieve a digital share of up to ~50% of its total business by 2030.

- Footwear

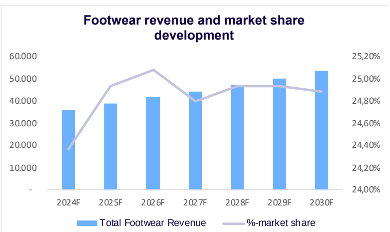


Figure 39: Footwear revenue and market share development – Source: Own analysis

Nike, including its subsidiary brand Converse, is undoubtedly the leading player in the international footwear market, with a significant market share of around 24.5% in 2023. Nike's strategy combines wholesale and direct sales, with a significant share of sales generated through direct sales channels such as its own Nike stores and the e-commerce platform "SNKRS". In FY23, Nike realised sales of over 35.53 $bn (incl. Converse) in the footwear segment alone. We expect the footwear market to grow at a CAGR of 5.95% and Nike to reach sales of 53.30 $bn in 2030, which justifies a stable market position and market share of 24.92% (average of the last three years). Converse, known for its iconic Chuck Taylor All-Stars, also contributes to Nike's success. The brand generated sales of 2.43 $bn in 2023 and benefits from its strong global presence and broad acceptance across various consumer groups. According to our analysis, sales for this sub-segment of Nike will amount to 3.64 $bn by FY23. Consumers associate the Converse brand with shoes. Due to the fact that athletic sneakers are increasingly worn by consumers for leisure time and the brand identity of Converse embodies not the performance but the lifestyle idea, the forecasted Converse growth is based on overall footwear market growth.

- Apparel

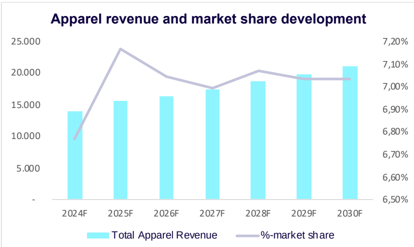


Figure 40: Apparel revenue and market share development – Source: Own analysis

Nike with its apparel category holds an implied market share of 7.20% in 2023 and due to modest growth in the following year only a share of 6.77% in 2024. Based on our analysis, the market share will increase again to a level of 7.03% by 2030. The projected market position is the result of a well-defined marketing and distribution strategy that includes both direct sales and strategic partnerships with wholesalers. Nike wants to make a more conscious decision for wholesalers and has already parted ways with partners such as Urban Outfitters in 2020. Hence, it has optimised its marketing spend and is increasingly relying on digital channels to drive direct customer access. Based on this, we anticipate a sales volume of 21.11 $bn by 2030, which corresponds to a CAGR of 6.21% compared to sales of 13.84 $bn in 2023.

- Equipment

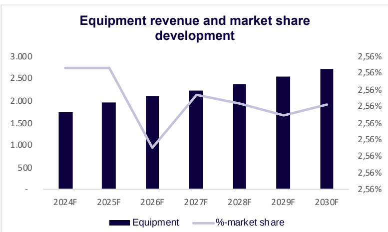


Figure 41: Equipment revenue and market share development – Source: Own analysis

Like it is the case for Adidas, the sports equipment product category is not a significant revenue driver. This explains the low market share and sales in 2023 of 2.56% and 1.73 $bn, respectively. We do not expect Nike to be able or willing to expand its market position here in particular. This is in line with Nike's strategic approach to this segment. In the past Nike has experienced that such niche products are particularly competitive and that the risk of sunk costs should be carefully assessed. Investments doomed to failure should be avoided. As was the case with "Nike Golfball", where Nike although they entered major advertising partnerships with top athletes exited the market quickly. Nike realised that this is not its core strength. In our forecast, we expect the market share to remain constant which implies sales growth at a CAGR of 6.59% until 2030 totalling to 2.70 $bn.

Business Segment Analysis

Forecasting Nike's profitability is complex due to the company's reporting structure, as only EBIT is published on a geographical level. As Nike considers parts of its D&A to be operating costs, this means that we do not have access to the corresponding EBITDA figures, nor can we present profitability at the product level. For these reasons, and as part of our restatement, we have assumed that we add D&A to EBIT to arrive at our adjusted EBITDA. Our financial model shows that Nike's EBITDA was relatively stable from 2018 to 2023. The lowest point was ~21% (7.92 $bn) in 2020, impacted by COVID-19, and the highest was ~27% (12.01 $bn) in the subsequent period, FY21. Our forecasts assume an EBITDA margin of 24-25% (12.81 $bn) in 2024, which remains stable throughout the projection period and reaches 24.7% (19.65 $bn) in 2030.

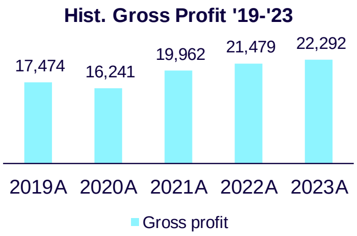


Figure 42: Hist. Gross Profit '19-'23 - Source: Annual Report 2023

In 2023, gross profit was 22.29 $bn while the margin was around 43%. We expect gross profit to grow with 7.16% CAGR until 2030, leading to a projected gross profit of 35.36 $bn and an increase in margin to around 45%. This development is reinforced by Nike's strategic decision to be less dependent on intermediaries, leading to higher gross margins. Consumer goods sold via the indirect channel have the disadvantage that the product margin must be shared with the middleman. Especially in tight margin situations, Nike is unable to pass on the margin reduction to the wholesaler in a timely manner. Thus, Nike attempts to reduce the middleman's share of sales to have to give up a smaller share of its gross profit.

- North America

Figure 43: North America revenue forecast – Source: Own analysis

Nike North America is considered the company's flagship segment, with sales of 21.61 $bn in 2023, it is the largest by sales volume, however the EBIT margin is one of the lowest with an average EBIT margin of 25%. Nike's EBIT margin here is mainly influenced by competition from other sportswear brands such as Adidas, Asics, Puma or Anta Sports. Anta, for instance, distinguishes itself in particular through its efficient control of production and distribution channels. Unlike Nike, which relies on CMs and retailers, Anta has its own factories and significantly more own shops, which enables the firm to bring new product lines to market faster. With Nike's initiative to focus more on direct sales to expand this agility, we see improvements and thus an increase in the margin in North America to between 26-27% (FY30) as justified, which is in line with the competition.

- EMEA

Nike has recorded a historical EBIT margin of around 22% in the EMEA region in previous years, rising to around 26.4% in 2022 and 2023. This increase was

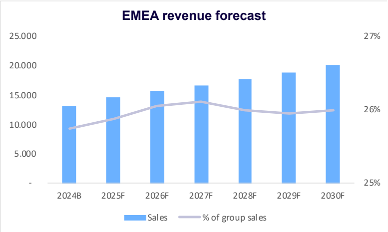


***Figure 44**: EMEA revenue forecast - Source: Own analysis*

driven by several factors, including more efficient operations and increased market penetration through direct sales and digitalisation. These factors contributed to a reduction in costs and a better margin control. However, we forecast a reduction in the EBIT margin for 2024 to around 22%. In addition, according to our analysis, the decline in sales is influenced by the very strong competition in the region, especially the increasing presence of brands such as Anta and Li-Ning, which are expanding their global footprints and offering competitive products in terms of price and quality. These brands have gained strategic advantages through their vertically integrated production processes and fast time-to-market. Due to these challenges, in addition to regulatory requirements that imply increased costs and are further explained in the ESG report, we expect EBIT to grow from 3.53 $bn (FY23) to 4.71 $bn in 2023, but EMEA to be replaced by China as the second largest profitability driver. In terms of sales, EMEA remains the second largest market and will reach sales of 20.01 $bn by 2030.

- China

***Figure 45**: Greater China revenue forecast – Source: Own analysis*

In recent years, Nike has achieved a significant EBIT margin in China, but this has changed due to various challenges. In 2023, Nike recorded an EBIT margin of 31.50% in China, but a decline in sales to 7.25 $bn compared to sales of USD 7.55 $bn in 2022. These results were driven by increasing challenges Nike had to overcome caused by supply chain issues, COVID-19 related disruptions, and inflation. Nike has built a significant brand reputation, particularly in China, by introducing customised products for the local market. For instance, Nike has responded to the growing popularity of basketball in China by developing specialised basketball shoes and equipment. In addition, Nike has created products specifically for popular sports in China, such as table tennis and badminton, targeting both professional athletes and amateurs. This is reinforced by our market analysis, which shows clearly that China has the highest expected market growth (10.33% CAGR) among the regions. Hence, it has been considered in our forecast and explains why China is by far the most profitable segment. Overall, we forecast sales of 14.96 $bn and an EBIT margin of around 34.5% for China by 2030, which corresponds to an absolute EBIT of 5.13 $bn.

- APLA

With sales of 6.43 $bn and EBIT of 1.93 $bn in 2023, APLA is the smallest regional sales market. However, the EBIT margin is of great importance here, as the historical average was around 27%. Nike is also aligning its strategy accordingly due to the increasing importance of e-commerce, especially within the APAC and LATAM markets. Due to the growing importance of DTC

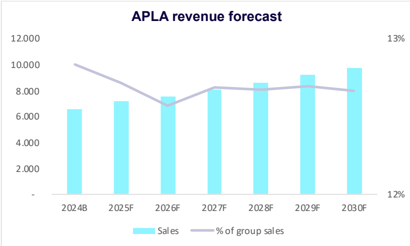


***Figure 46**: APLA revenue forecast – Source: Own analysis*

businesses, which are anchored in Nike's future strategy, we see an increased significance for this sales market. Taking these aspects into account, we have forecast revenue growth of 2% for the APLA market in 2024 and expect a significant improvement in the EBIT margin. This is also confirmed by the quarterly reports, which show growth of around 3%. Overall, we consider the development in APLA to be significant. Sales in 2030, prospected, amount to around 9.77 $bn with an EBIT of 2.83 $bn, which corresponds to an EBIT margin of 29%.

Liquidity

In recent years, Nike has demonstrated significant financial stability, particularly by maintaining robust liquidity ratios. Here are the specific details and rationale that support this development and justify the use of these averages for future projections.

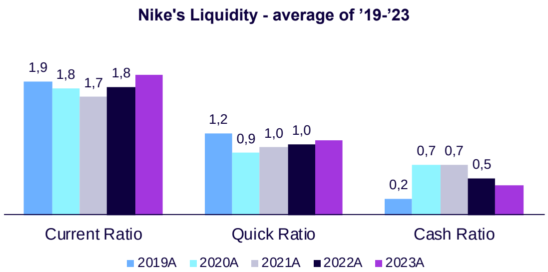


***Figure 47**: Nike's Liquidity - average of '19-'23 - Source: Annual Report 2023, own analysis*

Nike's average historical current ratio has been stable at 1.9x. This suggests that Nike consistently has twice as many current assets as current liabilities, indicating a strong liquidity position. This consistent value is equal to the industry benchmark, which is also 2.0x.

Nike's average historical quick ratio is slightly lower with an average of 1.1x compared to the industry average of 1.4x. This ratio shows that Nike has less cash and cash equivalents to cover short-term liabilities than some of its competitors, which is mainly due to supply bottlenecks that competitors such as Adidas have also had to contend with. This also meant that Nike has been forced to introduce aggressive discounting campaigns in response to this to reduce excess inventory, which has, however, had a negative impact on profit margins in recent years and especially in 2023.

Nike's average historical cash ratio is 0.5x, which is lower than the industry average of 0.9x. This low ratio is primarily due to the high commitment to operating cash. To ensure that we are making a reasonable and valid assumption here, given its significant importance in the valuation section, we spoke to industry experts in the wholesale and retail segment who are not only familiar with the sports segment but have also worked with Nike. They confirmed to us that Nike, in particular, places a high value on liquidity management and deliberately has a high operating cash rate of around 6-8%, which resulted in our average of 7%, which was also assumed for our forecast.

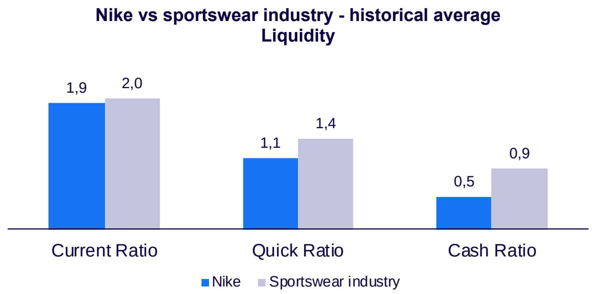


***Figure 48**: Nike vs sportswear industry - historical average Liquidity – Source: own analysis*

Cash Conversion Cycle

Nike's CCC 2023 of 99 days – significantly above industry average of 38 days, mainly due to lower DPO

Average Holding Period (AHP): In 2023, Nike had a AHP of 108 days, which is lower than the industry average of 137 days. This shows that Nike turns its inventory faster than its competitors, indicating efficient production and distribution processes.

Average Days Sales Outstanding (DSO): With a DSO of 34 days, Nike is also below the industry average of 40 days here. This means that Nike receives payments from its customers faster, which has a positive liquidity impact.

Average Days Payable Outstanding (DPO): Nike has a significantly shorter figure of 42 days compared to the industry average of 144 days. This could indicate that Nike settles its liabilities more quickly, which can strengthen the relationship with suppliers, but also puts pressure on liquidity in the short term.

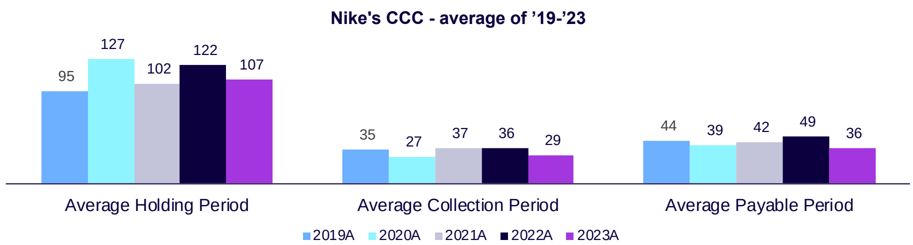


***Figure 49**: Nike's CCC - average of '19-'23 – Source: Annual Report 2023, own analysis*

Nike's Cash Conversion Cycle (CCC) shows how efficiently the company manages its working capital. In 2023, Nike's CCC was 99 days, which is significantly higher than its competitors' average CCC of 38 days. This is mainly because Nike has a significantly lower DPO compared to the industry, while the inventory turnover period and the days sales outstanding are much lower in comparison. As the values have remained very constant in the past, we have decided to forecast the current assets and liabilities based on % of sales.

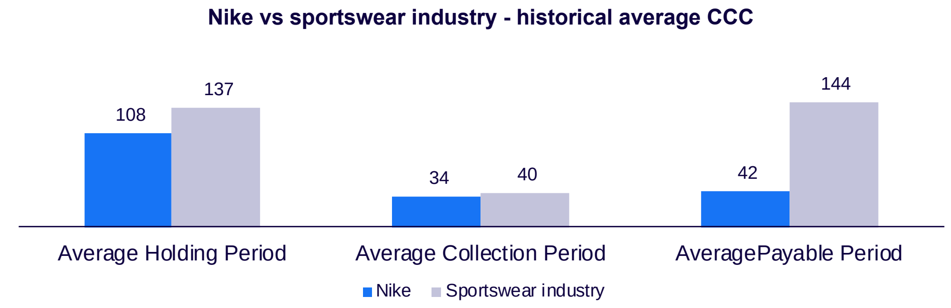


Figure 50: Nike vs sportswear industry - historical average CCC - Source: Own analysis

Capital Structure

Nike significantly increased its debt-to-equity ratio from 38% in 2019 to about an average of 104% in the following, in particular by recognizing operating lease liabilities, which account for a significant proportion of financial debt. This change is due to the introduction of Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which requires companies to recognize lease obligations on the balance sheet (FASB, 2024). This adjustment resulted in Nike and others such as Adidas, recognizing a significant portion of its liabilities from operating leases. In 2020, Nike also substantially increased its long-term debt, which significantly increased the company's debt balance. This increase underscores Nike's strategic adaptation to the uncertainties and financial adversities presented by the COVID-19 pandemic, aiming to bolster liquidity and safeguard investments in long-term growth, thereby mitigating the potential risks associated with failing to fulfill its balance sheet obligations. Historically, Nike has had a significantly higher leverage ratio compared to the average of its peers, which was at 54%.

Although the debt-to-equity ratio is comparatively high, the assessment of Nike's operating efficiency in terms of covering balance sheet obligations shows that Nike operates at a lower debt-to-EBIT ratio of 187% compared to its peers, which have an average debt-to-EBIT ratio of 222%. This suggests that Nike can cover its liabilities more efficiently through operating profit.

Nike's solvency ratio, calculated on the bases of equity-to-liabilities, historically stands at 58%, which is significantly lower than the average of its competitors, which is 100%. This emphasizes, once more, that a lower proportion of Nike's total liabilities are covered by equity.

Moreover, Nike's financial autonomy, as measured by its equity-to-assets ratio, which historically stands at 36%, shows that a lower proportion of its assets are financed by equity compared to 47% for its peers. This illustrates that Nike pursues a different financial strategy, which indicates that a higher proportion of its use of funds is financed by debt, implying an increased risk of default.

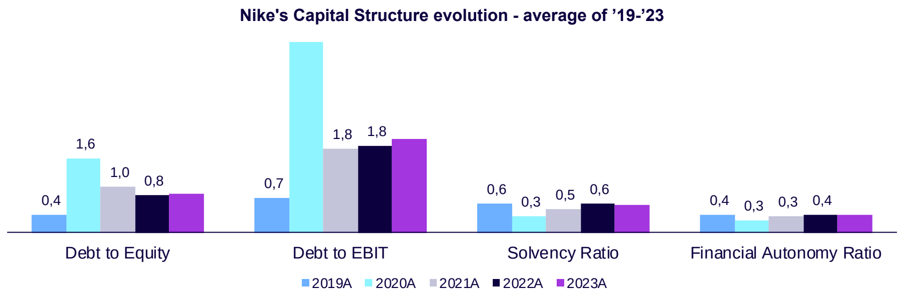


Figure 51*: Nike's Capital Structure evolution - average of '19-'23 – Source: Annual Report 2023, own analysis*

Overall, the higher level of debt can be attributed to strategic decisions. Nike has chosen to hold significant cash reserves while continuing to invest in growth areas. At the end of 2023, Nike's debt level was 11.72 $bn, while they had excess cash of 3.86 $bn, resulting in a net debt of 7.86 $bn. Despite an ~15% decline in EBIT last year, Nike's ability to convert a significant portion of its EBIT into free cash flow (~187% of EBIT) shows that the company is better positioned to manage its debt effectively than the industry average. This underscores the company's financial stability and capital management capabilities despite its debt burden. Nevertheless, it cannot be overlooked that Nike has a relatively higher level of debt in relation to equity and invested assets compared to its competitors. This suggests an increase in refinancing costs, since higher leverage is typically perceived as increased risk by lenders, thus imposing higher interest rates or increased covenants.

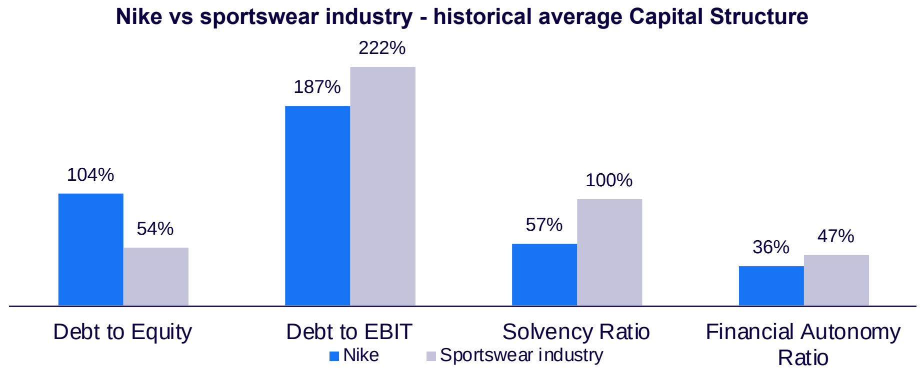


Figure 52*: Nike vs. sportswear industry - historical average Capital Structure – Source: own analysis*

Valuation

Cost of Capital

▪ Cost of Equity

Cost of equity	2025	TV
Risk free rate	4.6%	4.6%
Debt/Equity	92%	96%
Debt beta	0.16	0.16
Equity beta (unlever	0.67	0.67
Equity beta (levered)	0.46	0.47
Market risk premium	0.04	0.04
Cost of equity	**6.41%**	**6.44%**

***Figure 53**: Cost of equity – Source: Own analysis*

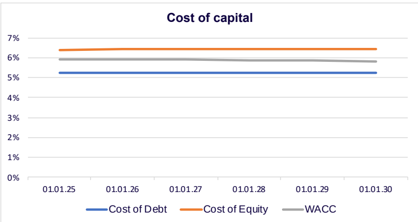


***Figure 54**: Cost of capital development – Source: own analysis*

We use the Capital Asset Pricing Model (CAPM) as a method for determining the cost of equity. We determine the equity beta by regression analysing the return on Nike shares in relation to the MSCI World Index, which serves as our benchmark. To do this, we use monthly data from the last five years. We then adjust the resulting equity beta using the current debt ratio and set it to our forecasted target debt-to-EV ratio. Nike's debt structure is based on the assumption that the debt-to-sales ratio remains stable, as operating leases in particular link the debt burden to Nike's sales. During the COVID-19 crisis in 2020, this ratio was temporarily above 25%, but it turned out that these were one-off effects and Nike is strategically aiming to reduce its debt. In the long term, we therefore expect the debt-to-sales ratio to stabilise at around 18%. In our dynamic DCF model, we continuously calculate the debt to EV ratio, forecasting a ratio of about 9% to 11% from 2024 to 2030. Our analysis yields an equity beta of 1.16. To check the plausibility of our results, we compare them with the equity beta values of companies from the peer group that we take into account in our valuation approach. After adjusting the beta values of these companies to our assumed target debt ratio, we arrive at a re-levered equity beta of 0.46. As an approximation for the risk-free interest rate, we use the current yield on ten-year US government bonds, which is 4.58%. We calculate the excess market return as the historical median of the MSCI World Index over the last twenty years, which is 3.99%. Taking these factors into account, we calculate the cost of equity at 6.40%, as displayed in figure 54. Uncertainties in the derivation of the CAPM factors, such as the determination of the equity beta, are taken into account in our sensitivity analysis down below.

▪ Cost of Debt

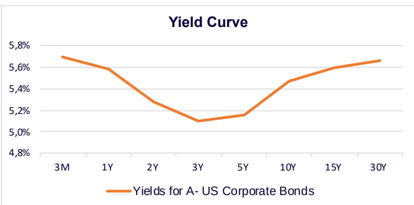


***Figure 55**: Yield Curve – Source: Refinitiv*

We have calculated the cost of debt based on the credit ratings of the *peer* group firms. Our analysis resulted in a rating of A-. With this rating, the yield on na average ten-year A- rated US Corpoarte bond is 5.47%. To avoid double-counting for the possibility of default, which is already included in the cash flow calculation, we have adjusted this rate by the annualised ten-year probability of default for companies with the same rating (0.2) and the average loss given default for companies with the same rating (41.43%). The resulting cost of capital of the debt is 5.24%.

▪ WACC Calculation

Cost of capital	2025	TV
D/EV	9,4%	11,1%
Debt/Equity	95,8%	96,0%
Equity beta (unlevered	0,67	0,67
Debt beta	0,16	0,16
Equity beta (levered)	1,16	1,16
Peer group beta (levered)	0,46	0,46
Cost of equity	6,4%	6,4%
Cost of debt	5,2%	5,2%
WACC	**5,92%**	**5,83%**

Figure 56: Cost of capital – Source: Own analysis

As we choose to apply the DCF method, we calculate the WACC in order to use it for the discount rates. This method includes the standard WACC calculations, taking into account the values described above. To obtain an accurate representation of our financial model, we have developed a continuous WACC based on a dynamic D/EV ratio (see above). The WACC for the discount year 2025 to derive the value as at 31 December 2024 is 5.92%.

Discounted Cash Flow (DCF)

We believe that the DCF method provides the most comprehensive analysis of the cash flows generated by Nike's operations. The DCF method is ideal for valuing Nike as the company generates stable and predictable cash flows due to its strong global presence and established market position. Nike operates in a mature market, making the DCF method suitable as it takes into account operating cash flows and market position without the need to consider complex financing structures.

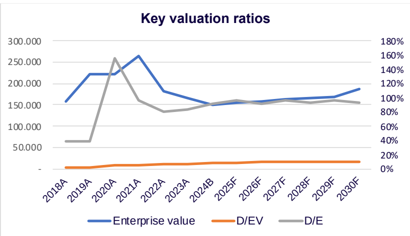


Figure 57: Key valuation ratios – Source: own analysis

To calculate the EV, the operating free cash flows or cash flows to the company are discounted at the risk-adjusted cost of capital assuming a standard growth rate of 2.00%. As we have calculated a continuous EV, this results in an EV of 150,775.14 $mn as of 31.05.2025, which we have then discounted using the WACC (as explained above), which is 5.92%. Since Nike's fiscal year ends on 31/05 of each year, we need to account for the periodic difference to derive the EV as of 31/12/2024, which is otherwise impossible to obtain. Additionally, we also need to discount the free cash flow for 2025 (accounting for periodic difference as well), and when we add this to the discounted EV, we derive an EV of 148,645.53 $mn as of 31 Dec 2024. To arrive at the final equity value used to calculate the target price, we subtract the net debt of 12,031.78 $mn, which is total financial debt less excess cash, and since Nike holds 0 minority interests, we get an equity value of 136,614.75 $mn. Since Nike has 1.504 mn shares outstanding, we can divide the equity value by the number of shares and derive a price target of $90.83 (figure 66 in the appendix).

Comparable Company Analysis (CCA)

Nike's CCA valuation falls in line with multiple expectations in an average share price of $93.18

Peer group selection: Although there is considerable competition in the industry, suitable peers for Nike's relative valuation are limited. We have categorised our competition based on three main factors, that limit us to five competitors, namely the size of the company, geographies, and the span of product offerings. To illustrate this, we have compared the market shares of the

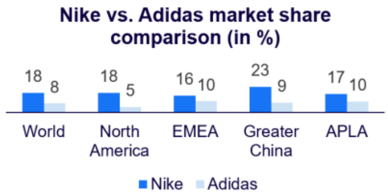


Figure 58: Nike vs. Adidas market share comparison (in %) – Source: Euromonitor International, 2024

two largest players in the world, Nike and Adidas (figure 58). Appendix 68 displays margins, sales, and the rationale behind our decisions to include or exclude peers from the valuation. **Adidas**, **Puma**, **Anta**, **Under Armour**, and **Asics** are among the most comparable peers. These firm's business models and the clients they serve are what most closely resembles Nike. We also included Nike's own multiples. As mentioned in the industry analysis section under Industry rivalry, we have created a matrix that recognises Nike's most similar peers based on global footprint, product portfolio similarity and sales volume (figure 64 in the appendix). These most similar peers are considered in the CCA.

Using the EBIT multiple is suitable for Nike's CCA valuation

Multiples selection: Nike's operational strategy and industry characteristics strongly justify the use of EBIT in multiples valuation. Given that Nike operates in a less capital-intensive sector, where the company significantly limits its investments in heavy physical assets and manufacturing facilities, the impact of D&A on its financial performance is comparatively minor. This context aligns with the nature of retail businesses where CAPEX is typically lower and the depreciation component does not substantially distort operational earnings. Therefore, using EBIT as a metric for valuation is more appropriate for Nike. It provides a clearer view of the company's operational profitability by including all operating expenses, which are crucial for a comprehensive analysis but avoids the distortions that D&A might introduce in a less capital-intensive environment. In Addition, the comparability factor cannot be neglected. Nike does not show its own EBITDA value in its balance sheet and puts part of its D&A in the cost of sales and another part in operational overhead expenses. For this reason, the effects of D&A are not directly visible in the annual report. Although some of its peers, such as Adidas, have similar business models and thus similar reporting practices, other firms, such as Anta, are set up differently. Anta produces a significant proportion of its finished goods using in-house assets, which clearly differentiates the importance and extent of D&A. Our main indicator therefore is the EV/EBIT multiple because it ensures that the valuation accurately reflects Nike's true earnings potential from its core business activities, making EBIT a more relevant and reliable indicator in this specific industry among the peers. D&A plays a crucial role in sustaining business operations and growth for Nike, thus adjusting for D&A, provides a more accurate representation of the underlying economic reality of such businesses. Nevertheless, we acknowledge that the EV/EBITDA multiple is generally considered to be more robust in the financial literature, especially by Koller et. al, which is why we have also decided to include the EV/EBITDA 2024 multiple in our analysis. We calculated the EBITDA value ourselves.. We also consider the EV/Sales multiple to be relevant because it is less susceptible to short-term fluctuations in earnings. Companies that make significant investments in R&D or marketing may have temporarily lower profits, although their long-term growth prospects are solid. This is the case for Nike and its peers. The EV/Sales multiple thus provides a firmer valuation basis as it is less affected by periodic spending.

Thereby, we used forward earnings estimates normalized for unusual items instead of historical figures, as they better reflect future cash flows and provide more consistent valuations - EV/EBIT 2024 multiple (T. Koller et. al, 2020). The assessment uses data from 09 March 2023 in Refinitiv. Depending on the source consulted, we may also come to the conclusion that future values are more prone to error due to their forcasted character, which is why we focus only on 2024 and not on 2025 values. In order to corroborate our core multiples of EV/Sales, EV/EBITDA, and EV/EBIT we have also used LTM based multiples in our analysis. As we feared that Adidas, the most suitable peer for Nike, may 'distort' final values, we cross checked these with the outcomes of our core multiples, representing the final outcome of our CCA. The distortion arises from Adidas recording negative EBIT in Q3 FY22. Here we find that the median is very much in line with what we were anticipating. Figure 69 presents ranges for the share price that are 10.00% higher and lower than the valuation mean for each method. Our stock price estimate for a given multiple is the average across all peers and Nike's own multiples, also included in the analysis.

CCA Outcome: The analysis of the most comparable competitors results in an average valuation of **$93.18** with a range of **$85.66 to $104.07**. For reasons of transparency, we have calculated all company valuations in Excel in relation to EBIT (EV/EBIT), EBITDA (EV/EBITDA) and sales (EV/Sales) for all competitors. We focused on the periods LTM, 2024 and 2025.

Price Target Sensitivity

Our sensitivity analysis yields a median share price of $93.01

In addition, we perform a sensitivity analysis to understand the impact of various variables such as equity beta, cost of debt and excess return on the share price. Our fundamental sensitivities are based on our more traditional valuations, DCF and CCA. The results of our sensitivity analysis show a median share price of $92.31 and a mean share price of $91.67.

To complement these sensitivity analyses, we use a Monte Carlo simulation to analyse the standard deviations of these variables and their impact on the share price (figure 67). The results of this sensitivity analysis largely confirm our calculated price target, namely with a median share price of **$89.96** and a mean share price of **$92.78**. This gives us additional confidence in the robustness of our valuation and the reliability of the calculated share price.

The average total valuation based on the DCF as well as the CCA results in a target share price of $93.01, surpassing the current share price of $92.72 by a total of $1.62 or 1.75%.

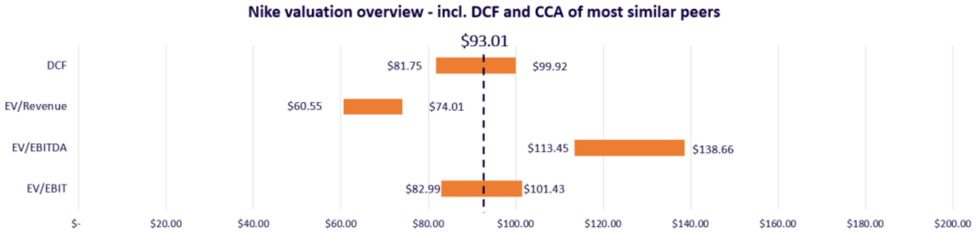


Figure 59*: Nike valuation overview - incl. DCF and CCA of most similar peers - Source: Own analysis*

ESG Performance and Risk Assessment

Measure	Peers	Nike
CO2/$mn revenue	254	384
CO2 scope 3 emissions abs.	1,541,685	17,922,200
CO2 scope 3 emissions CARGR 3yrs	14%	19%
Environmental score	64	84
Social score	65	85
Governance score	62	39
Gender pay gap	100%	100%
Board diversity (% fem. mem.)	33%	36%
Supplier ESG training score	78	78
ESG comb. Score (Ref.)	48	39
Sustainalitics score (Morn.)	17	19

Figure 60*: ESG analysis table with comparison between Nike vs. Peers – Source: Refinitiv, Morningstar*

In assessing Nike's ESG performance, this analysis compares Nike's internal statements with externally available information to provide a comprehensive assessment. By scrutinising both perspectives, we aim to paint an accurate picture of the company's ESG efforts and achievements. Figure 60 consolidates our validation analysis with external data on Nike's ESG performance by benchmarking Nike's ESG KPIs against the industry median of its peers.

Environment: According to Nike, the firm in FY23 achieved a 69% reduction in greenhouse gas (GHG) emissions in owned or operated facilities, nearing its goal of 70%. It also advanced towards its 2025 renewable energy target, with 96% of its global corporate offices, distribution plants, and retail locations powered by renewable energy. Additionally, Nike diverted 98% of its waste from landfills, the target being 100%. These initiatives underscore Nike’s robust commitment to environmental stewardship. However, this solely reflects Scope 1 and 2 emissions. In the case of Scope 3 emissions - emissions that include outsourced activities, raw material sourcing and product use by customers - Nike stands out with significant difference to its peers with 17.92 mn tons (vs. 1.54) CO2 emissions p.a. Putting this figure into perspective to sales, Nike remains well above the peer group average. Nike’s Scope 3 emissions increased with 19% CAGR in the past 3 years whereas the peers averaged at 14% posing a strong risk arising from environmental damages.

Women make up 51% of Nike's global workforce.

Social: Nike aspires to achieve 84% top-quartile engagement and inclusion, as rated by its 80,000 employees versus peers, and seeks to ensure that all Vice Presidents (VP) receive inclusive leadership education. Furthermore, Nike has committed 10 $mn to support Historically Black Colleges and Universities (HBCUs) and Hispanic-Serving Institutions (HSIs), enhancing opportunities for diverse talent acquisition. As of FY23, women constitute 51% of Nike’s global workforce, with 44% (vs. target 50%) representation at the VP and senior leadership levels. Additionally, racial, and ethnic minorities make up 41% of its U.S. corporate workforce. With 36% female board members, Nike is above the peer average here too. Besides, there is no pay gap in the firm based on gender. Overall, Nike performs above average in the Refinitiv social score achieving 85 from 100 points available whereas the peer group median is at 64. (figure 60).

Governance: In ESG-related analysis company specific matters are crucial, Nike's global value chain is carried in production by CMs. Nike states targets for its suppliers and its cooperation with suppliers. By FY23, the company surpassed its ambition by allocating 1.4 $bn to diverse suppliers, including women-led businesses. Moreover, all strategic suppliers now have clear targets for improving gender representation, underlining a commitment to career advancement for women. In addition, Nike has strongly involved the supplier workforce and reached 650,000 employees in 15 countries through its Engagement and Wellbeing survey, ensuring that supplier practices align with its values of worker engagement and wellbeing. According to the Supplier ESG training score Nike is at industry standards when it comes to supplier ESG target. However, we were unable to find any environmental supplier targets which might pose a future risk as legislators in Europe, for instance, start to make firms responsible along their entire supply chain.

Nike's ESG risk score of 19 is 2 points higher than peers, but still falls within the low-risk category

We note that Nike performs slightly weaker than its peer group in both Refinitiv's ESG combined score and Morningstar's Sustainalitics score. With a score of 19, Nike has a 2-point higher ESG-risk versus peers, though all scores up to 20 are categorised as low risk (figure 60). For this reason, there was no need for us to negatively factor ESG risks into Nike's performance. Nevertheless, ESG should be closely monitored beyond the scope of this equity research report. Especially for this industry with the strong involvement of suppliers in the value chain in production, there are high risks in terms of CO2 emissions, labour conditions, raw materials, water consumption and waste. This makes establishing and achieving ESG targets ambivalent, as Nike relates most of its targets exclusively to its own business operations.

In completion of the ESG risks, our overall risk assessment is as follows:

Risk type	Description	Economic Impact	Profitability
ESG risk	A decrease in institutional investor demand may occur due to a negative ESG rating and the related negative reputation. Furthermore, this may lead to a vicious circle as consumers turn away and regulatory compliance is jeopardised which results in an even less attractive investment.	**Moderate**	Low
Macroeconomic risk	An increase in commodity prices for the production and transport of finished goods as well as external events such as political unrest or pandemics (e.g. Covid-19), which hinder both products and consumers' access Nike stores due to e.g. store shutdowns.	**Low to moderate** (region-specific)	Low to medium
Market / Competition risk	Risk arises from new and emerging players in specific regions (pls. see Porter's 5 Forces and SWOT analysis for details).	**Moderate to high**	Low to medium

***Figure 61**: General risk assessment – Source: Own analysis*

It is in the nature of the cyclical consumer goods industry, in this case in the sportswear industry, that economic downturns lead to market fluctuations that ultimately have a negative impact on demand. In downturns, competition also intensifies as companies are confronted with lower demand while supply remains constant. However, disruptions on the supply side due to cyclical declines can also lead to delays in the supply chain. For Nike precisely, due to its stable market leadership, its strong brand, and its global business model, we do not see any foreseeable risks other than those already mentioned in the Porter Five Forces and SWOT analysis that could jeopardise its business prospects.

Recommendation

Based on our financial analysis of Nike **as of December 31st, 2024**, we forecast a **price target of $93.01**. Combined with the expected dividend of $1.34 and the current share price of $92.72 this implies a potential upside of $1.62 or 1.75%. We see the upside potential to be justified by the solid foundation of the company's operations, even in cyclical markets, complemented by significant opportunities to maintain market leadership. We believe that Nike is well equipped to deal with potential risks, particularly through its continuous investments in digital markets and the DTC business, as well as its strong brand presence and iconic products. We do not expect a significant decline in sales, but rather a stable continuation of the existing status quo. Nike shows a decent positioning in its business areas, however, has opportunities in segments with already attractive margins, which can strengthen through further investments.

Our investment recommendation is **HOLD**.

The determination of our price target is based on both the DCF and the CCA financial valuation methods. These have been complemented and reasoned by an extensive sensitivity analysis including a Monte Carlo simulation. Both methods pose equal importance to us. Consequently, we consider our target price to be reasonable, with a range between **$90.83 and $95.18.**

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If not mentioned here, our analysis relied on Nike's annual reports and investor relations statements on its website, Refinitiv data, or independently performed analyses as well as calculations.

Appendix

Appendix 1: Board of Directors Overview

#	Name	Age	Role	Role start	Committee(s)	Other Public Directorships	Independence
1	**Timothy Cook**	62	Member of the Board; Lead Independent Director (ID)	2006	Compensation, Chair	Apple, Inc.	**Yes**, no executive role at Nike, Inc.
2	**Mark Parker**	67	Executive Chairman of the Board	2006	Executive, Chair	The Walt Disney Company	**No**, former President & CEO at Nike, Inc. (2006-2020)
3	**John Donahoe**	63	Member of the Board; President & CEO of Nike, Inc,	2014	Executive	PayPal Holdings, Inc.	**No**, accountable for operating the business at Nike, Inc.
4	**Thasunda Duckett**	49	Member of the Board (ID)	2019	Corporate Responsibility, Sustainability & Governance	n/a	**Yes**, no executive role at Nike, Inc.
5	**Monica Gil**	51	Member of the Board (ID)	2022	Compensation	n/a	**Yes**, no executive role at Nike, Inc.
6	**Maria Henry**	56	Member of the Board (ID)	2023	Audit & Finance	General Mills, Inc.	**Yes**, no executive role at Nike, Inc.
7	**Peter Henry**	53	Member of the Board (ID)	2018	Audit & Finance	Citigroup, Inc.	**Yes**, no executive role at Nike, Inc.
8	**Travis Knight**	49	Member of the Board	2015	Executive	n/a	**No**, son of Nike's co-founder, Mr. Philip Knight
9	**Michelle Peluso**	51	Member of the Board (ID)	2014	Corporate Responsibility, Sustainability & Governance,	n/a	**Yes**, no executive role at Nike, Inc.
10	**Cathleen Benko**	65	Member of the Board (ID)	2018	Compensation	SolarWinds Corporation	**Yes**, no executive role at Nike, Inc.
11	**Alan Graf, Jr.**	69	Member of the Board (ID)	2002	Audit & Finance	Mid-American Apartment	**Yes**, no executive role at Nike, Inc.
12	**John Rogers, Jr.**	65	Member of the Board (ID)	2018	Corporate Responsibility, Sustainability & Governance	The New York Times Company & Ryan Specialty Group Holdings,	**Yes**, no executive role at Nike, Inc.
13	**Robert Swan**	63	Member of the Board (ID)	2022	Audit & Finance	GoTo Group	**Yes**, no executive role at Nike, Inc.

***Figure 62**: Board of Directors Overview – Source: Annual Report 2023, Letter to Sharefolder (Proxy) 2023*

Appendix 2: Ownership Overview above 1% of shares

#	Investor	% of shares	Share value ($ mn)	Investory type	Country
1	The Vanguard Group, Inc.	9.0%	11,836	Mutual Fund Manager	United States
2	BlackRock Institutional Trust Company, N.A.	5.2%	6,795	Investment Manager	United States
3	State Street Global Advisors (US)	4.6%	6,106	Investment Manager	United States
4	Capital International Investors	2.3%	2,998	Global Asset Manager	United States
5	Geode Capital Management, L.L.C.	2.0%	2,577	Investment Manager	United States
6	Wellington Management Company, LLP	1.9%	2,441	Investment Manager	United States
7	Fidelity Management & Research Company LLC	1.7%	2,238	Mutual Fund Manager	United States
8	AllianceBernstein L.P.	1.7%	2,179	Investment Manager	United States
9	T. Rowe Price Associates, Inc.	1.3%	1,680	Investment Manager	United States
10	Norges Bank Investment Management (NBIM)	1.0%	1,315	Sovereign Wealth Fund	Norway
	Other Investors (>1% share)	69.5%			

***Figure 63**: Shareholder Distribution - Above 1% of shares – Source: Refinitiv*

Appendix 3: Competitor Landscape Overview – Similar Peer Group Identification

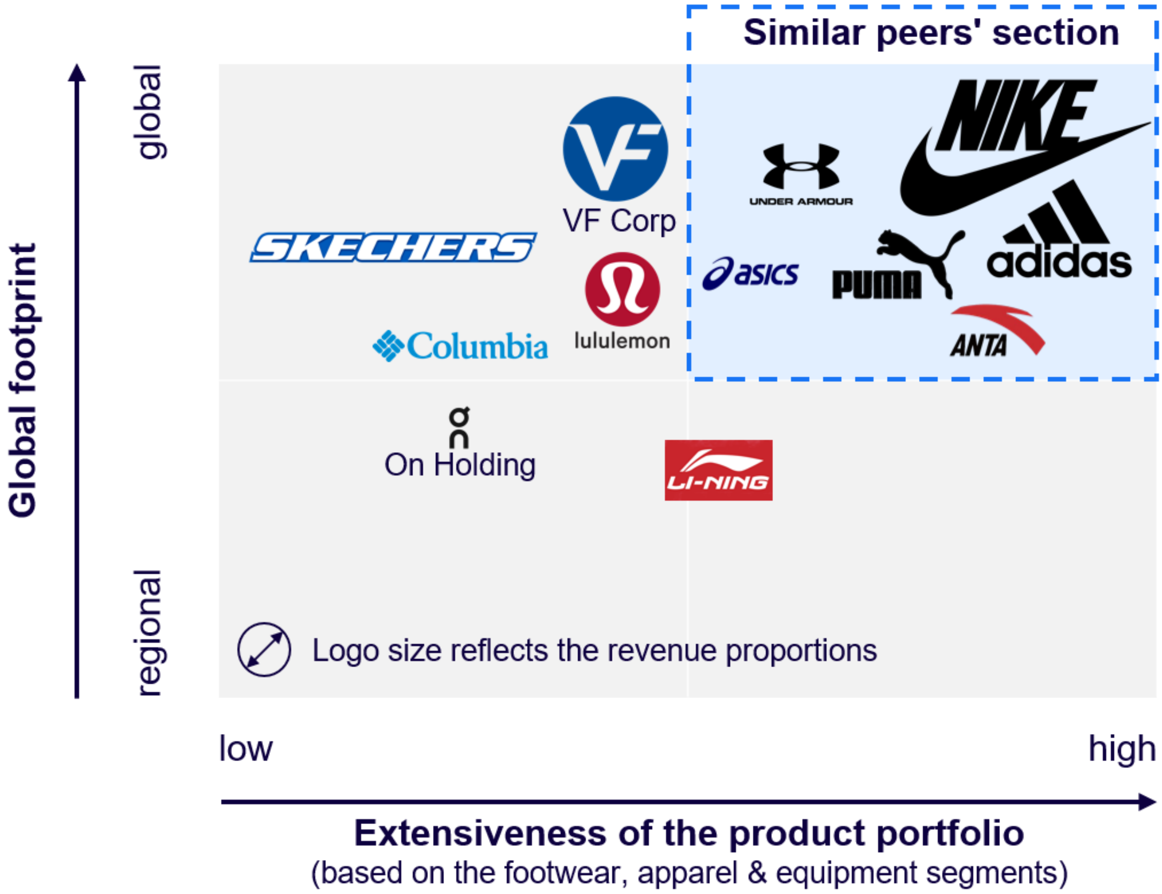


Figure 64: Competitor landscape overview - Identification of most similar peer group – Source: Own analysis

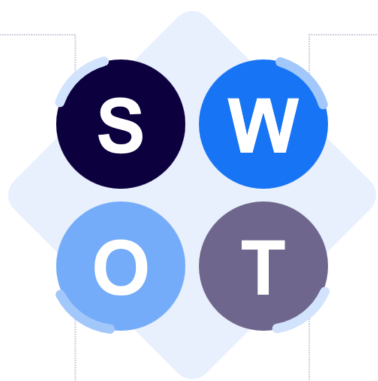
Appendix 4: SWOT Analysis

Strengths

- Strong global brand & Iconic products:
  Nike leads the global sportswear market with 51.22 $bn sales in FY23 and is represented virtually everywhere.
- Innovation & Strategic partnerships:
  Significant R&D investments in product innovation foster strong partnerships with professional athletes.
- Broad sales network:
  Nike sells products in over 170 countries through various sales channels, including stationary stores and online.

Weaknesses

- Supply-chain & Production challenges:
  A major part of Nike products is produced in Asia. Supply chain and production problems might arise due this concentration of manufacturing activities in e.g. Vietnam.
- Reliance on brand reputation:
  Nike cannot rely on its strong brand reputation alone, as newcomers such as On will outpace Nike if it fails to invest in innovation. On, for instance, did this in the 'running' segment because Nike was not attentive.



Opportunities

- Expansion into new markets:
  Strong market growth in emerging markets such as India and China give room for market share and revenues increases.
- Digital transformation:
  Revenues related to e-commerce increased by 79% in FY20, highlighting the opportunities within that field.
- Sustainability:
  Introduction of the "move to zero" initiative to decrease the carbon footprint and strengthen the product responsibility.

Threats

- Cyclical consumer goods market:
  Revenues can be influenced by economic downturns as highlighted by the COVID-19 pandemic which resulted in temporary revenue decreases of 38% within Q1 FY20.
- Global political instability intensification:
  Through global events such as catastrophes, pandemics or political tensions, e.g. US versus China tensions, Nikes operating business model is threatening in terms of product availability, distribution, and satisfaction.

Figure 65: SWOT analysis - Source: Own analysis

Appendix 5: DCF Valuation

	31.05.25	31.05.26	31.05.27	31.05.28	31.05.29	31.05.30	31.05.31
Date	31.05.25	31.05.26	31.05.27	31.05.28	31.05.29	31.05.30	31.05.31
Discountfactor	0,42						
DCF							
Debt	13.918	14.877	15.626	16.755	17.855	19.017	20.295
FCFF	3.548	5.053	5.424	5.138	5.724	6.146	6.519
D/EV	9,23%	9,62%	9,87%	10,31%	10,73%	11,19%	10,89%
WACC	5,92%	5,9%	5,9%	5,9%	5,8%	5,8%	5,8%
Enterprise value	**150.775,14**	**154.654**	**158.361**	**162.551**	**166.364**	**169.941**	**186.351**

PV of CF as of 31.12.2024	1.478
Enterprise value as of 31.12.2024	**148.646**
Cash	8.264
Total Debt	(20.295)
Net Debt	(12.031)
Minority Interest	-
Equity Value	**136.615**
Shares outstanding	1.504
Price Target	**90,83 €**

Figure 66: DCF Valuation – Source: Own analysis

Appendix 6: Monte Carlo Simulation

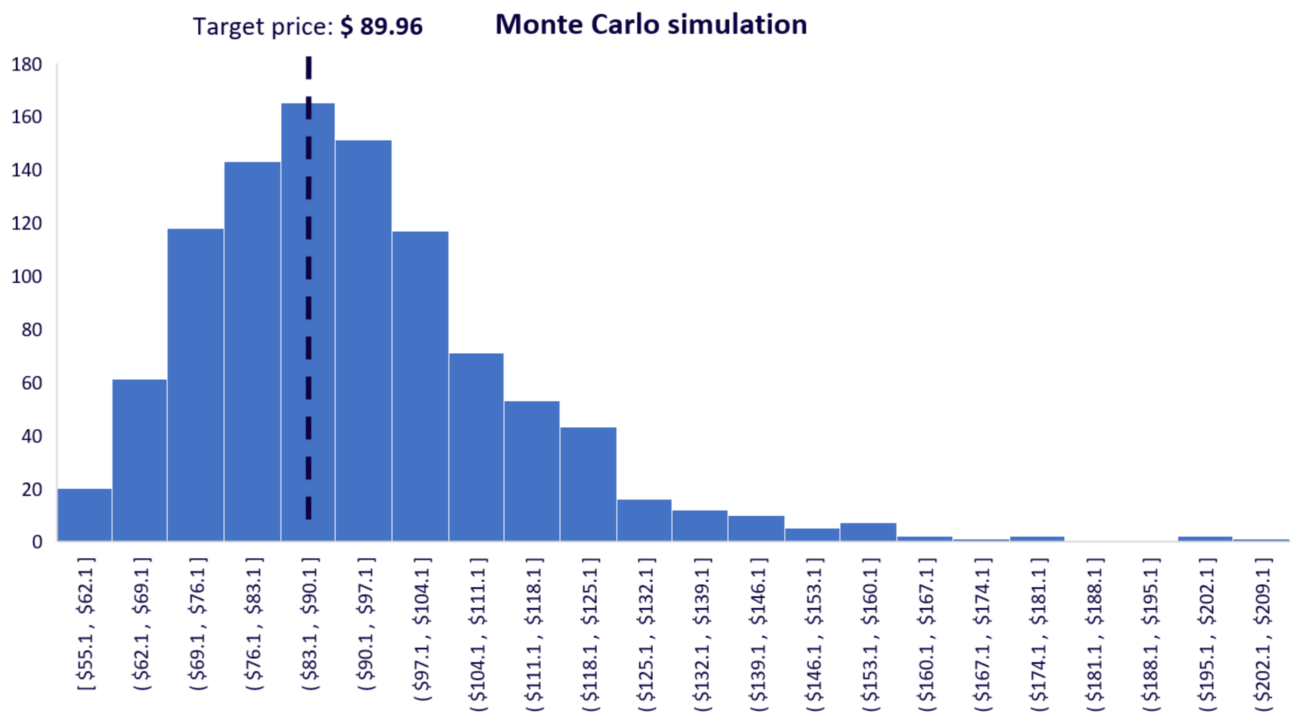


Figure 67: Monte Carlo Simulation – Source: Own analysis

Appendix 7: Peer Group Overview - Similar Peer Group Identification Rationale

Company	HQ	Rationale (Argumentation for or against the CCA suitability of peer firms – CCA suitability indicates that the firm has been categorised as a **most similar peer of Nike**)	Sales (FY23 $mn)	EBIT (%) (5 years average)	EBITDA (%) (5 years average)
Adidas AG	DE	Adidas is Nike's largest competitor, capable of matching Nike in terms of revenue, market share, and is therefore included as a similar peer.	23,736	6.4%	13.5%
Puma SE	DE	Puma SE, similar to Adidas, is a globally positioned competitor of Nike and offers an agnostic product portfolio like Nike, hence it is included as a peer.	9,328	7.8%	11.6%
Anta Sports Prod. Ltd	CN	Anta has a global footprint, expanding beyond China with a comprehensive product portfolio and major partnerships, positioning it as a competitor to Nike, thus included as a similar peer.	7,795	22.6%	29.2%
Under Armour Inc	US	Under Armour meets the criteria for a global brand presence and offers a comprehensive product portfolio, competing with Nike in various sports, and is therefore included as a peer.	5,904	7.2%	7.7%
Asics Corp	JP	Asics meets the criteria for a global brand presence and offers a comprehensive product portfolio, competing with Nike in various sports, and is therefore included as a peer.	3,821	7.5%	8.8%
Lululemon Athletica Inc	US	Lululemon has a strong apparel sector, particularly in the US, but is underrepresented in footwear, hence we do not consider the company as Nike's most similar peer. However, the sales volume would be suitable.	8,111	21.0%	25.1%
VF Corp	US	VF Corp is a multi-brand company that operates beyond the sports segment, with brands like Timberland, North Face, and Vans focusing more on outdoor and lifestyle products; therefore, we do not consider this firm a direct peer to Nike, although the sales volume would be suitable.	7,795	n/a	n/a
Li Ning Co Ltd	CN	Li Ning lacks a global brand footprint and is highly specialized in niche sports popular in China, such as table tennis, thus it is not included as a peer.	3,748	18.5%	21.3%
Skechers USA Inc	US	Skechers focuses on footwear and does not meet the criteria for an agnostic product portfolio, nor does it emphasize athletic performance like Nike, and is therefore excluded as a peer.	8,000	8.9%	10.5%
Columbia Sportswear Co	US	Columbia operates in a different product segment, focusing on active outdoor and lifestyle products rather than athletic sportswear, leading to its exclusion as a similar peer.	3,487	12.1%	15.3%
On Holding	CH	On is a newcomer with low sales volume and negative EBIT margin in the last five years. Its high growth rates create a very different dynamic compared to Nike. Hence, it's not included as a peer.	1,325	-2.8%	n/a
Nike Inc	**US**	n/a	**51,217**	**13.9%**	**14.4%**

***Figure 68**: Peer Group Overview – Similar Peer Group Identification Rationale – Source: Refinitiv, own analysis*

Appendix 8: Comprehensive Multiple Overview (Most Similar Peers)

Method ($)	**Pessimistic (-10%)**	**Difference**	**Optimistic (+10%)**	**Mean (100%)**
EV/EBIT - LTM	133,67	29,70	163,37	**148,52**
EV/EBIT - 2024E	82,99	18,44	101,43	**92,21**
EV/EBIT - 2025E	67,07	14,90	81,97	**74,52**
EV/EBITDA - LTM	71,80	15,96	87,76	**79,78**
EV/EBITDA - 2024E	113,45	25,21	138,66	**126,05**
EV/EBITDA - 2025E	104,37	23,19	127,57	**115,97**
EV/Sales - LTM	61,31	13,62	74,93	**68,12**
EV/Sales - 2024E	60,55	13,46	74,01	**67,28**
EV/Sales - 2025E	61,66	13,70	75,36	**68,51**
Average across methods	**84,10**	**18,69**	**102,78**	**93,44**

Method ($)	**Pessimistic (-10%)**	**Difference**	**Optimistic (+10%)**	**Mean (100%)**
EV/EBIT - 2024E	82,99	18,44	101,43	**92,21**
EV/EBITDA - 2024E	113,45	25,21	138,66	**126,05**
EV/Sales - 2024E	60,55	13,46	74,01	**67,28**
Average across relevant methods	**85,66**	**19,04**	**104,70**	**95,18**

Target share price based on CCA	**$**	**95,18**

***Figure 69**: Comprehensive Multiple Overview (Most Similar Peers) – Source: Own analysis*

Financial Statements

Reforumulated Income Statement

Reformulation of the Income Statement	2018A	2019A	2020A	2021A	2022A	2023A	2024B	2025F	2026F	2027F	2028F	2029F	2030F	TV
North America														
Revenue NA	**14.855**	**15.902**	**14.484**	**17.179**	**18.353**	**21.608**	**20.415**	**22.418**	**24.002**	**25.498**	**27.488**	**29.000**	**30.885**	**33.017**
%-growth	*N/A*	*7,0%*	*(8,9%)*	*18,6%*	*6,8%*	*17,7%*	*(5,5%)*	*9,8%*	*7,1%*	*6,2%*	*7,8%*	*5,5%*	*6,5%*	*6,9%*
EMEA														
Revenue EMEA	**9.242**	**9.812**	**9.347**	**11.456**	**12.479**	**13.418**	**13.176**	**14.599**	**15.657**	**16.562**	**17.692**	**18.804**	**20.045**	**21.414**
%-growth	*N/A*	*6,2%*	*(4,7%)*	*22,6%*	*8,9%*	*7,5%*	*(1,8%)*	*10,8%*	*7,3%*	*5,8%*	*6,8%*	*6,3%*	*6,6%*	*6,8%*
Greater China														
Revenue China	**5.134**	**6.208**	**6.679**	**8.290**	**7.547**	**7.248**	**9.805**	**11.194**	**11.979**	**12.056**	**12.853**	**14.029**	**14.961**	**15.896**
%-growth	*N/A*	*20,9%*	*7,6%*	*24,1%*	*(9,0%)*	*(4,0%)*	*35,3%*	*14,2%*	*7,0%*	*0,6%*	*6,6%*	*9,2%*	*6,6%*	*6,2%*
APLA														
Revenue APLA	**5.166**	**5.254**	**5.028**	**5.343**	**5.955**	**6.431**	**6.569**	**7.175**	**7.555**	**8.045**	**8.625**	**9.198**	**9.767**	**10.416**
%-growth	*N/A*	*1,7%*	*(4,3%)*	*6,3%*	*11,5%*	*8,0%*	*2,2%*	*9,2%*	*5,3%*	*6,5%*	*7,2%*	*6,6%*	*6,2%*	*6,6%*
Global Brand Division														
Revenue Global Brand Division	**88**	**42**	**30**	**25**	**102**	**58**	**63**	**68**	**74**	**80**	**87**	**94**	**102**	**111**
%-growth	*N/A*	*(52,3%)*	*(28,6%)*	*(16,7%)*	*308,0%*	*(43,1%)*	*8,4%*	*8,4%*	*8,4%*	*8,4%*	*8,4%*	*8,4%*	*8,4%*	*8,4%*
% of Total Revenue	*0,2%*	*0,1%*	*0,1%*	*0,1%*	*0,2%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*	*0,1%*
Converse														
Revenue Converse	**1.886**	**1.906**	**1.846**	**2.205**	**2.346**	**2.427**	**2.429**	**2.649**	**2.841**	**2.993**	**3.208**	**3.419**	**3.637**	**3.881**
%-growth	*N/A*	*1,1%*	*(3,1%)*	*19,4%*	*6,4%*	*3,5%*	*0,1%*	*9,1%*	*7,2%*	*5,4%*	*7,2%*	*6,6%*	*6,4%*	*6,7%*
Corporate														
Revenue Corporate	**26**	**(7)**	**(11)**	**40**	**(72)**	**27**	**27**	**27**	**27**	**27**	**27**	**27**	**27**	**27**
%-growth	*N/A*	*(126,9%)*	*57,1%*	*(463,6%)*	*(280,0%)*	*(137,5%)*	-	-	-	-	-	-	-	-
% of Total Revenue	*0,1%*	*(0,0%)*	*(0,0%)*	*0,1%*	*(0,2%)*	*0,1%*	*0,1%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*
Total Nike Revenue	**36.397**	**39.117**	**37.403**	**44.538**	**46.710**	**51.217**	**52.484**	**58.130**	**62.135**	**65.261**	**69.980**	**74.571**	**79.425**	**84.763**
%-growth	*N/A*	*7,5%*	*(4,4%)*	*19,1%*	*4,9%*	*9,6%*	*2,5%*	*10,8%*	*6,9%*	*5,0%*	*7,2%*	*6,6%*	*6,5%*	*6,7%*
COGS	*(20.441)*	*(21.643)*	*(21.162)*	*(24.576)*	*(25.231)*	*(28.925)*	*(29.137)*	*(32.293)*	*(34.390)*	*(36.143)*	*(38.947)*	*(41.380)*	*(44.069)*	*(47.020)*
% of Total Revenue	*(56,2%)*	*(55,3%)*	*(56,6%)*	*(55,2%)*	*(54,0%)*	*(56,5%)*	*(55,5%)*	*(55,6%)*	*(55,3%)*	*(55,4%)*	*(55,7%)*	*(55,5%)*	*(55,5%)*	*(55,5%)*
D&A as part of COGS	*(4.725)*	*(4.795)*	*(4.795)*	*(5.157)*	*(5.306)*	*(5.634)*	*(6.311)*	*(6.990)*	*(7.471)*	*(7.847)*	*(8.415)*	*(8.967)*	*(9.550)*	*(10.192)*
Gross Profit	**15.956**	**17.474**	**16.241**	**19.962**	**21.479**	**22.292**	**23.347**	**25.837**	**27.744**	**29.118**	**31.033**	**33.191**	**35.355**	**37.743**
%-growth	*N/A*	*9,5%*	*(7,1%)*	*22,9%*	*7,6%*	*3,8%*	*4,7%*	*10,7%*	*7,4%*	*5,0%*	*6,6%*	*7,0%*	*6,5%*	*6,8%*
% Gross Margin	*43,8%*	*44,7%*	*43,4%*	*44,8%*	*46,0%*	*43,5%*	*44,5%*	*44,4%*	*44,7%*	*44,6%*	*44,3%*	*44,5%*	*44,5%*	*44,5%*
Demand creation expenses	*(3.577)*	*(3.753)*	*(3.592)*	*(3.114)*	*(3.850)*	*(4.060)*	(4.446)	(4.794)	(4.956)	(5.334)	(5.710)	(6.119)	(6.475)	(6.894)
% of Total Revenue	*(9,8%)*	*(9,6%)*	*(9,6%)*	*(7,0%)*	*(8,2%)*	*(7,9%)*	*(8,5%)*	*(8,2%)*	*(8,0%)*	*(8,2%)*	*(8,2%)*	*(8,2%)*	*(8,2%)*	*(8,1%)*
Operating overhead expenses	*(7.934)*	*(8.949)*	*(9.534)*	*(9.911)*	*(10.954)*	*(12.317)*	(12.399)	(13.819)	(14.558)	(15.444)	(16.591)	(17.629)	(18.779)	(20.019)
% of Total Revenue	*(21,8%)*	*(22,9%)*	*(25,5%)*	*(22,3%)*	*(23,5%)*	*(24,0%)*	*(23,6%)*	*(23,8%)*	*(23,4%)*	*(23,7%)*	*(23,7%)*	*(23,6%)*	*(23,6%)*	*(23,6%)*
FTEs (in thousands)	73,1	76,7	75,4	73,3	79,1	83,7	93,4	101,6	105,5	111,5	119,8	128,9	136,5	145,2
AVG Operating Overhead Expense per FTE	*(108,5)*	*(116,7)*	*(126,4)*	*(135,2)*	*(138,5)*	*(147,2)*	*(132,8)*	*(136,0)*	*(137,9)*	*(138,5)*	*(138,5)*	*(136,7)*	*(137,5)*	*(137,8)*
%-growth														
Total selling and administrative expense	***(11.511)***	***(12.702)***	***(13.126)***	***(13.025)***	***(14.804)***	***(16.377)***	**(16.845)**	**(18.613)**	**(19.514)**	**(20.778)**	**(22.301)**	**(23.748)**	**(25.254)**	**(26.913)**
% of Total Revenue	*(31,6%)*	*(32,5%)*	*(35,1%)*	*(29,2%)*	*(31,7%)*	*(32,0%)*	*(32,1%)*	*(32,0%)*	*(31,4%)*	*(31,8%)*	*(31,9%)*	*(31,8%)*	*(31,8%)*	*(31,8%)*
Core Result Before Taxes	**4.445**	**4.772**	**3.115**	**6.937**	**6.675**	**5.915**	**6.502**	**7.223**	**8.230**	**8.340**	**8.732**	**9.443**	**10.102**	**10.830**
Statutory taxes	(1.297,9)	(1.002,1)	(654,2)	(1.456,8)	(1.401,8)	(1.242,2)	(1.365,4)	(1.516,9)	(1.728,4)	(1.751,5)	(1.833,7)	(1.983,1)	(2.121,4)	(2.274,4)
Tax adjustments	822	48	92	206	366	-	167	192	173	122	174	165	158	153
Core Result	**3.969**	**3.818**	**2.553**	**5.687**	**5.639**	**4.673**	**5.303**	**5.898**	**6.675**	**6.711**	**7.072**	**7.625**	**8.139**	**8.709**
% Core Result Margin	*10,9%*	*9,8%*	*6,8%*	*12,8%*	*12,1%*	*9,1%*	*10,1%*	*10,1%*	*10,7%*	*10,3%*	*10,1%*	*10,2%*	*10,2%*	*10,3%*
Other income (expense)	(66)	78	(139)	(14)	181	280	77	79	147	190	190	161	183	211
% of Total Revenue	*(0,2%)*	*0,2%*	*(0,4%)*	*(0,0%)*	*0,4%*	*0,5%*	0,1%	0,1%	0,2%	0,3%	0,3%	0,2%	0,2%	0,2%
Non-Core Result Before Taxes	**(66)**	**78**	**(139)**	**(14)**	**181**	**280**	**77**	**79**	**147**	**190**	**190**	**161**	**183**	**211**
Statutory taxes	19	(16)	29	3	(38)	(59)	(16)	(17)	(31)	(40)	(40)	(34)	(38)	(44)
Tax adjustments	82	188	166	258	426	-	145	310	305	285	222	242	212	214
Total other comprehensive income (loss), net of tax	104	323	(287)	(324)	698	(87)	69	(5)	90	208	58	100	107	138
% of Total Revenue	*0,3%*	*0,8%*	*-0,8%*	*-0,7%*	*1,5%*	*-0,2%*	*0,1%*	*0,0%*	*0,1%*	*0,3%*	*0,1%*	*0,1%*	*0,1%*	*0,2%*
Non-core result	**139**	**573**	**(231)**	**(77)**	**1.267**	**134**	**275**	**368**	**511**	**642**	**430**	**469**	**463**	**518**
% of Total Revenue	*0,4%*	*1,5%*	*(0,6%)*	*(0,2%)*	*2,7%*	*0,3%*	*0,5%*	*0,6%*	*0,8%*	*1,0%*	*0,6%*	*0,6%*	*0,6%*	*0,6%*
Interest expense	(54)	(49)	(89)	(262)	(205)	6	(120)	(134)	(143)	(119)	(102)	(124)	(124)	(122)
Financial result before taxes	**(54)**	**(49)**	**(89)**	**(262)**	**(205)**	**6**	**(120)**	**(134)**	**(143)**	**(119)**	**(102)**	**(124)**	**(124)**	**(122)**
Statutory taxes	16	10	19	55	43	(1)	25	28	30	25	21	26	26	26
Statutory tax rate	29,2%	21,0%	21,0%	21,0%	21,0%	21,0%	*21,0%*	*21,0%*	*21,0%*	*21,0%*	*21,0%*	*21,0%*	*21,0%*	*21,0%*
Financial result	**(38)**	**(39)**	**(70)**	**(207)**	**(162)**	**5**	**(95)**	**(106)**	**(113)**	**(94)**	**(81)**	**(98)**	**(98)**	**(97)**
YoY growth	*N/A*	*1,3%*	*81,6%*	*194,4%*	*(21,8%)*	*(102,9%)*	*(2.096,7%)*	*11,8%*	*6,7%*	*(16,7%)*	*(14,4%)*	*21,2%*	*0,6%*	*(1,6%)*
Comprehensive result	**4.070**	**4.352**	**2.252**	**5.403**	**6.744**	**4.812**	**5.483**	**6.160**	**7.074**	**7.259**	**7.422**	**7.997**	**8.504**	**9.131**
% of total revenues	*11,2%*	*11,1%*	*6,0%*	*12,1%*	*14,4%*	*9,4%*	*10,4%*	*10,6%*	*11,4%*	*11,1%*	*10,6%*	*10,7%*	*10,7%*	*10,8%*

***Figure 70**: Reformulated Income Statement – Source: Own analysis*

NOVA SCHOOL OF BUSINESS & ECONOMICS

Reforumulated Balance Sheet

	2018A	2019A	2020A	2021A	2022A	2023A	2024B	2025F	2026F	2027F	2028F	2029F	2030F	TV
Reformulated Balance Sheet														
Core business														
Working cash	2.548	2.738	2.618	3.118	3.270	3.585	3.674	4.069	4.349	4.568	4.899	5.220	5.560	5.933
Accounts receivable, net	3.498	4.272	2.749	4.463	4.667	4.131	4.883	5.423	5.797	6.089	6.511	6.957	7.410	7.908
Inventories	5.261	5.622	7.367	6.854	8.420	8.454	8.577	9.532	10.151	10.669	11.465	12.215	13.008	13.879
Prepaid expenses and other current assets	1.130	1.968	1.653	1.498	2.129	1.942	2.123	2.351	2.513	2.640	2.830	3.016	3.212	3.428
Current operating assets	**12.437**	**14.600**	**14.387**	**15.933**	**18.486**	**18.112**	**19.257**	**21.376**	**22.811**	**23.965**	**25.705**	**27.408**	**29.191**	**31.149**
Accounts payable	(2.279)	(2.612)	(2.248)	(2.836)	(3.358)	(2.862)	(3.323)	(3.693)	(3.933)	(4.133)	(4.442)	(4.732)	(5.040)	(5.377)
Current portion of operating lease liabilities	-	-	(445)	(467)	(420)	(425)	(347)	(384)	(411)	(432)	(463)	(493)	(525)	(560)
Accrued liabilities	(3.269)	(5.010)	(5.184)	(6.063)	(6.220)	(5.723)	(6.451)	(7.145)	(7.638)	(8.022)	(8.602)	(9.166)	(9.763)	(10.419)
Current operating liabilities	**(5.548)**	**(7.622)**	**(7.877)**	**(9.366)**	**(9.998)**	**(9.010)**	**(10.121)**	**(11.223)**	**(11.981)**	**(12.587)**	**(13.506)**	**(14.391)**	**(15.328)**	**(16.356)**
Net Operating Working Capital	**6.889**	**6.978**	**6.510**	**6.567**	**8.488**	**9.102**	**9.136**	**10.153**	**10.830**	**11.379**	**12.199**	**13.017**	**13.863**	**14.793**
Property, plant and equipment, net	4.454	4.744	4.866	4.904	4.791	5.081	6.081,5	6.735,7	7.199,7	7.562,0	8.108,8	8.640,8	9.203,2	9.821,7
Operating lease right-of-use assets, net	-	-	3.097	3.113	2.926	2.923	3.574	3.959	4.232	4.444	4.766	5.078	5.409	5.773
Identifiable intangible assets, net	285	283	274	269	286	274	349	387	413	434	465	496	528	564
Fixed assets	**4.739**	**5.027**	**8.237**	**8.286**	**8.003**	**8.278**	**10.005**	**11.081**	**11.844**	**12.440**	**13.340**	**14.215**	**15.140**	**16.158**
Total operating invested capital	**11.628**	**12.005**	**14.747**	**14.853**	**16.491**	**17.380**	**19.141**	**21.234**	**22.674**	**23.819**	**25.539**	**27.232**	**29.004**	**30.951**
Non-core business														
Short-term investments	996	197	439	3.587	4.423	3.234	2.471	2.737	2.926	3.073	3.295	3.511	3.740	3.991
Goodwill	154	154	223	242	284	281	281	281	281	281	281	281	281	281
Deferred income taxes and other assets	2.509	2.011	2.326	2.921	3.821	3.770	3.530	3.909	4.179	4.389	4.706	5.015	5.342	5.701
Non-operating asstes	**3.659,0**	**2.362,0**	**2.988,0**	**6.750,0**	**8.528,0**	**7.285,0**	**6.282,0**	**6.927,5**	**7.385,5**	**7.742,9**	**8.282,5**	**8.807,4**	**9.362,4**	**9.972,7**
Income taxes payable	(150,0)	(229,0)	(156,0)	(306,0)	(222,0)	(240,0)	(266,4)	(295,1)	(315,4)	(331,3)	(355,2)	(378,5)	(403,2)	(430,2)
Deferred income taxes and other liabilities	(3.216,0)	(3.347,0)	(2.684,0)	(2.955,0)	(2.613,0)	(2.558,0)	(3.655,6)	(4.048,9)	(4.327,8)	(4.545,6)	(4.874,3)	(5.194,1)	(5.532,1)	(5.903,9)
Non-operating liabilities	**(3.366,0)**	**(3.576,0)**	**(2.840,0)**	**(3.261,0)**	**(2.835,0)**	**(2.798,0)**	**(3.922,0)**	**(4.343,9)**	**(4.643,2)**	**(4.876,9)**	**(5.229,5)**	**(5.572,6)**	**(5.935,3)**	**(6.334,2)**
Net non-operating asstes	**293,0**	**(1.214,0)**	**148,0**	**3.489,0**	**5.693,0**	**4.487,0**	**2.359,9**	**2.583,6**	**2.742,2**	**2.866,1**	**3.053,0**	**3.234,8**	**3.427,1**	**3.638,5**
Total Invested Capital	**11.920,8**	**10.791,2**	**14.895,2**	**18.341,7**	**22.183,7**	**21.867,2**	**21.500,7**	**23.818,0**	**25.416,6**	**26.685,4**	**28.592,0**	**30.466,9**	**32.430,7**	**34.589,4**
Financial														
Excess Cash	1.701,2	1.727,8	5.729,8	6.771,3	5.304,3	3.855,8	5.117,0	5.667,4	6.057,9	6.362,7	6.822,8	7.270,4	7.743,6	8.264,0
Financial assets	**1.701,2**	**1.727,8**	**5.729,8**	**6.771,3**	**5.304,3**	**3.855,8**	**5.117,0**	**5.667,4**	**6.057,9**	**6.362,7**	**6.822,8**	**7.270,4**	**7.743,6**	**8.264,0**
Current portion of long-term debt	(6,0)	(6,0)	(3,0)	-	(500,0)	-	(97,1)	(107,6)	(115,0)	(120,8)	(129,5)	(138,0)	(147,0)	(156,9)
Notes payable	(336,0)	(9,0)	(248,0)	(2,0)	(10,0)	(6,0)	(144,1)	(159,5)	(170,5)	(179,1)	(192,1)	(204,7)	(218,0)	(232,6)
Short-term financial liabilities	**(342,0)**	**(15,0)**	**(251,0)**	**(2,0)**	**(510,0)**	**(6,0)**	**(241,2)**	**(267,1)**	**(285,5)**	**(299,9)**	**(321,6)**	**(342,7)**	**(365,0)**	**(389,5)**
Long-term debt	(3.468,0)	(3.464,0)	(9.406,0)	(9.413,0)	(8.920,0)	(8.927,0)	(9.621,8)	(10.656,8)	(11.391,1)	(11.964,2)	(12.829,3)	(13.671,0)	(14.560,8)	(15.539,4)
Operating lease liabilities	-	-	(2.913,0)	(2.931,0)	(2.777,0)	(2.786,0)	(2.703,3)	(2.994,1)	(3.200,4)	(3.361,5)	(3.604,5)	(3.841,0)	(4.091,0)	(4.365,9)
Total long-term debt	**(3.468,0)**	**(3.464,0)**	**(12.319,0)**	**(12.344,0)**	**(11.697,0)**	**(11.713,0)**	**(12.325,1)**	**(13.650,9)**	**(14.591,5)**	**(15.325,7)**	**(16.433,8)**	**(17.512,0)**	**(18.651,8)**	**(19.905,3)**
Total financial debt	**(3.810,0)**	**(3.479,0)**	**(12.570,0)**	**(12.346,0)**	**(12.207,0)**	**(11.719,0)**	**(12.566,3)**	**(13.918,1)**	**(14.877,0)**	**(15.625,6)**	**(16.755,4)**	**(17.854,7)**	**(19.016,7)**	**(20.294,8)**
Net debt	**(2.108,8)**	**(1.751,2)**	**(6.840,2)**	**(5.574,7)**	**(6.902,7)**	**(7.863,2)**	**(7.449,3)**	**(8.250,6)**	**(8.819,1)**	**(9.262,8)**	**(9.932,6)**	**(10.584,3)**	**(11.273,1)**	**(12.030,8)**
Class B — 1,266 and 1,273 shares outstanding	(3,0)	(3,0)	(3,0)	(3,0)	(3,0)	(3,0)	(3,0)	(3,0)	(3,0)	(3,0)	(3,0)	(3,0)	(3,0)	(3,0)
Capital in excess of stated value	(6.384,0)	(7.163,0)	(8.299,0)	(9.965,0)	(11.484,0)	(12.412,0)	(11.304,5)	(12.520,5)	(13.383,2)	(14.056,6)	(15.073,0)	(16.061,9)	(17.107,2)	(18.257,0)
Accumulated other comprehensive income (loss)	92,0	(231,0)	56,0	380,0	(318,0)	(231,0)	(231,0)	(231,0)	(231,0)	(231,0)	(231,0)	(231,0)	(231,0)	(231,0)
Retained earnings (deficit)	(3.517,0)	(1.643,0)	191,0	(3.179,0)	(3.476,0)	(1.358,0)	(2.069,0)	(1.781,0)	(2.640,1)	(1.897,1)	(2.741,4)	(2.256,6)	(3.058,3)	(2.648,5)
Total equity	**(9.812,0)**	**(9.040,0)**	**(8.055,0)**	**(12.767,0)**	**(15.281,0)**	**(14.004,0)**	**(13.607,5)**	**(14.535,5)**	**(16.257,3)**	**(16.187,7)**	**(18.048,4)**	**(18.552,5)**	**(20.399,6)**	**(21.139,4)**
Total assets	**22.536,0**	**23.717,0**	**31.342,0**	**37.740,0**	**40.321,0**	**37.531,0**	**40.660,9**	**45.051,9**	**48.099,0**	**50.511,5**	**54.150,6**	**57.701,3**	**61.437,2**	**65.544,1**
Total liabilities	(12.724,0)	(14.677,0)	(23.287,0)	(24.973,0)	(25.040,0)	(23.527,0)	(26.609,5)	(29.484,5)	(31.501,4)	(33.089,0)	(35.491,2)	(37.818,7)	(40.279,6)	(42.985,5)
Total liabilities + equity	**(22.536,0)**	**(23.717,0)**	**(31.342,0)**	**(37.740,0)**	**(40.321,0)**	**(37.531,0)**	**(40.217,0)**	**(44.020,0)**	**(47.758,7)**	**(49.276,7)**	**(53.539,6)**	**(56.371,2)**	**(60.679,2)**	**(64.124,9)**

***Figure 71**: Reformulated Balance Sheet – Source: Own analysis*

Reforumulated Cash Flow Statement

	2018A	2019A	2020A	2021A	2022A	2023A	2024B	2025F	2026F	2027F	2028F	2029F	2030F	TV
FCF Mapping														
Core activities														
Adj. EBITDA	**9.170**	**9.567**	**7.910**	**12.094**	**11.981**	**11.549**	**12.813**	**14.213**	**15.702**	**16.188**	**17.147**	**18.410**	**19.652**	**21.022**
EBIT	**4.445**	**4.772**	**3.115**	**6.937**	**6.675**	**5.915**	**6.502**	**7.223**	**8.230**	**8.340**	**8.732**	**9.443**	**10.102**	**10.830**
(-) Notional Taxes	(1.298)	(1.002)	(654)	(1.457)	(1.402)	(1.242)	(1.365)	(1.517)	(1.728)	(1.751)	(1.834)	(1.983)	(2.121)	(2.274)
(+/-) Tax adjustments	822	48	92	206	366	-	167	192	173	122	174	165	158	153
(-) Tax (unlevered)	(476)	(954)	(562)	(1.250)	(1.036)	(1.242)	(1.199)	(1.325)	(1.555)	(1.629)	(1.660)	(1.818)	(1.963)	(2.121)
NOPLAT	**3.969**	**3.818**	**2.553**	**5.687**	**5.639**	**4.673**	**5.303**	**5.898**	**6.675**	**6.711**	**7.072**	**7.625**	**8.139**	**8.709**
(+) Depreciation/ Amortization	*4.725*	*4.795*	*4.795*	*5.157*	*5.306*	*5.634*	*6.311*	*6.990*	*7.471*	*7.847*	*8.415*	*8.967*	*9.550*	*10.192*
Operating Gross Cash Flow	**N/A**	**8.613**	**7.348**	**10.844**	**10.945**	**10.307**	**11.614**	**12.888**	**14.147**	**14.558**	**15.487**	**16.592**	**17.689**	**18.901**
(+/-) Net CAPEX	*N/A*	*(4.987)*	*(4.795)*	*(5.557)*	*(5.342)*	*(6.252)*	*(7.988)*	*(8.323)*	*(8.417)*	*(8.585)*	*(9.529)*	*(10.051)*	*(10.696)*	*(11.453)*
(+/-) Change in NWC	*N/A*	*(89)*	*468*	*(56)*	*(1.921)*	*(614)*	*(34)*	*(1.017)*	*(677)*	*(549)*	*(820)*	*(818)*	*(846)*	*(930)*
Operating Free Cash Flow	**N/A**	**3.536**	**3.021**	**5.230**	**3.682**	**3.440**	**3.592**	**3.548**	**5.053**	**5.424**	**5.138**	**5.724**	**6.146**	**6.519**
Non-core activities														
Non-core result	**N/A**	**573**	**(231)**	**(77)**	**1.267**	**134**	**275**	**368**	**511**	**642**	**430**	**469**	**463**	**518**
(+/-) Change in net non-operating assets	*N/A*	*1.507*	*(1.362)*	*(3.341)*	*(2.204)*	*1.206*	*2.127*	*(224)*	*(159)*	*(124)*	*(187)*	*(182)*	*(192)*	*(211)*
Non-Operating Free Cash Flow	**N/A**	**2.080**	**(1.593)**	**(3.418)**	**(937)**	**1.340**	**2.402**	**144**	**353**	**519**	**243**	**287**	**271**	**307**
	N/A													
Total Free Cash Flow to Firm	**N/A**	**5.616**	**1.428**	**1.813**	**2.745**	**4.781**	**5.994**	**3.692**	**5.406**	**5.943**	**5.381**	**6.011**	**6.417**	**6.826**
Financial activities														
Net Financial Profit After tax	**N/A**	**(39)**	**(70)**	**(207)**	**(162)**	**5**	**(95)**	**(106)**	**(113)**	**(94)**	**(81)**	**(98)**	**(98)**	**(97)**
(+/-) Interests	*N/A*	(49)	*(89)*	*(262)*	*(205)*	*6*	*(120)*	*(134)*	*(143)*	*(119)*	*(102)*	*(124)*	*(124)*	*(122)*
(+/-) Tax shield	*N/A*	(10)	*(19)*	*(55)*	*(43)*	*1*	*(25)*	*(28)*	*(30)*	*(25)*	*(21)*	*(26)*	*(26)*	*(26)*
(+/-) Change in net financial assets	*N/A*	(358)	*5.089*	*(1.266)*	*1.328*	*960*	*(414)*	*801*	*568*	*444*	*670*	*652*	*689*	*758*
Debt financing cash flow	*N/A*	**(396)**	**5.019**	**(1.473)**	**1.166**	**965**	**(509)**	**696**	**456**	**350**	**589**	**554**	**591**	**661**
(+/-) Change in Equity	N/A	(5.124,0)	(3.237,0)	(691,0)	(4.230,0)	(6.088,8)	(5.879,6)	(5.231,8)	(5.351,9)	(7.329,0)	(5.560,8)	(7.492,6)	(6.656,8)	(8.390,9)
Cash Flows from Financing Activities	**N/A**	**(5.917)**	**6.800**	**(3.636)**	**(1.898)**	**(4.158)**	**(6.897)**	**(3.841)**	**(4.441)**	**(6.630)**	**(4.382)**	**(6.385)**	**(5.476)**	**(7.069)**

***Figure 72**: Reformulated Cash Flow Satement*

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Report Recommendations

Buy	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period.
Hold	Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over a 12-month period.
Sell	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

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