

A Work Project, presented as part of the requirements for the Award of a Master's degree in
Finance from the Nova School of Business and Economics.

The Acquisition of On Holding by Nike, Inc.

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Abstract

The athletic footwear industry is at a dynamic crossroads, with innovation and consumer engagement reshaping market leaders. This thesis explores the potential acquisition of On Holding by Nike Inc., focusing on the strategic and financial rationale behind the deal. On Holding rapid market share growth and cutting-edge innovation contrast with Nike's recent challenges, presenting a compelling case for synergies. Through detailed valuation models and synergies projections, it is estimated the potential value creation of merging On's technological edge with Nike's global infrastructure. Ultimately, a comprehensive rationale and quantitative analysis is provided, showcasing how this acquisition could restore Nike's leadership position.

Keywords: Merges & Acquisitions; Footwear; Innovation; Nike Inc; On Holding Ag; Sportswear; Synergies; Valuation.

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1. Introduction

This thesis was fueled by our shared passion for running and sports. As finance students, we sought to combine our academic knowledge with our deep interest in the athletic footwear industry, a sector undergoing profound transformation due to shifting consumer preferences, rising sustainability concerns, and rapid technological advancements. In this dynamic landscape, we chose to investigate the potential acquisition of On Holding by Nike Inc. - two emblematic companies of the industry's evolution. Nike, a global leader facing challenges in maintaining its dominance, has seen a 36% drop in its share price over the past year. In contrast, On, an emerging disruptor in the premium running footwear segment, has been achieving an impressive 86% increase in share price during the same period. This thesis explores whether such an acquisition could serve as a strategic turning point for Nike, unlocking synergies and restoring its competitive edge. The methodology employed combines qualitative and quantitative approaches to assess the feasibility and potential impact of the proposed acquisition. To establish a robust foundation, we began with a review of the literature on mergers and acquisitions (M&A), examining their potential to create value for companies. We then delved into an overview of the athletic footwear market, analyzing key growth drivers, competitive dynamics, and trends. Detailed profiles of Nike and On were developed to identify their strategic strengths and weaknesses. Using valuation techniques - Discounted Cash Flow (DCF), Comparable Companies Analysis, and Precedent Transactions - we estimated On's intrinsic value. The strategic rationale for the deal was then examined, highlighting potential synergies, operational efficiencies, and cultural alignment. Consolidation models projected the deal's financial impact, while a risk analysis identified challenges, including integration complexities and anti-trust concerns.

Our findings indicate that the proposed acquisition presents a compelling opportunity for Nike to regain its leadership position in the premium running footwear market. By integrating On's

innovative technologies and strong consumer loyalty with Nike's global infrastructure, the deal could generate significant value. Additionally, we developed adaptive financial scenarios to guide Nike in structuring the acquisition, accounting for variables such as premium percentage paid, borrowing requirements, and loan maturities. These scenarios culminated in an analysis of value generated assuming different premium percentages and total excess cash spent, as well as a break-even analysis identifying the maximum premium Nike could pay while ensuring the deal's profitability.

By bridging academic rigor with practical insights, this research provides a strategic roadmap for Nike and contributes to a broader understanding of M&A as a transformative tool in the athletic footwear industry.

2. Literature Review: M&A Fundamentals

Why Merges and Acquisitions?

In the context of this thesis, we begin by addressing one of the most cited objectives in corporate finance literature: maximizing shareholder value. This objective drives business decisions across firms, leading to a key question - Do mergers and acquisitions (M&A) truly enhance firm value?

Insights from a McKinsey report (McKinsey Quarterly 2007) elucidate this matter. Analyzing over 200 large companies worldwide between 1999 and 2005, the report identifies two primary pathways for revenue growth: organic and inorganic strategies. Organic growth emerges from internal processes such as expanding existing products or launching new ones, while inorganic growth involves acquisitions, mergers, or divestitures. Notably, hybrid growth strategies, such as strategic alliances and joint ventures, bridge these two methods, offering flexibility without requiring full acquisitions.

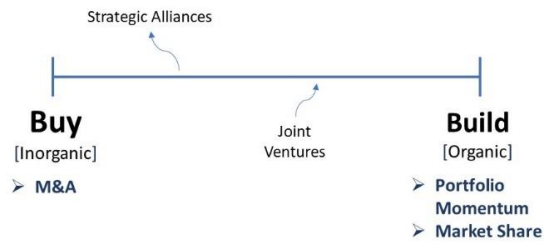


Figure 1: How Can Companies Grow

What makes the McKinsey study particularly compelling is its breakdown of how these growth elements contributed to the overall revenue growth of large companies. It found that the average company achieved 8.6% annual revenue growth from 1999 to 2005, with M&A accounting for 3 percentage points of this growth. Although this percentage might seem modest, the study highlights that M&A activity is "four times more important" than market share gains in explaining performance differences among large companies.

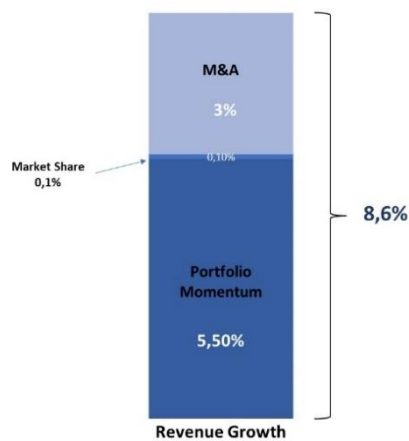


Figure 2: Weight of each dimension to Revenue growth

This insight challenges the common perception that organic market share gains are the primary path to growth. Particularly in competitive or mature markets, where organic growth opportunities are constrained, M&A emerges as a critical driver of expansion. Beyond revenue growth, successful acquisitions offer transformative potential: access to new markets, innovative technologies, and operational efficiencies often unattainable through internal strategies alone.

Motives for M&A activity

In addition to the insights provided by the McKinsey report, it is important to delve into the underlying motivations that originally drive firms to engage in M&A transactions. While M&A contributes to inorganic growth, the decision to pursue such activity is often driven by a range of strategic, financial, and operational factors.

To better understand the real motives that originate M&A actions, we believe the best strategy is to directly ask the decision makers, in order to obtain evidence of managerial perspectives about what leads them to initiate this type of transactions. A very insightful study (Mukherjee, Kiyamaz, and Baker 2004), surveyed chief financial officers (CFOs) of US firms. The following motives were identified:

Motive 1: Synergies

Synergies are the primary and most justifiable motive for M&A, according to the study. Synergies occur when the combined value of the acquirer and target exceeds the sum of their individual values¹. Through synergies, firms can streamline operations, eliminate redundancies, and leverage combined resources, which ultimately boost profitability. Notably, the promise of synergies justifies the premiums paid in many acquisitions. This expectation, however, must be critically examined, as synergy realization often depends on execution, and post-merger integration challenges can erode anticipated benefits. The distinction between projected and realized synergies is therefore critical when evaluating M&A outcomes, a theme this thesis will explore further in the context of Nike and On Holding.

Motive 2: Diversification

Diversification refers to acquiring firms outside a company's existing lines of business. Theoretically, diversified firms can achieve more stable cash flows and lower bankruptcy risk, enhancing their attractiveness to investors. For instance, a merger between a cyclical and a

¹ $V(A+B) > V(A) + V(B)$

countercyclical firm could reduce earnings volatility. However, the value of diversification as a motive is widely debated. Some empirical evidence, (Lang and Stulz 1994), suggests that shareholders can achieve similar risk mitigation by independently purchasing shares of countercyclical firms, bypassing the costs associated with mergers. Moreover, mergers driven solely by diversification often fail to create value for the combined company, introducing additional costs such as restructuring and legal fees. The market frequently applies a "conglomerate discount" to large, diversified companies, penalizing them for perceived inefficiencies like diluted managerial focus or misaligned incentives.

Motive 3: Undervaluation

A significant motive driving M&A is the potential undervaluation of target firms. Undervaluation occurs when a firm's intrinsic value exceeds its market value, often assessed using metrics like Tobin's Q-ratio. Developed by James Tobin, the Q-ratio compares market value to the replacement cost of assets. Values below 1 suggest undervaluation. Acquiring firms may view such targets as opportunities to purchase assets at a discount, anticipating long-term gains post-acquisition. This behavior aligns with the Q-Theory of Investment, which links undervaluation to corporate acquisition activity. Research by Rhodes-Kropf et al. (2005) shows that Q-ratio volatility often correlates with M&A waves, as market shocks like technological disruptions exacerbate valuation disparities, creating fertile ground for acquisitions. While the potential gains from undervaluation are clear, this motive presents challenges. Misjudging a target's intrinsic value can lead to overpayment, particularly in volatile markets. Additionally, undervaluation may signal deeper structural issues within the target firm, requiring careful post-merger integration. Thus, while undervaluation is a compelling M&A rationale, its success depends on rigorous valuation assessments and strategic execution.

3. Target Overview: ON

History

On Holding, commonly referred to as On, is a Swiss-based performance sportswear company specializing in innovative running shoes and apparel. It was founded in 2010 in Zurich, Switzerland, by three friends (and avid runners), Olivier Bernhard, David Allemann, and Caspar Coppetti. The company's objective was to revolutionize the running shoe industry by providing the best performance shoe with a completely different sensation.

Early Beginnings and Innovation

On Holding was born out of Olivier Bernhard, a former professional triathlete and multiple-time Ironman champion, given his dissatisfaction with the running shoes available at the time. He wanted to create a running shoe that would provide a completely different sensation from what was being done in the market. To do so, he joined forces with a Swiss engineer to develop a prototype shoe that would provide both cushioning and stability. The defining feature of On shoes is its patented CloudTec® technology, which uses hollow pods on the outsole that compress to absorb impact and then lock firm to provide an explosive push-off. On states: "CloudTec® is a unique Swiss technology cushioning system that provides greater comfort and support for more efficient running. It absorbs energy on landing, reduces impact and adapts to your running style. In the process, you experience the feeling that runners around the world love. We call it running on clouds".

Growth and Global Expansion

After its founding, On quickly gained popularity in the Swiss market and started expanding internationally. The brand's rapid growth was driven by a loyal customer base that appreciated the unique feel and performance of its shoes. This success allowed On to expand its product offerings to include running apparel and accessories. One of the key moments in On's history came in 2019, when tennis legend Roger Federer joined the company as an investor and partner. His involvement not only boosted the brand's visibility but also reinforced its commitment to innovation and performance. Federer's partnership has led to the development of limited-edition footwear, such as The Roger series, which blends On's technology with tennis-inspired designs.

IPO and Recent Developments

In September 2021, On went public, listing on the New York Stock Exchange under the ticker symbol "ONON." The company's IPO was highly successful, highlighting the strong investor

interest in the brand's growth potential. This move enabled On to continue expanding its reach, both in terms of product lines and global markets. As of today, On Holding is a sportswear brand, recognized for its commitment to sustainability, innovation, and performance-driven design. The company's footwear and apparel are now sold in over 60 countries, and it continues to set the standard in the performance sportswear industry.

Business Profile of On Holding

On Holding is a leading innovator in the premium athletic footwear and, most recently in the apparel market, targeting high-performance running and outdoor enthusiasts globally. Known for its distinctive CloudTec® technology, On strives toward its vision of becoming “the most premium global sportswear brand rooted in performance, design, and sustainability”, as outlined in its 2024 quarterly reports.

Differentiating itself through a strong commitment to innovative, sustainable materials and practices, On aligns with the increasing consumer demand for eco-conscious products. With a proven track record in cutting-edge design, strategic partnerships with elite athletes, and a focus on sustainability, we believe the company is well-positioned for growth in the premium athletic and lifestyle segments.

Historical Operating and Financial Analysis

ON has been achieving extraordinary revenue growth, reporting a compound annual growth rate (CAGR) of 61% from 2019 to 2023 (*Figure 3*). In 2023, ON generated approximately \$2 billion in revenue (*Figure 3*), driven by strong market penetration in Europe, North America, and Asia-Pacific markets. Footwear accounts for the wild majority (95%) of ON’s revenue, reflecting its core expertise and strong consumer demand for its running and outdoor shoes.

Additionally, the company has been showing high growth in gross margin, reaching around 60% in 2023 and surpassing industry averages, which reflects its premium pricing and efficiently growing supply chain. The company achieved a net profit of \$88.64 million in 2023

(Figure 4), the second year in a row with positive net income, highlighting improving profitability as the company matures. ON’s debt levels are low, with a net debt-to-equity ratio close to zero, which enhances its possible attractiveness as an acquisition target by minimizing financing complexities.

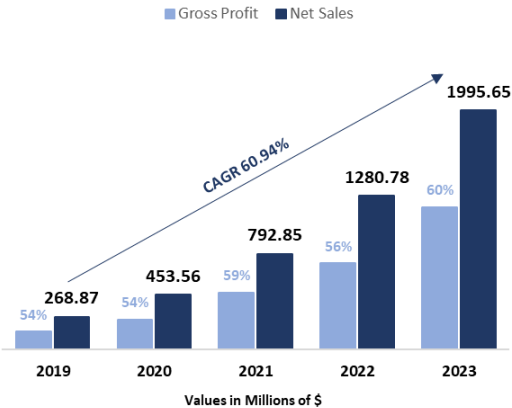


Figure 3: On’s Historical Revenues and Gross Profit

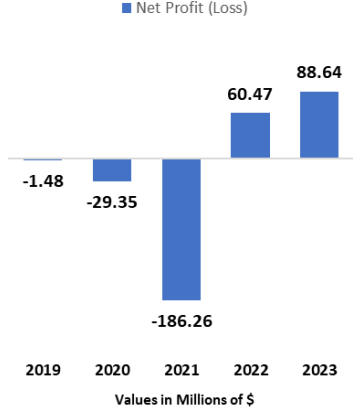


Figure 4: On’s Historical Net Profit (Loss)

SWOT analysis

Strengths

On benefits from its differentiation and technology. Its innovative and patent CloudTec® technology offers lightweight, high-performance footwear that appeals both functionally and aesthetically. Additionally, its premium positioning is reinforced by high-profile partnerships with influence figures like Roger Federer and Zendaya, which enhance brand credibility and visibility. Adding to this is the company strong financial health by demonstrating consistent growth since its 2021 IPO.

Weaknesses

On's high price can point limit access to price-sensitive consumers. On’s premium pricing strategy, while reinforcing its brand image, could limit its market share. Additionally, as the company grows, maintaining the perception of exclusivity while scaling operations could present a challenge. In comparison to competitors, On has taken a cautious approach to global retail expansion, which may naturally slow growth in direct-to-consumer channels. Moreover,

although On has successfully diversified into apparel, it remains primarily a footwear brand (95%), which leaves the company exposed to risks associated with changing trends in the athletic footwear industry. Finally, with a relatively new presence in high-growth regions like North America and Asia, On may face logistical and operational complexities, particularly with supply chain management, inventory control, and adapting its marketing strategies. As highlighted in its recent second quarter of 2024 report, “additional focus over the next months will be placed on successfully advancing On's warehouse automation project in the U.S., with a view towards scaling On's distribution capabilities in North America over the medium term.”

Opportunities

Expansion into emerging markets and diversification into performance apparel can offer significant growth opportunities. Tapping into the broader premium sportswear category could attract a wider customer base. Expanding into adjacent categories, such as casual and performance apparel or other sportswear, could attract a wider customer base. A stronger focus on apparel would allow On to compete more directly with other premium sportswear brands.

Threats

On faces intense competition from global giants like Nike, Adidas, and the resurgence of New Balance. These large competitors, have extensive distribution networks, larger marketing budgets, and long-standing consumer loyalty. Additionally, economic uncertainties and shifting consumer preferences could pressure its premium-focused strategy and require constant innovation to retain its competitive edge.

On's Product Portfolio

On's product portfolio includes athletic footwear and sports apparel, both designed to satisfy the needs of high-performance athletes and lifestyle consumers. On's portfolio mainly include:

Road Running Shoes: Models like the Cloudswift and Cloudflow focus on urban and mid-distances runs, while the Cloudmonster focus on stability and cushioning for long-distances.

Trail Running Shoes: Offerings like the Cloudadventure and Cloudultra provide transaction and endurance for rugged terrain.

Lifestyle Shoes: Popular models such as the Cloud 5, Cloudnova and the Roger collection, which blend comfort with urban style.

Apparel

On's apparel complements its footwear by combining performance and sustainability, appealing to both athletes and casual wearers. The range includes running shorts, performance t-shirts, and weather-resistant jackets, all crafted for style and utility.

3. Valuation of ON

To determine the fair price Nike should pay for On's shares, it is crucial to estimate On's intrinsic value rather than relying solely on its current market value, which may be subject to overvaluation or undervaluation. This analysis will employ three distinct methodologies: Discounted Cash Flow (DCF) analysis, Comparable Companies analysis, and Precedent Transactions analysis.

3.1. Discounted Cash Flows

The primary model used is the Discounted Cash Flow (DCF) method, a widely recognized approach in corporate finance for estimating the present value of a company based on its expected future cash flows. By projecting On's future financial performance, the DCF model provides a comprehensive view of the company's valuation. This analysis integrates historical financial data, well-researched assumptions, and prevailing market conditions, offering valuable insights into On's financial outlook and positioning within the competitive landscape of the athletic footwear and apparel industry. As with any Discounted Cash Flow (DCF) model, the accuracy of future projections heavily depends on the quality and reliability of historical data. For On, we relied on financial data from 2019 to 2023 to build our assumptions and

projections. It is important to note that On went public in 2021, meaning that detailed and reliable financial data prior to 2019 was unavailable.

ON's 2024 Fiscal Year

In developing a comprehensive projection for On's 2024 fiscal year, we encountered the challenge of working with incomplete data. At the time of analysis, only the financial results for the first three quarters of 2024 were available, as the company's fiscal year ends on December 31st. To estimate the full year's performance, we broke down each historical fiscal year into its respective quarters and analyzed the growth rates from quarter to quarter for each item on the income statement. This approach enabled us to better understand seasonal fluctuations and other performance variations within the company's annual cycle from previous years. A crucial part of this process involved eliminating outliers to ensure the robustness of our assumptions. To achieve this, we calculated the first and third quartiles and the interquartile range (IQR) for each metric. This statistical analysis helped identify and exclude extreme values, ensuring that the assumptions used for projecting Q4 were based on reliable, consistent data. After removing the outliers, we applied the average growth rate from Q3 to Q4 for each income statement item to project the results for the final quarter of 2024. These projections were then used to complete our estimate for the entire fiscal year of 2024. The only exception to this method was the foreign exchange result item, which we did not derive from the quarterly growth rates. Instead, we sourced this data from the Finchart investment research platform, as this metric is more influenced by fluctuations in the CHF/USD exchange rate than by historical quarterly variations.

By applying these calculations, we arrived at a comprehensive set of projections for On's full-year performance in 2024. These projections formed the basis for the subsequent Discounted Cash Flow (DCF) valuation model. Detailed breakdown of the calculations in as follows:

ON Projections for end of 2024

(CHF in millions)

	Historical:							
	2021				2022			
	Q1 - 2021	Q2 - 2021	Q3 - 2021	Q4 - 2021	Q1 - 2022	Q2 - 2022	Q3 - 2022	Q4 - 2022
Netsales	140.39	175.06	218.04	191.10	235.68	291.66	328.01	366.74
Cost of sales	-59.56	-68.71	-86.75	-79.28	-113.61	-130.82	-140.61	-152.16
Gross profit	80.83	106.35	131.29	111.82	122.07	160.84	187.41	214.58
Selling, general and administrative expenses	-91.73	-82.97	-107.41	-289.27	-118.70	-134.50	-146.72	-199.88
Operating result	-10.90	23.38	23.88	-177.45	3.37	26.34	40.69	14.70
Financial income	2.17	0.01	-5.69	3.54	16.00	1.11	-15.94	4.53
Financial expenses	-	-1.03	-	-2.55	-	-1.54	-	-4.86
Foreign exchange result	-	-0.38	-	-14.57	-	32.27	-	-38.77
Income / (loss) before taxes	-8.73	21.98	18.19	-191.03	19.37	58.19	24.75	-24.41
Income tax benefit / (expense)	-1.72	-7.77	-5.20	25.19	-5.03	-9.04	-4.12	-2.01
Net Income / (loss)	-10.45	14.21	12.99	-186.98	14.34	49.15	20.63	-26.42

	Historical:							Estimation
	2023				2024			
	Q1 - 2023	Q2 - 2023	Q3 - 2023	Q4 - 2023	Q1 - 2024	Q2 - 2024	Q3 - 2024	Q4 - 2024
Netsales	420.20	444.30	480.50	447.10	508.20	567.70	635.80	623.88
Cost of sales	-175.30	-179.80	-192.80	-176.90	-204.90	-227.40	-250.50	-245.09
Gross profit	244.90	264.50	287.70	270.10	303.30	340.20	385.30	378.79
Selling, general and administrative expenses	-202.60	-225.10	-229.90	-229.40	-264.80	-292.90	-312.70	-350.24
Operating result	42.30	39.40	57.80	40.70	38.50	47.30	72.60	28.55
Financial income	9.20	-46.10	11.50	36.90	77.30	-4.60	-43.00	11.99
Financial expenses	-	-	-	-11.30	-	-	-	-20.09
Foreign exchange result	-	-	-	-111.40	-	-	-	-55.80
Income / (loss) before taxes	51.50	-6.70	69.30	-45.00	115.80	42.70	29.60	-35.35
Income tax benefit / (expense)	-7.10	10.00	-10.60	-2.94	-24.40	-11.80	0.90	1.27
Net Income / (loss)	44.40	3.30	58.70	-26.80	91.40	30.80	30.50	-36.62

All year 2024
2335.58
-927.89
1407.59
-1220.64
186.95
41.69
-20.09
-55.80
152.75
-34.03
116.08

Figure 5: Computations for On's 2024 Fiscal Year

Projection Period

For our DCF model, we set a 9-year projection period, spanning from 2025 to 2032. We divided this time horizon into three distinct stages: short-term (2025–2026), mid-term (2027–2029), and long-term (2030–2032). This segmentation allows us to make more targeted assumptions based on On's expected growth at different stages of its business cycle, particularly given that the company is still in the early phases of its journey.

Revenue Growth Rate Projections

For On Holding, the revenue growth projections are broken down into two stages (Figure 6):

- Short-term (2025–2026): **55%**
- Mid-term (2027–2029) and Long-term (2030–2032): **30%**

We found necessary to broke it into two stages to capture the unique growth dynamics of On in its current high-growth phase and its transition toward maturity, while factoring in market competitive positioning.

To establish a baseline, we have calculated On's historical revenue growth rate. The company has achieved an average growth rate of approximately 55% over recent years. This high growth reflects its rapid market expansion, increased brand recognition, and innovative product offerings. We assumed On would maintain its historical average growth rate of 55% in the short term, supported by several key factors:

New Product Launches: On's strategic expansion into apparel - an area with similar growth potential to its footwear business at its early stages - will be a major driver of revenue growth. The company has emphasized that its apparel line will be crucial for the next phase of growth, akin to the early years of its footwear business. This expansion mirrors On's successful experience in the footwear sector, where rapid growth resulted from strong market share gains. In a September 4, 2024, interview with Yahoo Finance, On's CEO stated that the company expects apparel to account for approximately 10% of total revenues, up from its current contribution of 4%. This projection underscores the substantial growth potential of this segment.

Refined Store Strategy: Recently, On decided to close underperforming stores, as outlined in the 2024 quarterly reports, therefore, we expected the company to optimize sales per location in the future. By focusing on more profitable stores and eliminating less productive ones, On will probably improve overall sales performance compared to the past year.

Geographic Expansion: On's continued investment in international markets, will contribute to sustained growth. Their efforts to strengthen distribution networks and increase market penetration across regions provide significant tailwinds for future revenue generation. In an interview for Yahoo Finance on September 4th, 2024, the CEO mentioned that Live Shopping in China, for example, is a very popular and it is part of the company plan to invest further.

The 30% mid-term and long-run revenue growth rate projection reflects the natural deceleration as On matures. To quantify and contextualize the appropriate growth potential, we analyzed the revenue growth rates of its main competitors in the athletic footwear and apparel industry - Nike, Adidas, Skechers, and others (*Appendix.1*). These companies' average historical revenue growth rate is approximately 15%. However, while this provides a useful benchmark, we strongly believe it does not fully reflect On's growth trajectory due to differences in market stage and scale. It is imperative to recognize that On operates in an earlier, exponential growth phase compared to its competitors. By examining the historical growth differential between On and its peers from 2021 to 2023, On has grown, on average, 46.6% more than its competitors (*Appendix.1*). This difference in growth underscores its ability to outpace the market through innovation and niche positioning.

Therefore, in our view, it does not make sense to either assume that On will grow at 15%, as its competitors are growing, nor to say that it will grow 46.6% above for the whole projection years, meaning it will grow at 61.9%, which is the sum of the competitors' average growth rate of 15% and On's historical outperformance differential of 46.6%. Instead, we reasoned that, given On's transition to a more mature stage, it would be more realistic to assume that its growth rate will slow down over time. Thus, we decided to moderate the 61.9% growth rate by reducing it to half, which results in an adjusted growth rate of approximately 30.95% (rounded to 30%) (*Figure 6*). This reflects the fact that, while On will continue to outperform its competitors due to its innovative products and expansion strategy, the growth will naturally decelerate and move closer to the 15% growth of its peers as the company matures. By applying this adjustment, we ensure that the final projection aligns with On's competitors while still reflecting its superior growth potential compared to its peers.

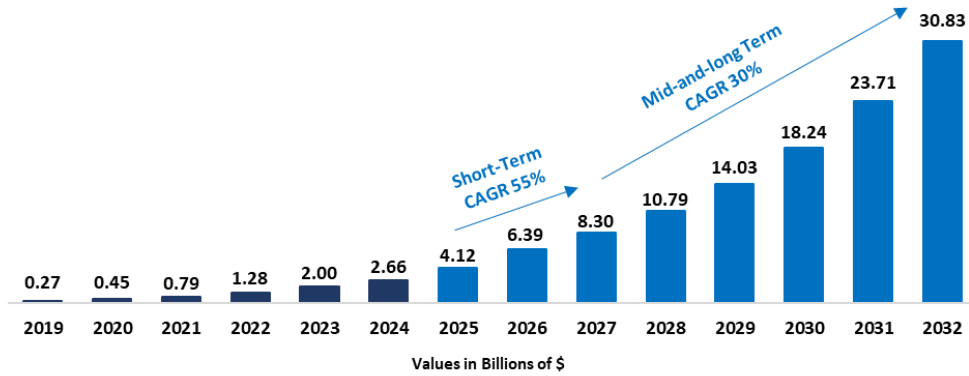


Figure 6: On Holding's Revenues Projection

Gross Profit Margin Projections

For On Holding, **the gross profit margin** projections remain consistent throughout the forecast horizon:

- Projected FCF period (2025–2032): **60%**

As per our analysis, On is expected to achieve a gross profit margin of 60% for the full year of 2024 (*Figure 3*), a level we anticipate will remain stable over the subsequent years. This expectation is grounded in On's strategy to enhance operational efficiency and capitalize on its pricing power, as outlined in the company's most recent quarterly reports. On Holding's management has consistently emphasized its focus on driving profitability through continuous efficiency improvements, premium product pricing strategies, and reduced reliance on costly logistics measures such as air freight.

To validate this assumption, we analyzed the gross profit margins of On's direct competitors, particularly premium-focused sports footwear brands like Hoka and Lululemon. Our calculations show that On has consistently outperformed these peers in recent years, averaging about 2% higher gross profit margin (*Appendix.2*). This outperformance is largely attributed to On's innovative technologies and premium pricing strategy. For instance, recent advancements in 3D printing technology are expected to optimize production costs further, supporting long-

term margin stability. Our analysis indicates that On will continue to achieve slightly higher gross profit margins than its peers - around 60% - due to its technological edge and rigorous cost-control measures.

We also considered the potential impact of On's diversification into accessories and apparel, which may make comparisons with broader industry players, such as Nike, Adidas, and Puma, more relevant. Adidas, the leader in gross profit margin among these brands, averaged 49% from 2019 to 2023. From our perspective, On's premium-focused business model justifies maintaining a margin approximately 10 percentage points higher. This aligns with On's strategy to uphold a distinct market position that commands premium pricing across its expanding product portfolio.

Based on these factors, we find it realistic for On to sustain a 60% gross profit margin even as it diversifies, barring unforeseen challenges such as significant raw material cost increases, labor cost inflation, or difficulties in adopting new technologies. This consistent margin underscores On's ability to balance growth and profitability while solidifying its competitive position in the premium athletic footwear and apparel market.

Selling, General and Administrative (SG&A) Projection

For On Holding, we anticipate the Selling, General and Administrative (SG&A) expenses to represent the following percentages of revenues across three distinct time frames:

- **Short-term (2025–2026):** An average of 52% of revenues.
- **Mid-term (2027–2029):** An average 45% of revenues.
- **Long-term (2030–2032):** An average 42.3% of revenues.

Unlike other projections, SG&A account required a more complex but, in our view, more accurate methodology to determine the final assumptions. Since this account comprises a variety of expenses, we adopted a more granular approach by segmenting SG&A into its

primary components: distribution expenses, selling expenses, marketing expenses, share-based compensation, and general administrative expenses (*Appendix.3*). This approach enables more accurate and transparent forecasting, as it captures the specific dynamics of each cost category. Our projections were mainly focused on insights derived from the company's strategic announcements and information disclosures than purely numerical trends, since we had plenty of information that provided critical context for these projections. For instance, as highlighted in the company's report:

"Entering new geographic markets or converting distributor markets requires us to invest in personnel, marketing, and infrastructure, including additional offices, showrooms, and distribution networks. Our international expansion has resulted in, and will continue to result in, increased costs."

Breakdown of some of the most relevant SG&A expenses:

Distribution Expenses: Are forecasted to represent 13% of revenues from 2025 to 2026. This percentage is expected to decline to 11% between 2027 and 2029 and taper further to 10% by 2030 to 2032. These projections account for increased costs tied to global market expansion, including investments in new distribution networks and infrastructure. Over time, economies of scale and enhanced bargaining power are expected to mitigate these costs.

Marketing Expenses: Marketing expenses remain a critical driver of On Holding's growth strategy. During its Q1 2024 earnings call, the company reaffirmed:

"Marketing is critical to fostering brand loyalty and expanding awareness. We will continue to increase spending on initiatives like global campaigns and digital engagement."

Consequently, we believe marketing expenses will continue to represent a consistent and relevant percentage of revenues throughout the projected years. Additionally, recent high-profile sponsorships, such as Zendaya, Roger Federer, and Ben Shelton, among other prominent

figures, represent significant long-term investments that, in our view, are expected to recur at the same intensity in later years.

General and Administrative (G&A) Expenses: General and administrative expenses, which represent the largest portion of SG&A costs, are projected represent about 15% of revenues in from 2025 to 2026, which is what the company is achieving for the past two years. By 2027-2029, this figure is expected to decline to 14%, eventually reaching 12% in 2030-2032. This forecast reflects On's need to invest in personnel and infrastructure as it expands geographically, but also its innovation and recent developments. For instance, the fact that On is introducing a 3D technology (LightSpray) that uses a robotic arm to create a shoe in just three minutes, clearly shows the level of cost reductions that can be achieved. As the CEO noted in Yahoo Finance interview on September 4: “It is in an early process (...) but we really want to make this scale and bringing it to the mass market”.

In summary, the total SG&A expenses are expected to decline as a percentage of revenues over time (*Figure 7*), reflecting On's transition into a more operationally efficient and mature company. By 2030–2032, SG&A-to-revenue ratios are projected to average approximately 42%, which compares favorably with industry leaders like Nike and Adidas, whose ratios range between 29% and 46%, with an average of 38%. This convergence reflects On's potential to achieve greater cost control and align with established industry benchmarks as its brand and market presence solidify. Projections as follows:

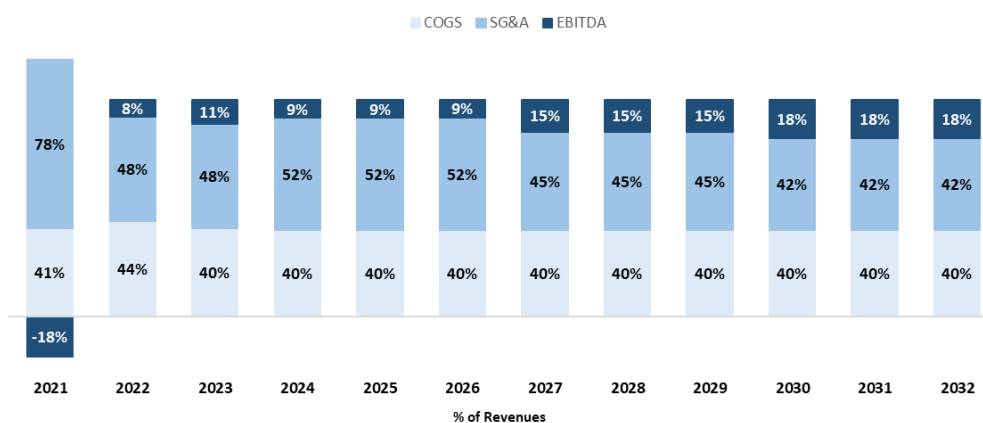


Figure 7: On Holding's Cost of Sales, SG&A and EBITDA as percentage of Net Sales

Tax Rate

For the income tax benefit/expense, we opted to use the tax rate reported by the company in its financial statements rather than attempting to calculate an effective tax rate. This approach is more conservative and reasonable, as we assume that, on average and in the long run, the company will pay taxes in line with the stated tax rate, which is of 19.70%.

Net Working Capital (NWC)

Net Working Capital was calculated through the formula:

$$NWC = \text{Accounts Receivable} + \text{Inventory} - \text{Accounts Payable}$$

Each rubric was forecasted using the respective stage of the Cash Conversion Cycle - Average Collection Period, Average Holding Period and Average Payable Period.

$$\text{Accounts Receivable} = \text{Net Sales} \times \frac{\text{Average Collection Period}}{365}$$

$$\text{Inventory} = \text{Cost of Sales} \times \frac{\text{Average Holding Period}}{365}$$

$$\text{Accounts Payable} = \text{Cost of Sales} \times \frac{\text{Average Payable Period}}{365}$$

Average Collection Period and Average Holding Period were forecasted by aiming at selected peers' 2023 ACP and AHP, as this metric should match its more mature competitors' long-term with the improvement on DTC Sales/Total Sales. For AHP, it was had in account that,

competitors more diversified into clothing, such as Nike, are expected to have lower inventory holding periods than a fully specialized in footwear company like On.

Average Payable Period was assumed to hold constant as the average of the last reported years.

(USD in millions)												
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Accounts Receivable	108,62	182,98	228,06	408,45	603,87	884,16	1090,13	1340,11	1641,98	2004,35	2436,37	2978,64
% of sales	14%	14%	11%	15%	15%	14%	13%	12%	12%	11%	10%	10%
Accounts Payable	50,27	116,33	72,49	167,82	270,17	418,89	544,55	707,92	920,29	1196,38	1555,29	2021,88
% of COGS	16%	21%	9%	16%	17%	17%	17%	17%	17%	17%	17%	17%
Inventory	146,82	414,59	396,99	394,01	605,80	931,38	1200,55	1547,40	1994,32	2570,12	3311,91	4267,47
% of COGS	46%	74%	49%	37%	37%	37%	36%	36%	36%	35%	35%	35%
Net Working Capital	205,17	481,25	552,56	634,64	939,50	1396,65	1746,13	2179,60	2716,01	3378,09	4192,99	5224,23
Change in NWC	70%	135%	15%	15%	48%	49%	25%	25%	25%	24%	24%	25%
Average Collection period (days)	50	52	42	56	54	51	48	45	43	40	38	35
Average Payable Period (days)	57	75	33	58	60	60	60	60	60	60	60	60
Average Holding period (days)	166	269	180	136	135	134	133	132	131	129	128	127
Cash Conversion Cycle	159	246	188	134	128	124	121	117	113	109	106	102

Table 1: On Holding's Net Working Capital Forecasting

Depreciation

Depreciation is assumed constant as a % of each year's beginning PPE, at 30% of total sales each forecasted year, with

$$beg. PPE_t = end. PPE_{t-1}$$

and

$$end. PPE_t = beg. PPE_t + CapEx - Depre.$$

Capex

Total capex per year is calculated as the sum of maintenance capex (assumed to be equal to depreciation) and expansion capex. Expansion capex as % of total sales is assumed to be the highest (2%) in 2025 and 2026 (Table 2) as it is assumed that the company may invest more in expansion to get back to previous years' revenue growth levels right from 2025 onwards. After that, as the company matures, expansion capex as % of sales is assumed to decrease in medium and long-term to 1%.

(USD in millions)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PPE beginning of period	18,13	37,64	80,91	104,23	142,27	229,17	363,91	446,93	554,87	695,18	877,59	1114,72
Depreciation	7,77	14,78	24,39	36,58	42,68	68,75	109,17	134,08	166,46	208,55	263,28	334,42
Total Capex	27,27	58,04	47,71	74,62	129,58	203,49	192,20	242,01	306,77	390,96	500,41	642,68
Maintenance Capex	7,77	14,78	24,39	36,58	42,68	68,75	109,17	134,08	166,46	208,55	263,28	334,42
Expansion capex	19,51	43,27	23,32	38,04	86,90	134,74	83,03	107,93	140,31	182,41	237,13	308,27
PPE ending of period	37,64	80,91	104,23	142,27	229,17	363,91	446,93	554,87	695,18	877,59	1114,72	1422,99
Depreciation as % of PPE	43%	39%	30%	35%	30%	30%	30%	30%	30%	30%	30%	30%
Expansion Capex as % of Sales	2%	3%	1%	1%	2%	2%	1,0%	1,0%	1,0%	1%	1%	1%

Table 2: On Holding's Capex Forecasting

Weighted Average Cost of Capital (WACC)

On's WACC is computed at 11.31% (*Figure 8*) through an approach grounded in comparables and market-derived inputs, aiming to reflect the company's risk profile and cost of financing. Since On Holding is still growing and its optimal capital structure is not well-defined, a target debt-to-equity ratio was inferred by averaging the ratios of its most mature and relevant peers in the industry. This approach assumes that On's long-term capital structure will converge with these benchmarks.

In calculating On's Cost of Debt a 4% risk-free rate was assumed based on the yield of U.S. Treasury bonds, which is a widely accepted proxy in financial models. Credit spread was determined using Damodaran (2024) table that relates the interest coverage ratio (ICR) of a firm to a synthetic rating and a default spread (*Appendix.6*). Asynthetic credit rating of AAA was obtained, which corresponds to a spread of 0.59%. Cost of Debt was, also, adjusted for probability of default (sourced from Bloomberg) and loss given default to account for expected losses due to default. On's tax rate of 19.7% was applied to calculate the after-tax cost of debt, arriving at 3.69%.

For the Cost of Equity, Market Risk Premium was computed using Bloomberg's data on expected market returns, subtracting the risk-free rate. On's Levered Beta (sourced from Bloomberg) was then applied to reflect On's sensitivity to market movements, adjusted for its financial leverage, yielding a Cost of Equity of 12.88%.

Damodaran framework		Target Capital Structure	
ICR	15.96	Target debt-to-equity	20.59%
Synthetic Rating	AAA	Debt-to-total capitalization	17.07%
Spread	0.59%	Equity-to-total capitalization	82.93%
Cost of debt		Cost of equity	
Risk-free rate	4.00%	Risk-free rate	4.00%
Credit Spread	0.59%	Market risk premium	6.34%
Prob. Of Default	0.02%	Levered beta	1.400
Loss Given Default	70.00%	Cost of equity	12.88%
Pre-tax cost of debt	4.59%		
Tax rate	19.70%		
After tax cost of debt	3.69%		
		WACC	
			11.31%

Figure 8: Computation of On Holding's Weighted Average Cost of Capital (WACC)

Free Cash Flows

Free Cash Flows were computed using the forecasts explained above (more details on *Appendix.5*). Terminal Value was calculated using a terminal growth rate between 2-3% (an approximation of the global economy's growth year-on-year). Discounting both the Terminal Value and FCFs at the computed WACC of 11.31% leads to an Enterprise Value ranging between \$17.24B and \$18.97B.

Sensitivity Analysis

A sensitivity analysis was conducted to mitigate the risks associated with certain assumptions and assess the change in On's forecasted value with changes in WACC and terminal growth rate, which have significant impacts on enterprise valuation (*Table 3*). This analysis yields an Enterprise Value between \$16,01B (WACC +0,5pps; TGR = 2%) and \$20,63B (WACC - 0,5pps; TGR = 3%), an Equity Value between \$16.26B and \$20.88B when added Net Cash (as Cash and Cash Equivalents - Debt) of \$0,25B, and a Share Price of \$50.30 - \$64.60.

		Terminal Growth Rate				
EV		1.50%	2.00%	2.50%	3.00%	3.50%
WACC	10.31%	19.21B	20.18B	21.28B	22.53B	23.97B
	10.81%	17.78B	18.62B	19.57B	20.63B	21.85B
	11.31%	16.51B	17.24B	18.06B	18.97B	20.01B
	11.81%	15.37B	16.01B	16.72B	17.51B	18.40B
	12.31%	14.34B	14.91B	15.53B	16.22B	16.99B

Table 3: Enterprise Value sensitivity analysis

Comparable Companies Multivariate Regression

Peers' Selection

While the Discounted Cash Flow (DCF) methodology is an intrinsic valuation approach based on future cash flow projections, the Comparable Companies Analysis (CCA) is a relative

Table 4: Enterprise Value sensitivity analysis

valuation method. It begins with the selection of a peer group consisting of companies that operate within the same industry and share similar characteristics—such as geography, size, growth rate, margins, and profitability. This peer group serves as a benchmark for deriving On's valuation in this analysis.

To ensure a robust comparison, a group of 15 companies was initially considered (*Appendix.7*). From this list, 10 companies were selected as the closest comparables based on their business and financial profiles. These firms primarily operate in the athletic apparel and footwear industry, with a strong emphasis on footwear, and maintain a global presence. Companies excluded from the analysis were omitted due to differences in size, growth rates, or geographic concentration.

Table 4, below highlights the EV/EBITDA multiples for On Holding and the selected peers. It is evident that On Holding is trading at significantly higher multiples compared to its peers. This discrepancy stems from On Holding's exceptional revenue growth rates, as the company is rapidly expanding its market share across various geographies and outperforming competitors.

Given the substantial divergence of On Holding's multiple from those of its peers, a simple average of peer multiples would fail to provide an accurate valuation. Instead, a multivariate regression analysis was conducted to better account for the factors driving On Holding's elevated multiples and to compute an adjusted multiple for the company.

The multivariate regression aims to model the EV/EBITDA multiple based on key drivers of

valuation, incorporating firm-specific attributes that explain variations in multiples across the peer group. The dependent variable in this analysis is the EV/EBITDA multiple, while the independent variables (drivers) were carefully selected based on their relevance to valuation:

5-Year Compound Annual Growth Rate (CAGR): Revenue growth is a critical determinant of valuation multiples, particularly for high-growth companies like On Holding. Firms with higher growth prospects typically command premium multiples, reflecting investors' expectations for future performance. In the regression conducted, for every 1pp increase in the 5-year CAGR, the EV/EBITDA multiple increases by approximately 0,60x, holding other factors constant.

Size (Enterprise Value): While larger firms often trade at lower multiples due to greater stability and reduced growth prospects, the coefficient obtained is positive, meaning that larger firms tend to have slightly higher EV/EBITDA multiples in this peer group. This relationship can acknowledge the existence of a market leadership premium where larger firms, like Nike, might benefit from economies of scale, brand strength, and dominance in the global market, justifying higher multiples.

Debt-to-Capital Ratio: Leverage impacts a firm's financial risk profile. Highly leveraged firms tend to have lower multiples due to investors penalizing the increased risk associated with higher debt levels. This variable accounts for differences in capital structure across the peer group. For every 1pp increase in Debt/Capital, the EV/EBITDA multiple decreases by approximately 0.34x, holding other factors constant.

Beta: Beta measures a company's systematic risk relative to the market. Firms with higher betas tend to have lower valuation multiples, as higher risk requires higher expected returns from investors. Including beta in the model captures the market risk component. The positive coefficient for beta obtained from the regression is unexpected and contradicts theoretical

expectations. However, it may suggest that investors in this sector are willing to pay a premium for higher-risk, high-growth companies like On.

The following formula for the Adjusted EV/EBITDA Multiple is derived:

$$EV/EBITDA = 4.05 + 0.601 g(rev) + 0.074 Size - 0.339 (Debt/Capital) + 7.284 \beta$$

- $g(rev)$ = expected growth rate in revenues over the next 5 years (in absolute value)
- Size = Enterprise Value (in Billions)
- Debt/Capital = Book Value of Debt / (Book Value of Debt + Market Value of Equity) (in absolute value)
- β sourced from Bloomberg

Using On's values for the independent variables in the regression formula, an adjusted EV/EBITDA multiple of 40.59x is obtained, higher than the peer group average but significantly lower than On's current multiple. Applying the adjusted multiple to On's LTM EBITDA results in a valuation of \$12B, which is considerably below the current market value (\$18,5B) and may signal that relative to its peers On Holding is overvalued.

Company	Equity Value	Enterprise	EV/EBITDA	5Y CAGR	Debt/Capital	Beta
ON Holdings	18.74B	18.48B	62.51x	44%	4%	1.400
Hoka One One (DeckersOutdoor Corp)	31.07B	30.11B	26.37x	10%	1%	0.919
Asics	15.12B	15.15B	20.90x	7%	5%	1.491
Adidas	46.03B	50.07B	21.13x	8%	12%	1.261
Nike	116.55B	118.38B	16.55x	3%	9%	0.869
Lululemon	47.51B	47.78B	16.66x	8%	3%	0.888
SKECHERS	10.64B	11.82B	11.02x	9%	16%	1.010
Mizuno	1.52B	1.35B	9.03x	5%	6%	1.157
Anta Sports	30.75B	30.30B	10.14x	10%	9%	1.225
Under Armour	4.06B	4.86B	8.73x	1%	25%	1.304
Puma	7.34B	9.50B	8.89x	8%	25%	1.063

Table 4: On Holding and Selected Comparables (on December 12, 2024)

3.2. Precedent Transactions

As previously mentioned, analyzing past transactions provides valuable context for evaluating our projections. To conduct this analysis, we utilized the Merger Market research platform and filtered deals into two tiers: Tier 1, consisting of consumer and retail footwear manufacturers, and Tier 2, encompassing shoe stores and luxury footwear. We focused exclusively on Tier 1 companies due to the greater availability of information and the closer alignment of their deal characteristics with On's features.

From this analysis, we derived an average EV/EBITDA multiple of 16x which is considerably low when compared with the multiple at which On is currently trading.

3.3. Intrinsic Value

Following the analysis of precedent transactions, it was observed that the derived EV/EBITDA multiple significantly deviates from On Holding’s current market multiple. This discrepancy suggests that the selected precedent transactions do not adequately reflect the unique characteristics of On Holding or the acquisition under consideration. Consequently, it was decided to exclude the precedent transaction analysis from the determination of On Holding's intrinsic value. The valuation instead relies solely on the Discounted Cash Flow (DCF) analysis and Comparables Analysis (*Table 5*).

While the multivariate regression model offers valuable insights into the factors influencing EV/EBITDA multiples, it is acknowledged that this approach has limitations. The sample size used in the regression is relatively small and may not fully account for all relevant drivers of On’s valuation. To mitigate potential biases, the regression model’s output has been assigned a weighting of 20% in the final valuation, ensuring it complements rather than dominates the overall analysis.

Based on the combined methodologies, it is concluded that On Holding may be slightly overvalued in the market. The intrinsic enterprise valuation for On Holding falls within the range of \$15.21 billion to \$18.91 billion (*Table 5*), translating to an estimated share price of \$47.82 to \$59.26.

Enterprise Valuation	L Bound	H Bound	Weight
DCF Analysis	16.01B	20.63B	80%
Comparable Analysis	12.00B		20%
Precedent Transactions Analysis	4.74B		0%
Intrinsic Value	15.21B	18.91B	100%
Market Value (12/12/2024)	18.48B		

Table 5: Calculation of On Holding’s Intrinsic Enterprise Value

Cultural Compatibility

Nike and On Holding share a strong cultural alignment, both driven by innovation performance, and sustainability. Nike has long focused on cutting-edge technology and branding for athletes, while On prioritizes high-performance and eco-consciousness through sustainable practices like recyclable materials. Their shared commitment to sustainability, including Nike's Move to Zero and On's circular economy efforts, positions them for effective collaboration. Beyond product compatibility, Nike and On also share a customer-centric approach and a dynamic company culture that values innovation, agility, and inclusivity, all these factors would, in our view, ensure a possible integration post-acquisition. In summary, we believe that a future partnership between the two companies would face minimal challenges related to cultural differences or potential conflicts.

4. Deal Consolidation

4.1. Nike's Business After Acquisition

Nike is expected to leverage the integration of On's innovative technologies - such as the CloudTec® cushioning system and CleanCloud™ sustainable materials - into its running shoe segment, reversing the decline in market share it has experienced in recent years.

Context

With the athletic footwear industry projected to grow at 7% annually (McKinsey & Company 2024), Nike is likely to face increasing challenges in keeping pace with the industry growth rate

due to heightened competition and the emergence of innovative new players that better respond to consumer trends. Given Nike's historical performance, achieving a 5% CAGR—consistent with its average over the past years—appears to be a realistic forecast. By 2032, Nike's global footwear market share is projected to decrease to approximately 33%, down from 42% in 2023.

Synergies

The acquisition of On presents an opportunity for Nike to overcome this negative trajectory. On's differentiated technologies are considered strong revenue drivers and market share enhancers. Through the integration of these technologies, Nike can enhance its value proposition and improve its competitive positioning.

Revenue synergies from the Nike-On acquisition are projected to materialize gradually. By 2026, Nike would be expected to achieve revenue growth aligned with the industry average, leveraging its robust brand strength and operational expertise, and On's cutting-edge technology. However, the integration of On's products into Nike's existing distribution network, particularly in physical stores, is likely to lead to cannibalization of Nike's revenues due to overlapping products, especially within the running market.

As On's market presence expands, the proportion of Nike's revenues cannibalized by On's products is expected to increase annually. Despite this, Nike's footwear segment is forecasted to outperform market growth by 2027 (*Appendix.8*), reflecting the strategic benefits of On's technology and product differentiation. By 2029, however, competitive pressures from new entrants and emerging innovations could constrain On's technology-driven growth, stabilizing Nike's footwear revenue growth at a sustainable 5% CAGR.

After accounting for enhanced revenues, associated costs for implementing synergies, and applying a WACC of 8.60%, the present value of synergies captured by Nike is estimated at \$2.42B (*Appendix.8*).

4.2. ON's Business After Acquisition

Nike's established global presence, brand recognition, and extensive distribution network are expected to scale up ON's expansion, increasing its revenues growth and EBITDA margin.

Moreover, On's opportunity for expansion into the padel market gains power with this acquisition, once leveraged Nike's distribution channels, athlete sponsorship network and ability to penetrate new markets.

Finally, it is expected that by joining Nike, On's bargaining power among suppliers and clients increases, resulting in a better Cash Conversion Cycle.

Methodology

The estimation of synergies captured by On's business with the acquisition was conducted through a Discounted Cash Flow Analysis. To mitigate the uncertainty and subjectivity inherent to synergies assumptions, 3 different scenarios were computed: a Base Scenario (with reasonably assumed synergies) - *Appendix.9*, an Optimistic Scenario (where synergies achieved exceed expectations) - *Appendix.11*, and a Pessimistic Scenario (where synergies achieved fail to meet expectations) - *Appendix.13*.

This DCF Analysis has as its baseline the DCF analysis performed on *Section 6.1* for On's valuation to which will be applied increases in revenue growth rates due to synergies and reductions in expenses/revenues ratios, particularly for SG&A expenses.

Regarding revenue growth rates, it was considered that these would be more prominent in geographic markets where the difference between Nike's presence and On's (measured in revenues per geographic market) is higher, under the assumption that On Holding would be able scale up these markets by leveraging Nike's well-established presence.

Revenues

The increase in revenue growth of On's current lines of footwear is attributed to two different growth enhancers coming from the acquisition: wider distribution channels (leveraging Nike's

store network, online presence, and wholesale partnerships), and higher visibility through marketing initiatives and sponsorships. Additional growth coming from higher visibility was assumed to be the same in all geographies given marketing globalization.

On the other hand, as explained above, additional growth coming from wider distribution channels was assumed to differ depending on how well developed On Holding is in each geographical market compared to Nike, which ended in higher growth enhancements for the regions of Asia Pacific and South America, where On's penetration is still very limited.

As revenue synergies usually take longer to achieve its full potential, it was assumed that this would only take place on the third-year post-acquisition (2027). From 2029 onwards, it is forecasted a decrease in growth rate enhancements.

Additionally, with the acquisition, On Holding is expected to discontinue its Apparel and Accessories production and focus solely on delivering the best-performing footwear. For the 2025, it was assumed that On Holding would sell its previous year ending inventories and from 2026 onwards revenues in this category would be zero.

Padel footwear is projected to begin generating revenue in 2026, as it is assumed that the first year post-acquisition will be dedicated to developing this new product line and identifying the most effective strategies for promoting and distributing it to consumers. Given the padel market's recent emergence, fragmented nature, and rapid growth—estimated at approximately 15% CAGR (source)—there is significant potential for On to establish itself as a leading player. By leveraging Nike's extensive capabilities and market expertise, On is well-positioned to capture a meaningful share of this fast-growing market. Consequently, it is estimated that, in the long term, On could achieve padel footwear market shares of 10%, 15%, and 20% under Pessimistic (*Appendix.13*), Base (*Appendix.9*), and Optimistic (*Appendix.11*) scenarios, respectively.

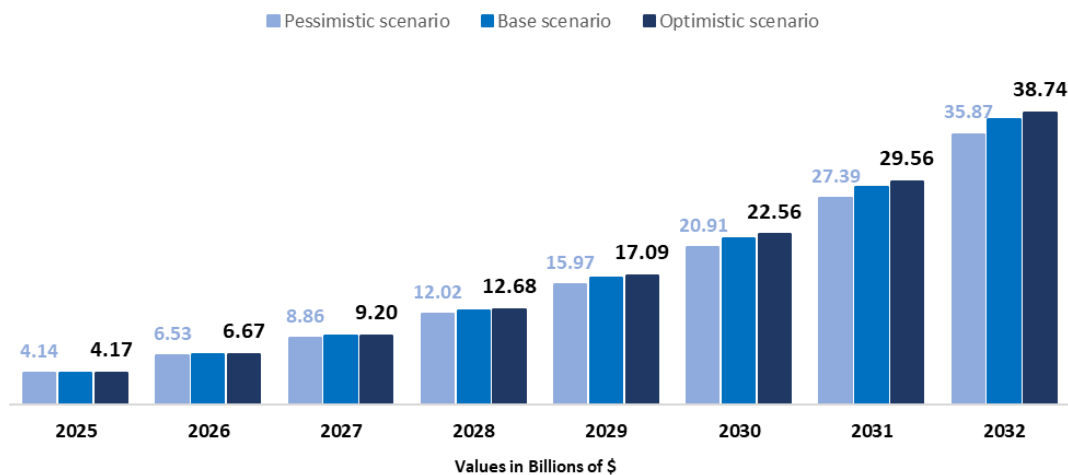


Figure 9: On Holding's Forecasted Revenues Under the 3 Different Scenarios

EBITDA Margin

While the gross margin is forecasted to remain consistent with the pre-acquisition level of 60%, the EBITDA margin is projected to improve (*Figure 11*) due to a reduction in the weight of Selling, General & Administrative (SG&A) expenses relative to revenues. Without the acquisition, On's SG&A-to-Revenue ratio is forecasted at 42% in 2032. However, with the acquisition, it is expected that this ratio will gradually converge toward Nike's current SG&A margin of 32%.

As detailed in *Section 6*, On Holding's SG&A expenses are divided into five categories:

Distribution Expenses: The margin is expected to decline as On benefits from integrating Nike's established and efficient distribution channels into its business operations.

Selling Expenses: A reduction in the selling expenses margin is anticipated due to the increased prevalence of direct-to-consumer (DTC) sales and improved agreements with wholesale partners, made possible by the acquisition.

Share-Based Compensation: This expense category is projected to remain constant as a percentage of revenues.

Marketing Expenses: The marketing expense margin is forecasted to decline as On leverages Nike's global brand presence and marketing infrastructure. This includes cost savings achieved

by accessing Nike's larger advertising network, economies of scale, and a more streamlined marketing strategy.

General and Administrative (G&A) Expenses: The margin is expected to decrease significantly due to the elimination of overlapping roles and the merging of administrative infrastructure between the two companies.

With the acquisition, On's 2032 SG&A margin is estimated at 39%, 37.3%, and 35.6% under Pessimistic (*Appendix.13*), Base (*Appendix.9*), and Optimistic scenarios (*Appendix.11*), respectively.

Depreciation, Capex and Net Working Capital

The forecasting of Cash Conversion Cycle (CCC) metrics follows a similar assumption to that applied for SG&A margins. With the acquisition, On Holding's metrics are expected to improve annually, progressively aligning with Nike's current performance metrics, at different paces depending on the scenario (*Appendix.10, 12, 14*). This gradual improvement reflects anticipated synergies in inventory management, receivables collection, and payables cycles post-acquisition.

As in *Section 6.1.*, Total Capex for each year is calculated as the sum of maintenance Capex (assumed to equal depreciation) and expansion Capex. Expansion Capex as a percentage of total sales is expected to peak at 4% in 2025 and 2026 (compared to 2% without the acquisition) to support integration-related investments, including scaling On's production capacity, optimizing supply chains, and launching new product lines such as padel footwear. As the business matures and achieves operational stability, expansion Capex as a percentage of sales is projected to decline to 1.5% in the medium term and stabilize at 1% in the long term (*Appendix.10, 12, 14*).

Revenue Growth

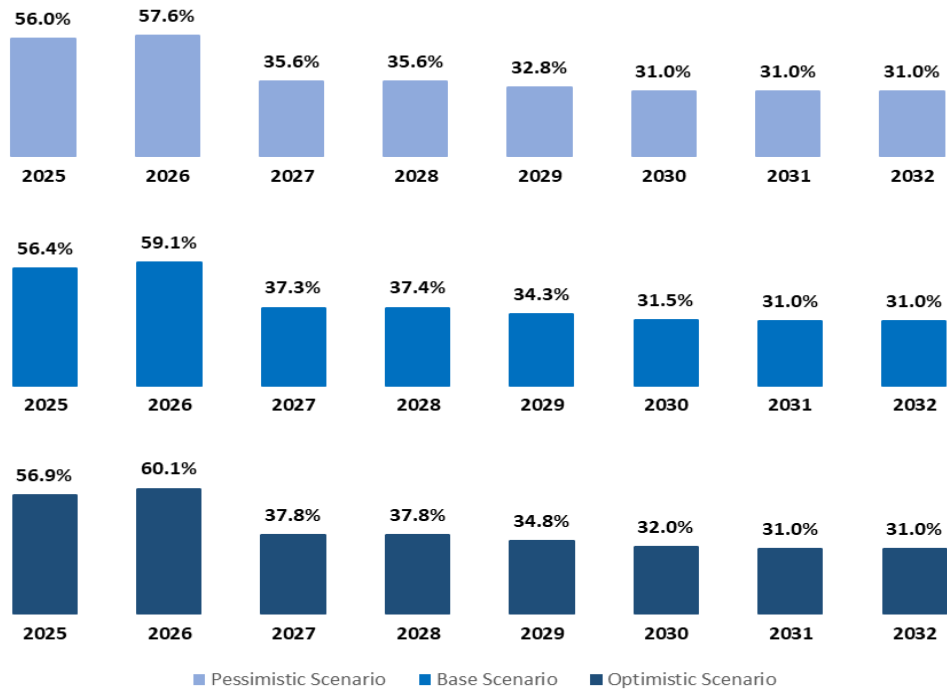


Figure 10: On Holding's Forecasted Revenue Growth Under the 3 Different Scenarios

EBITDA Margin

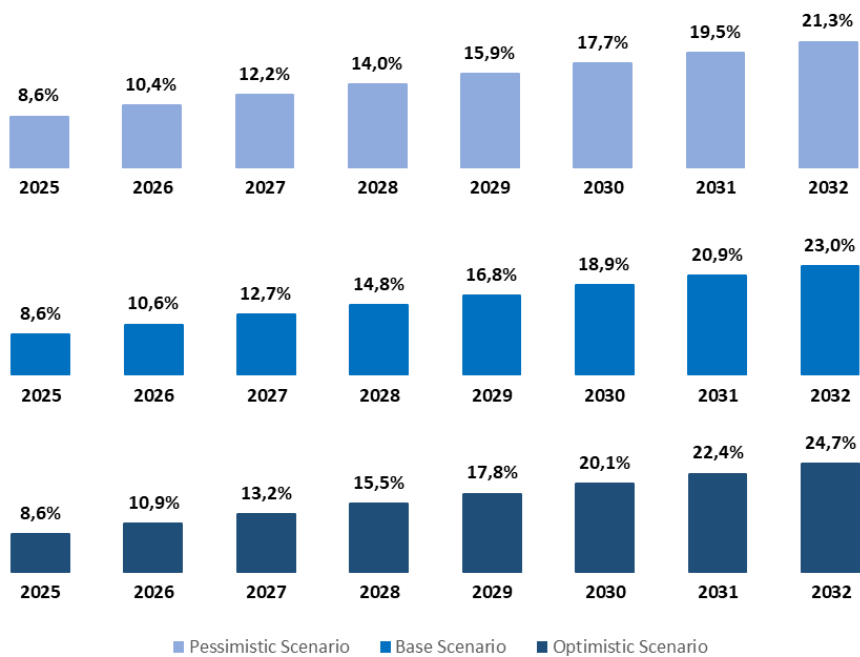


Figure 11: On's Forecasted EBITDA Margin Under the 3 Different Scenarios

Free cash Flows

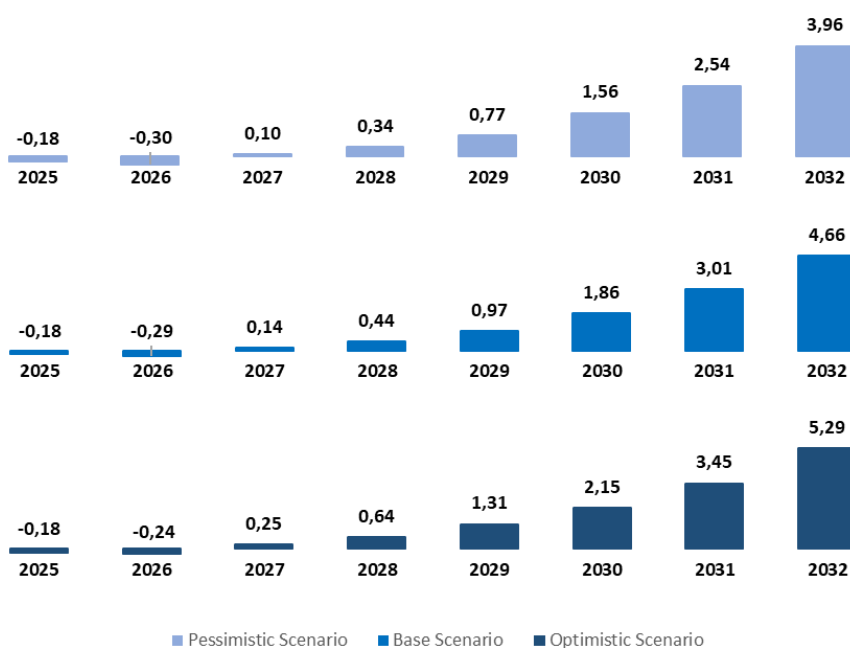


Figure 12: On Holding's Forecasted FCFs Under the 3 Different Scenarios

On Holding's Value and Synergies Valuation

Computing On's estimated Enterprise Value after-acquisition, a worst-case scenario of \$22.45B is obtained by crossing DCF's Pessimistic Scenario (*Appendix.13*) with a terminal growth rate of 2% and computed WACC of 11.31% (*Section 6.1.*). On the other extreme, the best-case scenario estimates an Enterprise Value of \$33.85B using DCF's Optimistic Scenario (*Appendix.11*), a terminal growth rate of 3% and the same WACC.

However, while this range is valuable because it accounts for the subjectivity of synergy and terminal growth rate assumptions, and it acknowledges the existence of risk within this acquisition, it is more useful to have a narrower valuation range, in this case, to assess the expected value of this acquisition.

Resorting to DCF's Base Scenario (*Appendix.9*), an Enterprise Value between \$24.61B and \$32.13B is estimated through the sensitivity analysis below (*Table 6*).

		Terminal Growth Rate					
		EV	1.50%	2.00%	2.50%	3.00%	3.50%
WACC	10.31%	29.75B	31.35B	33.16B	35.21B	37.57B	
	10.81%	27.44B	28.83B	30.38B	32.13B	34.12B	
	11.31%	25.39B	26.60B	27.94B	29.44B	31.14B	
	11.81%	23.56B	24.61B	25.78B	27.08B	28.54B	
	12.31%	21.91B	22.84B	23.86B	24.99B	26.25B	

Table 6: On Holding's Post - Acquisition Enterprise Value sensitivity analysis

This constitutes an increase of \$8.60B – \$11.18B over the enterprise value forecasted with the DCF model of *Section 6.1*. that constituted the base for this synergy analysis. This increase is attributed to synergies captured by On Holding's business with the acquisition.

4.3. Acquisition Value

Transaction

Nike should finance the acquisition entirely with cash since it has a robust cash position and moreover, from the multivariate regression conducted in the analysis an adjusted EV/EBITDA multiple of 17.68x is obtained, higher than the current multiple at which Nike is valued (16.55x). As the company seems to be undervalued, it would be inconsistent with shareholders' interests to acquire On Holding with stock.

Price

For this acquisition to generate value the price (market capitalization + premium) that Nike should pay for On Holding needs to be lower than the sum of On's stand-alone value and the present value of synergies captured by both businesses, after accounting for interest expenses and Integration & Transaction (I&T) costs - at 1% of the value acquired (the sum of On's stand-alone value and total generated synergies) - article "Beyond the Deal: Accurately Estimating M&A Integration Costs", (EY 2024).

$$\begin{aligned}
& ON's \text{ Stand-Alone Value} + PV(\text{Nike's captured synergies}) + PV(\text{ON's captured synergies}) \\
& \quad - PV(\text{Financial Expenses}) - PV(\text{Integration \& Transaction Costs}) \\
& > \text{Market Cap. (ON)} + \text{Premium}
\end{aligned}$$

$$\begin{aligned}
& On' \text{ Stand-Alone Value} + \$2.42B + \$8.60B - PV(\text{Financial Expenses}) - \$0.26B \\
& > \$18.74B + \text{Premium}
\end{aligned}$$

At a share price of \$57.95 on December 12, 2024, On Holding's market capitalization was \$18.74B (with enterprise value of \$18.48B). The valuation conducted on *Section 6.4* estimates On's stand-alone value to be between \$15.21B and \$18.91B (*Table 5*).

Interest paid depends on the amount borrowed which is directly correlated with how much Nike has to pay for On Holding (including premium), and how much of its excess cash would be willing to spend on the acquisition. Excess cash can be estimated through the formula:

$$\text{Excess Cash} = \text{Total Cash} - (\text{Total Current Liabilities} - \text{Total Current Non-Cash Assets})$$

(With Total Cash = Cash and Cash Equivalents + Short-term Investments)

Using Nike's 2024 numbers, an excess cash of \$14.8B is estimated. If assumed that Nike would be using all its excess cash on the acquisition, it is possible to compute the value created through the acquisition, given different premium % and different loan maturities. For a premium paid of 20% - 30% (average of similar M&A deals) on market cap. (\$18.74B), and Nike's own cash spent equal to total excess cash (\$14.8B), the following loan amounts are borrowed (*Table 7*):

Loan Amount				
7,69B	8,16B	8,63B	9,10B	9,57B
20%	22,5%	25%	27,5%	30%
Premium %				

Table 7: Loan amount borrowed for different premium % and assuming the usage of total excess cash

		PV(Financial Expenses)				
maturity (y)	10	-1,15B	-1,22B	-1,29B	-1,36B	-1,43B
	15	-1,49B	-1,58B	-1,67B	-1,76B	-1,85B
	20	-1,76B	-1,86B	-1,97B	-2,08B	-2,18B
	25	-1,97B	-2,09B	-2,21B	-2,33B	-2,45B
	30	-2,14B	-2,27B	-2,39B	-2,52B	-2,65B
		20%	22,5%	25%	27,5%	30%
		Premium %				

Table 8: Present value of interest payments on the loan contracted given different premium % and maturities

Once computed the present value of interest paid in each scenario (*Table 8*), it is possible to obtain the range of value creation with this acquisition given the stand-alone valuation range of *Section 6* (\$15.21B - \$18.91B):

		Value created with the acquisition				
maturity (y)	10	2,34B - 6,04B	1,80B - 5,50B	1,26B - 4,96B	0,72B - 4,42B	0,19B - 3,88B
	15	2,00B - 5,70B	1,44B - 5,14B	0,88B - 4,58B	0,32B - 4,02B	-0,24B - 3,46B
	20	1,73B - 5,43B	1,16B - 4,85B	0,58B - 4,28B	0,01B - 3,70B	-0,57B - 3,13B
	25	1,52B - 5,22B	0,93B - 4,63B	0,34B - 4,04B	-0,24B - 3,45B	-0,83B - 2,87B
	30	1,35B - 5,05B	0,75B - 4,45B	0,15B - 3,85B	-0,44B - 3,25B	-1,04B - 2,66B
		20%	22,5%	25%	27,5%	30%

Table 9: Value created with the acquisition for different premium % and loan maturities

However, Nike will hardly use all its excess cash for the acquisition and therefore, how much it will use and how much it will borrow remains an assumption, making precise estimations challenging. Also, it is hard to assess the premium % that would be realistically paid on this transaction.

Therefore, the focus of this thesis will not be calculating the value coming from the acquisition assuming a certain financing scenario and premium %, but instead calculate the break-even premium % under different reasonable financing scenarios.

To avoid overestimating the acquisition value, the lower bound of valuation is used as the basis for further calculations. Break-even premium is then, the one that makes:

$$\begin{aligned}
 & \$15.21B + \$2.42B + \$8.60B - PV(\text{Financial Expenses}) - \$0.26B \\
 & = \$18.74B + \text{Break-even premium}
 \end{aligned}$$

Considering Nike’s estimated excess cash and the expected price range to pay for On Holding, it can be estimated that Nike would most likely ask for a loan amount between \$10B - \$15B.

Therefore, the following sensitivity analysis is performed to compute the present value of financial expenses (Table 10) and respective break-even premium % (Table 11) for different borrowing terms.

		PV(Financial Expenses)				
maturity (y)	10	-1,49B	-1,68B	-1,86B	-2,05B	-2,24B
	15	-1,93B	-2,18B	-2,42B	-2,66B	-2,90B
	20	-2,28B	-2,57B	-2,85B	-3,14B	-3,42B
	25	-2,56B	-2,88B	-3,19B	-3,51B	-3,83B
	30	-2,78B	-3,12B	-3,47B	-3,82B	-4,16B
		10,00B	11,25B	12,50B	13,75B	15,00B
		Amount Borrowed				

Table 10: Interest paid sensitivity analysis

		Break-even Premium				
maturity (y)	10	31%	30%	29%	28%	27%
	15	28%	27%	26%	24%	23%
	20	26%	25%	23%	22%	20%
	25	25%	23%	22%	20%	18%
	30	24%	22%	20%	18%	16%
		10,00B	11,25B	12,50B	13,75B	15,00B
		Amount Borrowed				

Table 11: Break-even premium sensitivity analysis

		Break-even price per share				
maturity (y)	10	\$75,7	\$75,1	\$74,6	\$74,0	\$73,4
	15	\$74,3	\$73,6	\$72,8	\$72,1	\$71,3
	20	\$73,3	\$72,4	\$71,5	\$70,6	\$69,7
	25	\$72,4	\$71,4	\$70,4	\$69,5	\$68,5
	30	\$71,7	\$70,7	\$69,6	\$68,5	\$67,4
		10,00B	11,25B	12,50B	13,75B	15,00B
		Amount Borrowed				

Table 12: Break-even price per share sensitivity analysis

		Break-even Price				
maturity (y)	10	24,48B	24,29B	24,10B	23,92B	23,73B
	15	24,03B	23,79B	23,55B	23,31B	23,07B
	20	23,69B	23,40B	23,12B	22,83B	22,55B
	25	23,41B	23,09B	22,77B	22,45B	22,14B
	30	23,19B	22,85B	22,50B	22,15B	21,81B
		10,00B	11,25B	12,50B	13,75B	15,00B
		Amount Borrowed				

Table 13: Break-even acquisition price sensitivity analysis

		Amount Paid in Cash				
maturity (y)	10	14,48B	13,04B	11,60B	10,17B	8,73B
	15	14,03B	12,54B	11,05B	9,56B	8,07B
	20	13,69B	12,15B	10,62B	9,08B	7,55B
	25	13,41B	11,84B	10,27B	8,70B	7,14B
	30	13,19B	11,60B	10,00B	8,40B	6,81B
		10,00B	11,25B	12,50B	13,75B	15,00B
		Amount Borrowed				

Table 14: Amount paid with cash-holdings sensitivity analysis

Within each combination of borrowing terms, for any negotiated premium percentage lower than the one showed above (Table 11) the acquisition will generate value for Nike’s shareholders.

5. Risk Analysis

The potential acquisition entails several risks and challenges that require careful consideration. Missteps in brand management or workforce integration could dilute the acquisition's value. Integrating On’s innovative technologies into Nike’s global manufacturing system may incur

unexpected costs and require specialized training for personnel. Additionally, selling On's products on Nike's extensive distribution channels may cannibalize Nike's running footwear line at a scale higher than estimated on *Section 8.1. (Appendix.8)*. Also, while it is very unlikely that the worst-case scenario referred on *Section 8.2.* effectively happens, the probability is not null. From a regulatory perspective, we analyzed market concentration using the Herfindahl-Hirschman Index (HHI), which measures antitrust risks. While the computed HHI value (1,525) remains below the critical threshold of 2,500, suggesting limited concerns over market concentration, scrutiny from regulatory bodies is likely. The European Commission and the U.S. Federal Trade Commission authorities may investigate potential reductions in competition, impediments to innovation, price increases, or barriers to entry for smaller brands. In summary, while the acquisition offers significant value-creation opportunities, it carries inherent risks. Alternatives like strategic alliances or joint ventures could mitigate some challenges but lack the full benefits of direct ownership, particularly in terms of control and long-term rewards. With disciplined execution and strategic foresight, Nike could position this acquisition as a cornerstone of its future growth strategy.

6. Conclusion

In conclusion, while this acquisition has some risks inherent like any other M&A process, the analysis conducted indicates that it presents a compelling opportunity for Nike to restrengthen its leadership position in the athletic footwear market. Leveraging Nike's extensive distribution channels, and On Holding's technology and innovative footwear lines, the two companies together are expected to capture synergies valued at \$11.02B - \$13.60B.

Concluding, although total acquisition price and value generated would depend on the premium charged and financing structure, it was showcased that there are several reasonable scenarios with the potential to generate long-term value for Nike and the broader athletic footwear market.

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8. Appendix:

Revenues Growth Rate Projections

Revenue growth of major companies in the industry				
	2020	2021	2022	2023
NIKE, Inc.	-4.4%	19.1%	4.9%	9.6%
adidas AG	-22.0%	15.2%	6.0%	-4.8%
ASICS Corporation	-13.0%	22.9%	19.9%	17.7%
Skechers U.S.A., Inc.	-12.0%	36.8%	18.0%	7.5%
PUMA SE	-4.9%	30.0%	24.4%	1.6%
Average growth of top companies in the industry per year	-11.3%	24.8%	14.6%	6.3%
Average of the years:	15.3%			

Difference in Revenue Growth between On and Major Competitors				
	2020	2021	2022	2023
NIKE, Inc.	63.6%	51.3%	63.8%	37.0%
adidas AG	81.2%	55.2%	62.7%	51.4%
ASICS Corporation	72.2%	47.5%	48.8%	28.9%
Skechers U.S.A., Inc.	71.2%	33.6%	50.7%	39.1%
PUMA SE	64.1%	40.4%	44.3%	45.0%
Average difference in revenue growth between On and its competitors	70.5%	45.6%	54.0%	40.3%
Average of the years:	46.6%			

30.9%

Appendix.1 - Auxiliar Calculations for On's Revenue Growth Rate Projections

Gross Margin Projections

Total														
	Historical					Short-term			Mid-term			Long-term		
	2019	2020	2021	2022	2023	Projected FCF								
						1	2	3	4	5	6	7	8	9
Gross Profit Margin	54%	54%	59%	56%	60%	60.3%	60.3%	60.3%	60.3%	60.3%	60.3%	60.3%	60.3%	60.3%

ON Holding premium footwear competitors					
	2019	2020	2021	2022	2023
Lululemon Athletica Inc. - Gross Profit Margin	56%	58%	55%	58%	-
Deckers Outdoor Corporation - Gross Profit Margin	52%	54%	51%	50%	57%
Average gross profit margin of both companies	54%	56%	53%	54%	57%
Differences between On and the average of both	-0.32%	-1.51%	6.18%	1.74%	2.46%
Final average difference between ON and its competitors among the	1.71%				

On Holding largest footwear competitors					
	2019	2020	2021	2022	2023
NIKE, Inc. - Gross Profit Margin	43%	45%	46%	44%	45%
Adidas AG - Gross Profit Margin	50%	51%	47%	48%	50%
PUMA SE - Gross Profit Margin	47%	48%	46%	46%	47%
Adidas Average Gross Profit Margin	49%				
Final assumption for the medium term:	55%				

Appendix.2 - Auxiliar Calculations for On's Gross Margin Projections

Selling, General and Administrative Expenses Projections

(CHF in millions)				Short-term			Mid-term			Long-term		
				Projected FCF								
	2021	2022	2023	1	2	3	4	5	6	7	8	9
Distribution expenses	-96.4	-151	-239.5	-303.81	-471.04	-730.32	-802.86	-1043.7	-1356.8	-1603.5	-2084.6	-2709.95
% revenues	13%	12%	13%	13.0%	13.0%	13.0%	11.0%	11.0%	11.0%	10.0%	10.0%	10.0%
Selling expenses	-52.6	-85.5	-133.3	-168.89	-261.85	-405.99	-527.78	-686.12	-891.95	-1159.5	-1507.4	-1959.62
% revenues	7%	7%	7%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
Marketing expenses	-100.5	-130.2	-195.8	-323.94	-502.25	-778.71	-787.51	-1023.8	-1330.9	-1730.2	-2249.2	-2923.97
% revenues	14%	11%	11%	13.9%	13.9%	13.9%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%
Share-based compensation	-198.5	-33.8	-31.8	-53.02	-82.204	-127.45	-165.69	-215.39	-280.01	-364.01	-473.22	-615.184
% revenues	27%	3%	2%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
General and administrative expenses	-116.20	-185.20	-264.70	-357.82	-554.78	-860.15	-1021.8	-1328.4	-1726.9	-1924.2	-2501.5	-3251.94
% revenues	16%	15%	15%	15.3%	15.3%	15.3%	14.0%	14.0%	14.0%	12.0%	12.0%	12.0%
Selling, general and administrative expenses	-564.20	-585.70	-865.10	-1207.49	-1872.13	-2902.61	-3305.65	-4297.35	-5586.56	-6781.47	-8815.91	-11460.68
Growth rate		4%	48%	40%	55%	55%	14%	30%	30%	21%	30%	30%
% of it in revenues	78%	48%	48%	51.7%	51.7%	51.7%	45.3%	45.3%	45.3%	42.3%	42.3%	42.3%

Appendix.3 - Auxiliar Calculations for On's Selling, General and Administrative Expenses Projections

On Holding's Valuation - Net Working capital

(USD in millions)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Accounts Receivable	108,62	182,98	228,06	408,45	603,87	884,16	1090,13	1340,11	1641,98	2004,35	2436,37	2978,64
% of sales	14%	14%	11%	15%	15%	14%	13%	12%	12%	11%	10%	10%
Accounts Payable	50,27	116,33	72,49	167,82	270,17	418,89	544,55	707,92	920,29	1196,38	1555,29	2021,88
% of COGS	16%	21%	9%	16%	17%	17%	17%	17%	17%	17%	17%	17%
Inventory	146,82	414,59	396,99	394,01	605,80	931,38	1200,55	1547,40	1994,32	2570,12	3311,91	4267,47
% of COGS	46%	74%	49%	37%	37%	37%	36%	36%	36%	35%	35%	35%
Net Working Capital	205,17	481,25	552,56	634,64	939,50	1396,65	1746,13	2179,60	2716,01	3378,09	4192,99	5224,23
Change in NWC	70%	135%	15%	15%	48%	49%	25%	25%	25%	24%	24%	25%
Average Collection period (days)	50	52	42	56	54	51	48	45	43	40	38	35
Average Payable Period (days)	57	75	33	58	60	60	60	60	60	60	60	60
Average Holding period (days)	166	269	180	136	135	134	133	132	131	129	128	127
Cash Conversion Cycle	159	246	188	134	128	124	121	117	113	109	106	102

On Holding's Valuation - Capex

(USD in millions)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PPE beginning of period	18,13	37,64	80,91	104,23	142,27	229,17	363,91	446,93	554,87	695,18	877,59	1114,72
Depreciation	7,77	14,78	24,39	36,58	42,68	68,75	109,17	134,08	166,46	208,55	263,28	334,42
Total Capex	27,27	58,04	47,71	74,62	129,58	203,49	192,20	242,01	306,77	390,96	500,41	642,68
Maintenance Capex	7,77	14,78	24,39	36,58	42,68	68,75	109,17	134,08	166,46	208,55	263,28	334,42
Expansion capex	19,51	43,27	23,32	38,04	86,90	134,74	83,03	107,93	140,31	182,41	237,13	308,27
PPE ending of period	37,64	80,91	104,23	142,27	229,17	363,91	446,93	554,87	695,18	877,59	1114,72	1422,99
Depreciation as % of PPE	43%	39%	30%	35%	30%	30%	30%	30%	30%	30%	30%	30%
Expansion Capex as % of Sales	2%	3%	1%	1%	2%	2%	1,0%	1,0%	1,0%	1%	1%	1%

Appendix.4 - Auxiliar Calculations for On's Net Working Capital and Capex Projections

On Holding's Valuation - FCF

(USD in millions)												
	2021	2022	2023	2024	1 2025	2 2026	3 2027	4 2028	5 2029	6 2030	7 2031	8 2032
Revenues	792.85	1,280.78	1,995.65	2,656.82	4,119.22	6,386.58	8,302.55	10,793.32	14,031.31	18,240.71	23,712.92	30,826.79
Revenue Growth	74.81%	61.54%	55.82%	33.13%	55.04%	55.04%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Cost of Sales	-322.03	-562.99	-807.12	-1,055.51	-1,636.51	-2,537.29	-3,298.48	-4,288.03	-5,574.44	-7,246.77	-9,420.80	-12,247.03
Gross Profit	470.82	717.79	1,188.53	1,601.30	2,482.71	3,849.28	5,004.07	6,505.29	8,456.88	10,993.94	14,292.12	18,579.76
Gross Margin	59%	56%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
SG&A	-617.35	-613.82	-963.36	-1,373.56	-2,129.24	-3,306.04	-3,761.88	-4,891.12	-6,360.07	-7,719.09	-10,035.45	-13,046.54
% of Sales	77.86%	47.93%	48.27%	51.70%	51.69%	51.77%	45.31%	45.32%	45.33%	42.32%	42.32%	42.32%
EBITDA	-146.53	103.96	225.17	227.74	353.48	543.24	1,242.19	1,614.17	2,096.81	3,274.85	4,256.67	5,533.22
EBITDA Margin	-18.48%	8.12%	11.28%	8.57%	8.58%	8.51%	14.96%	14.96%	14.94%	17.95%	17.95%	17.95%
D&A	7.77	14.78	24.39	36.58	42.68	68.75	109.17	134.08	166.46	208.55	263.28	334.42
D&A/Revenues	0.98%	1.15%	1.22%	1.38%	1.04%	1.08%	1.31%	1.24%	1.19%	1.14%	1.11%	1.08%
EBIT	-154.30	89.19	200.78	191.16	310.80	474.49	1,133.02	1,480.09	1,930.35	3,066.30	3,993.40	5,198.81
Taxes				37.66	61.23	93.47	223.20	291.58	380.28	604.06	786.70	1,024.17
Tax rate				19.70%	19.70%	19.70%	19.70%	19.70%	19.70%	19.70%	19.70%	19.70%
NOPLAT				153.50	249.57	381.01	909.81	1,188.51	1,550.07	2,462.24	3,206.70	4,174.64
+ D&A				36.58	42.68	68.75	109.17	134.08	166.46	208.55	263.28	334.42
- Capex				-74.62	-129.58	-203.49	-192.20	-242.01	-306.77	-390.96	-500.41	-642.68
- Change in NWC				-634.64	-304.86	-457.15	-349.48	-433.47	-536.41	-662.08	-814.90	-1,031.24
FCF				-519.18	-142.19	-210.87	477.31	647.11	873.35	1,617.75	2,154.67	2,835.13

Appendix.5 - On's Final FCF

Damodaran's Table

<i>For larger firms (market cap > \$5 billion)</i>			
<i>If interest coverage ratio is</i>		<i>Rating is</i>	<i>Spread is</i>
<i>></i>	<i>≤ to</i>		
-100000	0.199999	D2/D	20.00%
0.2	0.649999	C2/C	17.00%
0.65	0.799999	Ca2/CC	11.78%
0.8	1.249999	Caa/CCC	8.51%
1.25	1.499999	B3/B-	5.24%
1.5	1.749999	B2/B	3.61%
1.75	1.999999	B1/B+	3.14%
2	2.249999	Ba2/BB	2.21%
2.25	2.499999	Ba1/BB+	1.74%
2.5	2.999999	Baa2/BBB	1.47%
3	4.249999	A3/A-	1.21%
4.25	5.499999	A2/A	1.07%
5.5	6.499999	A1/A+	0.92%
6.5	8.499999	Aa2/AA	0.70%
8.50	100000	Aaa/AAA	0.59%

Appendix.6 - Damodaran (2024)'s table that relates the interest coverage ratio of a firm to a synthetic rating and a default spread (as of January 2024)

On Holding's Comparables

(as of December 12, 2024)		Market valuation		Financial statistics						Profitability margins							
Company	Equity Value	Enterprise Value	Sales LTM	Gross Profit			EBIT LTM	GROSS PROFIT LTM	EBITDA			EBIT					
				LTM	2023	2024			LTM	2023	2024	LTM	2023	2024			
ON Holding	19,25B	19,00B	2,45B	1,47B	,30B	,14B	60%	12%	14%	17%	17%	6%	4%	10%	10%		
Tier 1: Large/Medium Cap Athletic Footwear and Apparel																	
Nike	116,55B	118,38B	50,01B	22,42B	7,15B	5,65B	45%	14%	14%	16%	12%	13%	11%	10%	12%	9%	10%
Adidas	46,03B	50,07B	24,43B	12,15B	2,37B	,59B	50%	10%	7%	10%	13%	12%	2%	0%	3%	5%	5%
Lululemon	47,51B	47,78B	9,99B	5,85B	2,77B	1,75B	59%	28%	29%	30%	27%	27%	17%	15%	17%	17%	16%
Anta Sports	28,28B	27,82B	9,20B	5,80B	2,99B	1,83B	63%	32%	33%	29%	29%	20%	16%	19%	18%	18%	18%
Hoka One One (DeckersOutdoor Corp)	31,07B	30,11B	4,66B	2,66B	1,14B	,88B	57%	25%	21%	25%	23%	23%	19%	14%	18%	17%	18%
VF Corp	8,12B	15,00B	10,00B	5,22B	1,19B	,15B	52%	12%	16%	13%	7%	9%	2%	6%	3%	2%	4%
Asics	15,12B	15,15B	4,31B	2,39B	,72B	,38B	55%	17%	13%	17%	18%	18%	9%	6%	10%	10%	10%
Skechers	10,64B	11,82B	8,72B	4,63B	1,07B	,63B	53%	12%	17%	12%	13%	17%	7%	7%	7%	8%	8%
Puma	7,34B	9,50B	8,51B	4,03B	1,07B	,26B	47%	13%	11%	12%	12%	12%	3%	4%	4%	4%	4%
Tier 2: Small Cap Athletic Footwear and Apparel																	
Li Ning	5,67B	4,94B	3,87B	1,90B	,78B	,45B	49%	20%	21%	19%	20%	12%	12%	11%	12%	12%	12%
Under Armour	4,06B	4,86B	5,40B	2,53B	,56B	,27B	47%	10%	9%	10%	6%	7%	5%	6%	4%	3%	3%
Mizuno	1,52B	1,35B	1,56B	,63B	,15B	,10B	40%	10%	8%	9%	9%	9%	6%	5%	6%	6%	6%
Yonex	1,18B	1,03B	,84B	,38B	,11B	,07B	45%	13%	11%	12%	13%	13%	8%	33%	22%	3%	11%
Tier 3: Premium Specialized Apparel																	
Levi Strauss & Co	6,26B	7,93B	6,16B	3,64B	,84B	,54B	59%	14%	18%	13%	14%	14%	9%	7%	8%	9%	9%
Abercrombie & Fitch Co	7,18B	7,35B	4,66B	3,01B	1,07B	,51B	65%	23%	13%	20%	18%	18%	11%	0%	8%	11%	11%
Canada Goose	,91B	1,49B	,97B	,66B	,20B	,05B	68%	20%	24%	22%	21%	20%	6%	9%	8%	7%	8%

(as of December 12, 2024)		Growth rates				Enterprise Value/														
Company		Sales				Sales					EBITDA					EBIT				
		2023	2024E	2025E	2026E	LTM	2023	2024E	2025E	2026E	LTM	2023	2024E	2025E	2026E	LTM	2023	2024E	2025E	2026E
ON Holding		47%	29%	28%		7,77x	3,42x	6,90x	5,41x		64,25x	28,43x	41,61x	31,47x		133,04x	34,30x	62,93x	43,51x	
Tier 1: Large/Medium Cap Athletic Footwear and Apparel																				
Nike		10%	0%	-7%	4%	2,37x	3,18x	2,79x	2,43x	2,33x	16,55x	22,59x	18,54x	20,35x	17,74x	20,95x	27,14x	22,37x	23,88x	20,51x
Adidas		-5%	6%	10%		2,05x	1,72x	1,86x	1,69x		21,13x	27,01x	18,19x	13,51x		84,56x	137,39x	35,43x	21,36x	
Lululemon		30%	19%	9%	8%	4,78x	4,87x	6,19x	3,75x	3,49x	17,22x	21,17x	21,29x	13,28x	12,53x	27,36x	29,07x	27,27x	16,23x	15,37x
Anta Sports		16%	10%	11%		3,02x	2,94x	3,13x	2,80x		9,31x	8,99x	10,74x	9,71x		15,21x	11,91x	13,10x	11,55x	
Hoka One One (DeckersOutdoor Corp)		15%	18%	14%	11%	6,47x	3,04x	5,33x	5,31x	4,79x	26,37x	14,60x	21,74x	23,28x	20,58x	34,29x	16,71x	24,38x	25,03x	22,03x
VF Corp		-2%	-10%	-8%	3%	1,50x	1,40x	1,22x	1,53x	1,49x	12,59x	16,30x	17,88x	20,55x	16,14x	99,22x	46,40x		37,70x	25,33x
Asics		18%	8%	7%		3,51x	1,45x	3,14x	2,92x		20,90x	11,63x	18,25x	16,34x		40,39x	15,30x	21,33x	19,01x	
Skechers		8%	12%	10%		1,36x	1,29x	1,17x	1,06x		11,02x	7,78x	8,16x	7,17x		18,85x	12,30x	11,54x	9,83x	
Puma		2%	2%	8%		1,03x	1,02x	0,99x	0,92x		8,89x	8,98x	8,64x	7,79x		14,41x	14,14x	13,58x	11,64x	
Tier 2: Small Cap Athletic Footwear and Apparel																				
Li Ning		7%	2%	6%		1,28x	1,70x	1,27x	1,20x		6,31x	8,72x	6,59x	5,91x		11,08x	13,21x	10,18x	9,04x	
Under Armour		3%	-3%	-10%	2%	0,90x	0,85x	0,67x	0,92x	0,91x	8,73x	9,31x	7,26x	12,80x	10,82x	18,18x	16,63x	14,10x	26,15x	19,92x
Mizuno		23%	8%	1%	5%	0,87x	0,38x	0,63x	0,67x	0,63x	9,03x	5,15x	7,05x	7,43x	6,85x	14,16x	6,29x	8,41x	8,38x	7,65x
Yonex		44%	9%	1%	9%	1,23x	1,06x	0,70x	1,30x	1,19x	9,26x	9,37x	5,72x	10,35x	9,67x	15,70x	11,27x	7,06x	12,50x	11,16x
Tier 3: Premium Specialized Apparel																				
Levi Strauss & Co		0%	1%	5%		1,29x	1,28x	1,30x	1,25x		9,45x	8,79x	8,36x	7,80x		14,75x	19,90x	12,60x	11,43x	
Abercrombie & Fitch Co		0%	16%	14%	6%	1,58x	0,56x	1,33x	1,56x	1,47x	6,87x	4,34x	6,53x	7,62x	7,27x	14,48x	13,63x	10,47x	10,45x	9,92x
Canada Goose		11%	10%	-4%	5%	1,53x	2,62x	1,62x	1,57x	1,49x	7,53x	12,40x	8,65x	7,55x	7,46x	27,32x	21,57x	17,40x	13,18x	11,65x

Appendix.7 - On's Comparables Analysis

Synergies captured by Nike's business

(USD in millions)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	
ATHLETIC FOOTWEAR INDUSTRY REVENUE	72.417	79.059	84.765	90.475	96.808	103.585	110.836	118.594	126.896	135.778	145.283	155.453	
Growth		9%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	
NIKE TOTAL REVENUE	44.538	46.710	51.217	51.362	53.897	56.558	59.350	62.279	65.354	68.580	71.965	75.517	
Growth		19%	5%	10%	0%	5%	5%	5%	5%	5%	5%	5%	
NIKE Footwear without synergies	30.007	31.237	35.290	35.227	36.966	38.791	40.730	42.767	44.905	47.150	49.508	51.983	
% Total Revenue	67%	67%	69%	69%	69%	69%	69%	69%	69%	69%	69%	69%	
Growth		20%	4%	13%	0%	5%	5%	5%	5%	5%	5%	5%	
Market Share	41%	40%	42%	39%	38%	37%	37%	36%	35%	35%	34%	33%	
NIKE Footwear with synergies	30.007	31.237	35.290	35.227	36.676	38.792	42.033	45.477	47.763	49.210	50.700	52.235	
% Total Revenue	67%	67%	69%	69%	68%	69%	71%	73%	73%	72%	70%	69%	
Growth		20%	4%	13%	-0,2%	5%	7%	10%	10%	7%	5%	5%	
Cannibalization by ON					-0,8%	-1,2%	-1,6%	-1,8%	-2,0%	-2,0%	-2,0%	-2,0%	
Market Share	41%	40%	42%	39%	38%	37%	38%	38%	38%	36%	35%	34%	
Added Revenues through synergies					-289	1	1.303	2.710	2.858	2.059	1.192	252	
Gross Profit		44%			-129	0	579	1.203	1.269	914	529	112	
SG&A Expense		32%			41	0	-185	-385	-406	-293	-169	-36	
Pre-tax synergies					-289	0	393	818	863	622	360	76	
Taxes		16,6%			48	0	-65	-136	-144	-103	-60	-13	
After-tax synergies					-241	0	328	682	719	518	300	63	
-ΔNWC					56	-56	-252	-273	-29	155	168	182	
- Initial Capex and Maintenance					-100	-30	-30	-30	-30	-30	-30	-30	
Synergies FCF					-100	-215	-86	46	379	661	643	216	
Synergies Discounted FCF					-100	-198	-73	36	273	437	246	111	
WACC		8,60%											
Terminal growth		0%											
Terminal Value		2.506											
Discounted Terminal Value		1.295											
Total Synergies Value		2.419											
Accounts Receivable		3.007	3.121	2.846	3.036	-27	0	119	248	262	189	109	23
as % of footwear sales		10%	10%	8%	9%	9%	9%	9%	9%	9%	9%	9%	9%
Accounts Payable		1.911	2.246	1.972	1.955	-18	0	81	169	179	129	74	16
as % of footwear COGS		12%	13%	10%	10%	11%	11%	11%	11%	11%	11%	11%	11%
Inventory		4.618	5.631	5.825	5.157	-48	0	215	446	471	339	196	41
as % of footwear COGS		28%	33%	29%	26%	30%	30%	30%	30%	30%	30%	30%	30%
Net Working Capital						-56	0	253	525	554	399	231	49
ΔNWC						-56	56	252	273	29	-155	-168	-182

Appendix.8 - Calculation of present value of synergies captured by Nike

Base scenario - DCF

(USD in millions)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Net sales	792,85	1.280,78	1.995,65	2.656,82	4.156,13	6.612,85	9.080,47	12.473,07	16.753,81	22.030,78	28.859,06	37.806,68
Footwear (Athletic, Running and Tennis)	747,66	1.223,45	1.905,79	2.534,27	4.137,96	6.607,56	9.050,05	12.403,11	16.633,13	21.892,00	28.699,46	37.623,14
Europe, Middle East and Africa	272,71	378,52	519,70	627,75	984,04	1506,71	2019,20	2704,73	3541,81	4548,09	5815,67	7432,04
Growth		39%	37%	21%	55%	49%	27%	27%	27%	27%	27%	27%
Added Growth (through wider distribution channels)					0,5%	0,9%	1,9%	1,9%	0,9%	0,5%	0,0%	0,0%
Added Growth (through marketing initiatives and higher visibility)					1%	3,0%	5,0%	5,0%	3,0%	1,0%	1,0%	1,0%
North America	408,91	719,30	1.150,75	1.545,90	2.460,61	3.825,16	5.085,17	6.755,69	8.789,53	11.222,54	14.280,68	18.156,25
Growth		76%	60%	34%	58%	52%	27%	27%	26%	26%	26%	26%
Added Growth (through wider distribution channels)					0,3%	0,7%	1,3%	1,3%	0,7%	0,3%	0,0%	0,0%
Added Growth (through marketing initiatives and higher visibility)					1%	3,0%	5,0%	5,0%	3,0%	1,0%	1,0%	1,0%
South America	21,98	45,35	85,18	132,53	258,13	479,42	752,60	1.165,01	1.736,85	2.513,37	3.583,47	5.075,26
Growth		106%	88%	56%	93%	81%	48%	46%	44%	43%	42%	41%
Added Growth (through wider distribution channels)					1,0%	2,0%	4,0%	4,0%	2,0%	1,0%	0,0%	0,0%
Added Growth (through marketing initiatives and higher visibility)					1%	3,0%	5,0%	5,0%	3,0%	1,0%	1,0%	1,0%
Asia Pacific (including China)	44,06	80,29	150,05	228,08	435,17	796,27	1.193,07	1.777,68	2.564,94	3.608,01	5.019,64	6.959,59
Growth		82%	87%	52%	89%	78%	41%	40%	39%	39%	38%	38%
Added Growth (through wider distribution channels)					1,0%	2,0%	4,0%	4,0%	2,0%	1,0%	0,0%	0,0%
Added Growth (through marketing initiatives and higher visibility)					1%	3,0%	5,0%	5,0%	3,0%	1,0%	1,0%	1,0%
Apparel and Accessories	45,19	57,33	89,87	122,55	18,17	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Footwear (Padel)					0,00	5,29	30,42	69,96	120,68	138,78	159,60	183,54
Global Footwear Padel Market				400,00	460,00	529,00	608,35	699,60	804,54	925,22	1064,01	1223,61
Market Share				0%	0,0%	1,0%	5,0%	10,0%	15,0%	15,0%	15,0%	15,0%
Cost of sales	-322,03	-562,99	-807,12	-1.055,51	-1.651,17	-2.627,19	-3.607,54	-4.955,37	-6.656,05	-8.752,51	-11.465,28	-15.020,04
Gross profit	470,82	717,79	1.188,53	1.601,30	2.504,96	3.985,66	5.472,93	7.517,70	10.097,77	13.278,28	17.393,78	22.786,64
Gross Margin	59%	56%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Selling, general and administrative expenses	-617,35	-613,82	-963,36	-1.373,56	-2.148,32	-3.282,12	-4.320,02	-5.677,38	-7.281,10	-9.121,10	-11.354,28	-14.096,66
% of total sales (pre-acquisition)	78%	48%	48%	52%	52%	52%	45%	45%	45%	42%	42%	42%
% of total sales (after-acquisition)					52%	49,63%	47,57%	45,52%	43,46%	41,40%	39,34%	37,29%
Disribution expenses	-105,48	-158,25	-266,70	-345,60	-540,63	-819,91	-1.070,53	-1.394,49	-1.770,99	-2.194,56	-2.698,90	-3.305,31
% of total sales (pre-acquisition)	13%	12%	13%	13%	13,01%	13,01%	11,00%	11,00%	11,00%	10,00%	10,00%	10,00%
% of total sales (after-acquisition)					13,01%	12,40%	11,79%	11,18%	10,57%	9,96%	9,35%	8,74%
Selling expenses	-57,56	-89,61	-148,44	-192,12	-300,15	-469,33	-633,14	-854,13	-1.126,38	-1.453,69	-1.868,27	-2.400,39
% of total sales (pre-acquisition)	7%	7%	7%	7%	7,22%	7,30%	7,25%	7,26%	7,27%	7,26%	7,26%	7,26%
% of total sales (after-acquisition)					7,22%	7,10%	6,97%	6,85%	6,72%	6,60%	6,47%	6,35%
Marketing expenses	-109,97	-136,45	-218,04	-368,50	-576,45	-875,28	-1.144,34	-1.492,83	-1.898,98	-2.357,46	-2.905,23	-3.566,35
% of total sales (pre-acquisition)	14%	11%	11%	14%	13,87%	13,87%	10,79%	10,79%	10,79%	10,79%	10,79%	10,79%
% of total sales (after-acquisition)					13,87%	13,24%	12,60%	11,97%	11,33%	10,70%	10,07%	9,43%
Share-based compensation	-217,20	-35,42	-35,41	-60,31	-94,35	-150,12	-206,14	-283,15	-380,33	-500,12	-655,13	-858,25
% of total sales (pre-acquisition)	27%	3%	2%	2%	2,27%	2,27%	2,27%	2,27%	2,27%	2,27%	2,27%	2,27%
% of total sales (after-acquisition)					2,27%	2,27%	2,27%	2,27%	2,27%	2,27%	2,27%	2,27%
General and administrative expenses	-127,15	-194,09	-294,77	-407,04	-636,74	-967,49	-1.265,88	-1.652,77	-2.104,42	-2.615,27	-3.226,75	-3.966,37
% of total sales (pre-acquisition)	16%	15%	15%	15%	15,32%	15,33%	14,00%	14,00%	14,00%	12,00%	12,00%	12,00%
% of total sales (after-acquisition)					15,32%	14,63%	13,94%	13,25%	12,56%	11,87%	11,18%	10,49%
EBITDA	-146,53	103,96	225,17	227,74	356,65	703,54	1.152,92	1.840,32	2.816,67	4.157,17	6.039,50	8.689,98
D&A	-7,77	-14,78	-24,39	-36,58	-42,68	-68,75	-109,17	-134,08	-166,46	-208,55	-263,28	-334,42
EBIT	-154,30	89,19	200,78	191,16	313,97	634,78	1.043,74	1.706,24	2.650,21	3.948,62	5.776,22	8.355,56
-Taxes												
NOPLAT				153,50	252,11	509,73	838,13	1.370,11	2.128,12	3.170,74	4.638,31	6.709,52
+ D&A				36,58	42,68	68,75	109,17	134,08	166,46	208,55	263,28	334,42
- Capex					-216,18	-372,79	-337,32	-436,01	-565,88	-623,08	-768,69	-959,45
- Change in NWC				-82,08	-260,32	-492,95	-468,39	-625,52	-760,39	-901,05	-1.126,79	-1.427,77
Free Cash Flows (FCF)					-181,70	-287,26	141,59	442,67	968,30	1.855,16	3.006,11	4.656,71

Appendix.9 - Base Scenario DCF

Base scenario - Net Working Capital

(USD in millions)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Accounts Receivable	108,62	182,98	228,06	408,45	556,32	845,07	1.105,35	1.442,69	1.836,22	2.280,90	2.812,96	3.455,86
% of sales	0,14	14%	11%	15%	13%	13%	12%	12%	11%	10%	10%	9%
Accounts Payable	50,27	116,33	72,49	167,82	272,59	421,53	562,09	749,10	975,30	1.241,88	1.573,59	1.991,77
% of COGS	0,16	21%	9%	16%	17%	16%	16%	15%	15%	14%	14%	13%
Inventory	146,82	414,59	396,99	394,01	611,23	964,37	1.313,04	1.788,22	2.381,28	3.104,15	4.030,66	5.233,72
% of COGS	0,46	74%	49%	37%	37%	37%	36%	36%	36%	35%	35%	35%
Net Working Capital	205,17	481,25	552,56	634,64	894,96	1.387,91	1.856,29	2.481,81	3.242,20	4.143,25	5.270,04	6.697,81
Change in NWC	84,69	276,08	71,31	82,08	260,32	492,95	468,39	625,52	760,39	901,05	1.126,79	1.427,77
Average Collection period (days)	50	52	42	56	49	47	44	42	40	38	36	33
Average Payable Period (days)	57	75	33	58	60	59	57	55	53	52	50	48
Average Holding period (days)	166	269	180	136	135	134	133	132	131	129	128	127
Cash Conversion Cycle	159	246	188	134	124	122	120	119	117	115	114	112

Base scenario - Capex

(USD in millions)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PPE beginning of period	18,13	37,64	80,91	104,23	142,27	308,51	573,03	709,23	896,33	1.147,64	1.367,95	1.656,54
Depreciation	7,77	14,78	24,39	36,58	49,93	108,28	201,11	248,91	314,58	402,78	480,10	581,38
Total Capex	27,27	58,04	47,71	74,62	216,18	372,79	337,32	436,01	565,88	623,08	768,69	959,45
Maintenance Capex	7,77	14,78	24,39	36,58	49,93	108,28	201,11	248,91	314,58	402,78	480,10	581,38
Expansion capex	19,51	43,27	23,32	38,04	166,25	264,51	136,21	187,10	251,31	220,31	288,59	378,07
PPE ending of period	37,64	80,91	104,23	142,27	308,51	573,03	709,23	896,33	1.147,64	1.367,95	1.656,54	2.034,60
Depreciation as % of PPE	43%	39%	30%	35%</								

Optimistic scenario - DCF

(USD in millions)												
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Net sales	792,85	1.280,78	1.995,65	2.656,82	4.167,71	6.672,56	9.197,38	12.675,32	17.088,44	22.562,94	29.562,20	38.736,84
Footwear (Athletic, Running and Tennis)	747,66	1.223,45	1.905,79	2.534,27	4.149,53	6.646,11	9.136,55	12.570,38	16.927,53	22.377,90	29.349,40	38.492,12
Europe, Middle East and Africa	272,71	378,52	519,70	627,75	986,98	1515,81	2038,49	2740,08	3600,91	4640,80	5934,22	7583,54
Growth		39%	37%	21%	55%	49%	27%	27%	27%	27%	27%	27%
Added Growth (through wider distribution channels)					0,9%	1,4%	2,3%	2,3%	1,4%	0,9%	0,0%	0,0%
Added Growth (through marketing initiatives and higher visibility)					1,0%	3,0%	5,0%	5,0%	3,0%	1,0%	1,0%	1,0%
North America	408,91	719,30	1150,75	1545,90	2465,65	3841,01	5118,75	6816,96	8891,44	11381,59	14483,07	18413,58
Growth		78%	60%	34%	58%	52%	27%	27%	26%	26%	26%	26%
Added Growth (through wider distribution channels)					0,7%	1,0%	1,6%	1,6%	1,0%	0,7%	0,0%	0,0%
Added Growth (through marketing initiatives and higher visibility)					1,0%	3,0%	5,0%	5,0%	3,0%	1,0%	1,0%	1,0%
South America	21,98	45,35	85,18	132,53	259,46	484,48	765,39	1192,45	1789,68	2607,72	3717,99	5265,79
Growth		106%	88%	56%	93%	81%	48%	46%	44%	43%	42%	41%
Added Growth (through wider distribution channels)					2,0%	3,0%	5,0%	5,0%	3,0%	2,0%	0,0%	0,0%
Added Growth (through marketing initiatives and higher visibility)					1,0%	3,0%	5,0%	5,0%	3,0%	1,0%	1,0%	1,0%
Asia Pacific (including China)	44,06	80,29	150,05	228,08	437,45	804,81	1213,93	1820,89	2645,50	3747,79	5214,11	7229,21
Growth		82%	87%	52%	89%	78%	41%	40%	39%	39%	38%	38%
Added Growth (through wider distribution channels)					2,0%	3,0%	5,0%	5,0%	3,0%	2,0%	0,0%	0,0%
Added Growth (through marketing initiatives and higher visibility)					1,0%	3,0%	5,0%	5,0%	3,0%	1,0%	1,0%	1,0%
Apparell and Accessories	45,19	57,33	89,87	122,55	18,17	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Footwear (Padel)					0,00	26,45	60,84	104,94	160,91	185,04	212,80	244,72
Global Footwear Padel Market				400,00	460,00	529,00	608,35	699,60	804,54	925,22	1064,01	1223,61
Market Share				0,0%	0,0%	5,0%	10,0%	15,0%	20,0%	20,0%	20,0%	20,0%
Cost of sales	-322,03	-562,99	-807,12	-1055,51	-1655,77	-2650,91	-3653,99	-5035,72	-6788,99	-8963,93	-11744,63	-15389,58
Gross profit	470,82	717,79	1.188,53	1.601,30	2.511,94	4.021,65	5.543,40	7.639,60	10.299,45	13.599,02	17.817,57	23.347,26
Gross Margin	59%	56%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Selling, general and administrative expenses	-617,35	-613,82	-963,36	-1.373,56	-2.154,30	-3.295,76	-4.331,53	-5.678,25	-7.262,61	-9.070,89	-11.205,57	-13.793,23
% of total sales (pre-acquisition)	78%	48%	48%	52%	52%	52%	45%	45%	42%	42%	42%	42%
% of total sales (after-acquisition)					51,69%	49,39%	47,10%	44,80%	42,50%	40,20%	37,91%	35,61%
Disribution expenses	-105,48	-158,25	-266,70	-345,60	-542,14	-823,31	-1.073,30	-1.394,33	-1.765,44	-2.180,02	-2.658,46	-3.224,28
% of total sales (pre-acquisition)	13%	12%	13,36%	13,01%	13,01%	13,01%	11,00%	11,00%	11,00%	10,00%	10,00%	10,00%
% of total sales (after-acquisition)					13,01%	12,34%	11,67%	11,00%	10,33%	9,66%	8,99%	8,32%
Selling expenses	-57,56	-89,61	-148,44	-192,12	-300,99	-470,66	-633,29	-851,45	-1.119,16	-1.439,75	-1.836,67	-2.341,54
% of total sales (pre-acquisition)	7%	7%	7,44%	7,23%	7,22%	7,30%	7,25%	7,26%	7,27%	7,26%	7,26%	7,26%
% of total sales (after-acquisition)					7,22%	7,05%	6,89%	6,72%	6,55%	6,38%	6,21%	6,04%
Marketing expenses	-109,97	-136,45	-218,04	-368,50	-578,06	-878,87	-1.147,19	-1.492,47	-1.892,75	-2.341,53	-2.861,42	-3.478,92
% of total sales (pre-acquisition)	14%	11%	10,93%	13,87%	13,87%	13,87%	10,79%	10,79%	10,79%	10,79%	10,79%	10,79%
% of total sales (after-acquisition)					13,87%	13,17%	12,47%	11,77%	11,08%	10,38%	9,68%	8,98%
Share-based compensation	-217,20	-35,42	-35,41	-60,31	-94,61	-151,47	-208,79	-287,74	-387,92	-512,20	-671,09	-879,36
% of total sales (pre-acquisition)	27%	3%	1,77%	2,27%	2,27%	2,27%	2,27%	2,27%	2,27%	2,27%	2,27%	2,27%
% of total sales (after-acquisition)					2,27%	2,27%	2,27%	2,27%	2,27%	2,27%	2,27%	2,27%
General and administrative expenses	-127,15	-194,09	-294,77	-407,04	-638,51	-971,44	-1.268,96	-1.652,25	-2.097,34	-2.597,38	-3.177,93	-3.869,13
% of total sales (pre-acquisition)	16%	15%	14,77%	15,32%	15,32%	15,32%	14,00%	14,00%	14,00%	12,00%	12,00%	12,00%
% of total sales (after-acquisition)					15,32%	14,56%	13,80%	13,04%	12,27%	11,51%	10,75%	9,99%
EBITDA	-146,53	103,96	225,17	227,74	357,64	725,89	1.211,87	1.961,35	3.036,84	4.528,13	6.612,00	9.554,03
D&A	-7,77	-14,78	-24,39	-36,58	-42,68	-68,75	-109,17	-134,08	-166,46	-208,55	-263,28	-334,42
EBIT	-154,30	89,19	200,78	191,16	314,96	657,14	1.102,70	1.827,27	2.870,38	4.319,57	6.348,72	9.219,61
-Taxes				-37,66	-62,05	-129,46	-217,23	-359,97	-565,47	-850,96	-1.250,70	-1.816,26
NOPLAT	153,50	252,91	527,68	885,47	1.467,30	2.576,82	4.167,30	6.167,30	8.854,92	12.612,62	17.403,35	23.403,35
+ D&A				36,58	42,68	68,75	109,17	134,08	166,46	208,55	263,28	334,42
- Capex					-216,64	-375,34	-340,07	-440,66	-573,59	-632,85	-782,03	-977,53
- Change in NWC				-82,08	-262,81	-460,34	-404,83	-516,39	-591,06	-691,64	-813,46	-970,51
Free Cash Flows (FCF)					-183,85	-239,25	249,74	644,33	1.306,73	2.152,68	3.448,81	5.289,72

Appendix 11 - Optimistic Scenario

Optimistic scenario - Net Working Capital

(USD in millions)												
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Accounts Receivable	108,62	182,98	228,06	408,45	557,87	822,35	1035,92	1293,14	1562,03	2062,45	2702,24	3540,88
% of sales	14%	14%	11%	15%	13%	12%	11%	10%	9%	9%	9%	9%
Accounts Payable	50,27	116,33	72,49	167,82	273,35	437,64	603,24	831,36	1120,80	1479,87	1938,94	2540,69
% of COGS	16%	21%	9%	16%	17%	17%	17%	17%	17%	17%	17%	17%
Inventory	146,82	414,59	396,99	394,01	612,93	973,08	1329,94	1817,22	2428,84	3179,13	4128,87	5362,49
% of COGS	46%	74%	49%	37%	37%	37%	36%	36%	36%	35%	35%	35%
Net Working Capital	205,17	481,25	552,56	634,64	897,45	1357,79	1762,62	2279,01	2870,07	3761,70	4892,17	6362,68
Change in NWC	84,69	276,08	71,31	82,08	262,81	460,34	404,83	516,39	591,06	891,64	1130,46	1470,51
Average Collection period (days)	50	52	42	56	49	45	41	37	33	33	33	33
Average Payable Period (days)	57	75	33	56	60	60	60	60	60	60	60	60
Average Holding period (days)	166	269	180	136	135	134	133	132	131	129	128	127
Cash Conversion Cycle	159	246	188	134	124	119	114	109	104	103	101	100

Optimistic scenario - Capex

(USD in millions)												
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PPE beginning of period	18,13	37,64	80,91	104,23	142,27	308,98	575,88	713,84	903,97	1160,30	1385,93	1681,55
Depreciation	7,77	14,78	24,39	36,58	49,93	108,44	202,11	250,53	317,26	407,22	486,41	590,16
Total Capex	27,27	58,04	47,71	74,62	216,64	375,34	340,07	440,66	573,59	632,85	782,03	977,53
Maintenance Capex	7,77	14,78	24,39	36,58	49,93	108,44	202,11	250,53	317,26	407,22	486,41	590,16
Expansion capex	19,51	43,27	23,32	38,04	166,71	266,90	137,96	190,13	256,33	225,63	295,62	387,37
PPE ending of period	37,64	80,91	104,23	142,27	308,98	575,88	713,84	903,97	1160,30	1385,93	1681,55	2068,92
Depreciation as % of PPE	43%	39%	30%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Expansion Capex as % of Sales	2%	3%	1%	1%	4%	4%	1,5%	1,5%				

Pessimistic scenario - DCF

(USD in millions)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Net sales	792,85	1.280,78	1.995,65	2.656,82	4.144,56	6.533,16	8.861,06	12.019,17	15.966,50	20.911,12	27.388,67	35.874,56
Footwear (Athletic, Running and Tennis)	747,66	1.223,45	1.905,79	2.534,27	4.126,39	6.527,87	8.842,81	11.984,19	15.886,04	20.818,60	27.282,27	35.752,20
Europe, Middle East and Africa	272,71	378,52	519,70	627,75	981,11	1487,82	1972,06	2612,65	3382,90	4328,22	5534,52	7072,75
Growth		39%	37%	21%	55%	49%	27%	27%	27%	27%	27%	27%
Added Growth (through wider distribution channels)					0,0%	0,5%	1,4%	1,4%	0,5%	0,0%	0,0%	0,0%
Added Growth (through marketing initiatives and higher visibility)					1,0%	2,0%	4,0%	4,0%	2,0%	1,0%	1,0%	1,0%
North America	408,91	719,30	1150,75	1545,90	2455,58	3784,79	4981,33	6551,71	8437,30	10745,33	13673,43	17384,21
Growth		78%	60%	34%	58%	52%	27%	27%	26%	26%	26%	26%
Added Growth (through wider distribution channels)					0,0%	0,3%	1,0%	1,0%	0,3%	0,0%	0,0%	0,0%
Added Growth (through marketing initiatives and higher visibility)					1,0%	2,0%	4,0%	4,0%	2,0%	1,0%	1,0%	1,0%
South America	21,98	45,35	85,18	132,53	256,80	471,82	731,24	1117,31	1643,40	2361,70	3367,23	4769,00
Growth		106%	88%	56%	93%	81%	48%	46%	44%	43%	42%	41%
Added Growth (through wider distribution channels)					0,0%	1,0%	3,0%	3,0%	1,0%	0,0%	0,0%	0,0%
Added Growth (through marketing initiatives and higher visibility)					1,0%	2,0%	4,0%	4,0%	2,0%	1,0%	1,0%	1,0%
Asia Pacific (including China)	44,06	80,29	150,05	228,08	432,89	783,44	1158,18	1702,52	2422,45	3383,35	4707,09	6526,24
Growth		82%	87%	52%	89%	78%	41%	40%	39%	39%	38%	38%
Added Growth (through wider distribution channels)					0,0%	1,0%	3,0%	3,0%	1,0%	0,0%	0,0%	0,0%
Added Growth (through marketing initiatives and higher visibility)					1,0%	2,0%	4,0%	4,0%	2,0%	1,0%	1,0%	1,0%
Apparell and Accessories	45,19	57,33	89,87	122,55	18,17	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Footwear (Padel)					0,00	5,29	18,25	34,98	80,45	92,52	106,40	122,36
Global Footwear Padel Market				400,00	460,00	529,00	608,35	699,60	804,54	925,22	1064,01	1223,61
Market Share				0,0%	0,0%	1,0%	3,0%	5,0%	10,0%	10,0%	10,0%	10,0%
Cost of sales	-322,03	-562,99	-807,12	-1055,51	-1646,57	-2595,53	-3520,37	-4775,04	-6343,26	-8307,68	-10881,12	-14252,44
Gross profit	470,82	717,79	1.188,53	1.601,30	2.497,99	3.937,63	5.340,69	7.244,13	9.623,24	12.603,44	16.507,55	21.622,12
Gross Margin	59%	56%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Selling, general and administrative expenses	-617,35	-613,82	-963,36	-1.373,56	-2.142,34	-3.258,24	-4.258,13	-5.557,25	-7.092,09	-8.908,27	-11.169,84	-13.978,45
% of total sales (pre-acquisition)	78%	48%	48%	52%	52%	52%	45%	45%	42%	42%	42%	42%
% of total sales (after-acquisition)					51,69%	49,87%	48,05%	46,24%	44,42%	42,60%	40,78%	38,96%
Distribution expenses	-105,48	-158,25	-266,70	-345,60	-539,13	-813,94	-1.055,27	-1.365,33	-1.726,00	-2.145,63	-2.659,78	-3.286,75
% of total sales (pre-acquisition)	13%	12%	13,36%	13,01%	13,01%	13,01%	11,00%	11,00%	11,00%	10,00%	10,00%	10,00%
% of total sales (after-acquisition)					13,01%	12,46%	11,91%	11,36%	10,81%	10,26%	9,71%	9,16%
Selling expenses	-57,56	-89,61	-148,44	-192,12	-299,31	-466,51	-625,54	-838,73	-1.101,22	-1.425,27	-1.844,54	-2.386,90
% of total sales (pre-acquisition)	7%	7%	7,44%	7,23%	7,22%	7,30%	7,25%	7,26%	7,27%	7,26%	7,26%	7,26%
% of total sales (after-acquisition)					7,22%	7,14%	7,06%	6,98%	6,90%	6,82%	6,73%	6,65%
Marketing expenses	-109,97	-136,45	-218,04	-368,50	-574,85	-868,95	-1.128,14	-1.461,80	-1.851,00	-2.305,20	-2.863,36	-3.546,32
% of total sales (pre-acquisition)	14%	11%	10,93%	13,87%	13,87%	13,87%	10,79%	10,79%	10,79%	10,79%	10,79%	10,79%
% of total sales (after-acquisition)					13,87%	13,80%	12,73%	12,16%	11,59%	11,02%	10,45%	9,89%
Share-based compensation	-217,20	-35,42	-35,41	-60,31	-94,09	-148,31	-201,15	-272,85	-362,45	-474,70	-621,75	-814,39
% of total sales (pre-acquisition)	27%	3%	1,77%	2,27%	2,27%	2,27%	2,27%	2,27%	2,27%	2,27%	2,27%	2,27%
% of total sales (after-acquisition)					2,27%	2,27%	2,27%	2,27%	2,27%	2,27%	2,27%	2,27%
General and administrative expenses	-127,15	-194,09	-294,77	-407,04	-634,96	-960,53	-1.248,02	-1.618,54	-2.051,42	-2.557,47	-3.180,42	-3.944,09
% of total sales (pre-acquisition)	16%	15%	14,77%	15,32%	15,32%	15,32%	14,00%	14,00%	14,00%	12,00%	12,00%	12,00%
% of total sales (after-acquisition)					15,32%	14,70%	14,08%	13,47%	12,85%	12,23%	11,61%	10,99%
EBITDA	-146,53	103,96	225,17	227,74	355,65	679,39	1.082,56	1.686,89	2.531,15	3.695,17	5.337,71	7.643,67
D&A	-7,77	-14,78	-24,39	-36,58	-42,68	-68,75	-109,17	-134,08	-166,46	-208,55	-263,28	-334,42
EBIT	-154,30	89,19	200,78	191,16	312,97	610,64	973,39	1.552,81	2.364,69	3.486,61	5.074,43	7.309,26
-Taxes				-37,66	-61,66	-120,30	-191,76	-305,90	-465,84	-686,86	-999,66	-1.439,92
NOPLAT	153,50				251,32	490,34	781,63	1.246,90	1.898,85	2.799,75	4.074,77	5.869,33
+ D&A				36,58	42,68	68,75	109,17	134,08	166,46	208,55	263,28	334,42
- Capex					-215,71	-369,44	-332,75	-426,77	-549,25	-602,92	-741,08	-922,07
- Change in NWC				-82,08	-257,82	-489,37	-458,51	-609,96	-743,70	-841,75	-1.057,08	-1.325,06
Free Cash Flows (FCF)					-179,54	-299,72	99,55	344,25	772,36	1.563,64	2.539,88	3.956,63

Appendix.13 - Pessimistic Scenario

Pessimistic scenario - Net Working Capital

(USD in millions)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Accounts Receivable	108,62	182,98	228,06	408,45	554,77	836,51	1083,04	1399,14	1765,80	2191,03	2710,46	3341,62
% of sales	14%	14%	11%	15%	13%	13%	12%	12%	11%	10%	10%	9%
Accounts Payable	50,27	116,33	72,49	167,82	271,84	407,42	524,01	671,98	841,16	1101,66	1442,92	1889,98
% of COGS	16%	21%	9%	16%	17%	16%	15%	14%	13%	13%	13%	13%
Inventory	146,82	414,59	396,99	394,01	609,53	952,75	1281,31	1723,15	2269,38	2946,39	3825,30	4966,25
% of COGS	46%	74%	49%	37%	37%	37%	36%	36%	36%	35%	35%	35%
Net Working Capital	205,17	481,25	552,56	634,64	892,47	1381,84	1840,35	2450,31	3194,01	4035,76	5092,84	6417,90
Change in NWC	84,69	276,08	71,31	82,08	257,82	489,37	458,51	609,96	743,70	841,75	1057,08	1325,06
Average Collection period (days)	50	52	42	56	49	47	45	42	40	38	36	34
Average Payable Period (days)	57	75	33	58	60	57	54	51	48	48	48	48
Average Holding period (days)	166	269	180	136	135	134	133	132	131	129	128	127
Cash Conversion Cycle	159	246	188	134	124	123	123	123	123	119	116	113

Pessimistic scenario - Capex

(USD in millions)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PPE beginning of period	18,13	37,64	80,91	104,23	142,27	308,05	569,38	702,29	882,58	1122,08	1331,19	1605,08
Depreciation	7,77	14,78	24,39	36,58	49,93	108,11	199,83	246,48	309,75	393,81	467,20	563,32
Total Capex	27,27	58,04	47,71	74,62	215,71	369,44	332,75	426,77	549,25	602,92	741,08	922,07
Maintenance Capex	7,77	14,78	24,39	36,58	49,93	108,11	199,83	246,48	309,75	393,81	467,20	563,32
Expansion capex	19,51	43,27	23,32	38,04	165,78	261,33	132,92	180,29	239,50	209,11	273,89	358,75
PPE ending of period	37,64	80,91	104,23	142,27	308,05	569,38	702,29	882,58	1122,08	1331,19	1605,08	1963,82
Depreciation as % of PPE	43%	39%	30%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Expansion Capex as % of Sales	2%	3%	1%	1%	4%	4%	1,5%	1,5%	1,5%	1%	1%	1%