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Nike, Inc Valuation: Buy, Hold or Sell?

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Master in Finance

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Resumo

Nike, Inc uma empresa cotada na Bolsa de Valores de Nova Iorque é um líder de mercado na indústria do vestuário desportivo. A empresa é maioritariamente reconhecida, tanto pelo seu calçado/vestuário como pelos negócios com celebridades e será a base da nossa pesquisa para este projeto.

O objetivo principal desta dissertação será realizar a avaliação da Nike relativa a 31 de maio de 2024, providenciando desta forma aos investidores, uma perceção do justo valor das suas respetivas ações. Em última análise, ao comparar o valor justo das ações da Nike com o seu valor de mercado equivalente, iremos recomendar caso se deva comprar, manter ou vender essas mesmas ações.

De modo a chegar aos resultados pretendidos, iremos recorrer a duas metodologias de avaliação. Com o foco na avaliação dos Fluxos de Caixa Descontados, iremos posteriormente usar a avaliação Relativa como forma de suporte aos nossos resultados. O processo de chegar a estes métodos de avaliação irá requerer a presença de uma análise de literatura, análise macroeconómica, análise à indústria e uma análise da empresa, já que a informação concebida pela extensiva pesquisa de cada área, não só irá guiar-nos em direção à correta escolha e uso de dados, como também irá ser a estrutura base deste projeto ao apoiar todos os cálculos e previsões que terão de ser realizados.

Por último, como uma conclusão dos resultados obtidos através dos nossos métodos de avaliação, a 31 de maio de 2024 o valor de mercado das ações da Nike estava acima do valor real. Logo, a nossa recomendação a investidores seria de vender as ações da empresa.

Palavras chave: Nike Inc., Fluxos de Caixa Descontados, Avaliação Relativa
JEL classification: G30 Corporate Finance; G32 Value of Firms

Abstract

Nike, Inc a publicly traded company in the New York Stock Exchange (NSYE) is a market leader in the sportswear industry. The company is mostly famous for its footwear/apparel products, as well as celebrity endorsement deals and will be the research basis of this project.

The main objective of this project is to perform a valuation of Nike relative to May 31st 2024, providing this way insights to possible investors on the fair value of its shares. Ultimately, by comparing the fair value of Nike shares with the equivalent market value we will recommend on whether one should buy, hold or sell those same shares.

In order to reach our desired results, we will recur to two valuation methodologies. With focus on the Discounted Cash flow valuation, we will posteriorly use the Relative valuation as a mean of supporting our results. The process of reaching this valuation methodologies will require the presence of a Literature review, Macroeconomic overview, Industry overview and Company overview, as the information from extensively researching each subject will not only guide us towards the correct data selection and usage, but will also be the backbone of this dissertation by supporting every calculation and assumption that will need to be made.

Lastly, as a conclusion of the results obtained from our valuation procedures, at May 31st 2024 the market share price of Nike is overpriced, being currently traded at a premium. So our recommendation to investors would be to sell the company's shares.

Keywords: Nike Inc, Discounted cash flow valuation, Relative valuation
JEL classification: G30 Corporate Finance; G32 Value of Firms

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Glossary

CAGR – Compounded Annual Growth Rate
CAPEX – Capital Expenditure
CAPM – Capital Asset Pricing Model
D&A – Depreciation & Amortization
DCF – Discounted Cash Flow
DTC – Direct to Consumer Strategy
EBIT – Earnings Before Interest and Taxes
EBITDA – Earnings Before Interest Taxes Depreciation & Amortization
EqV – Equity Value
ERP – Equity Risk Premium
EV – Enterprise Value
EV/EBITDA – Enterprise value of EBITDA
EVA – Economic Value Added
FCFE – Free Cash Flow to Equity
FCFF – Free Cash Flow to the Firm
GDP – Gross Domestic Product
IMF – International Monetary Fund
NYSE – New York Stock Exchange
P/E – Price to Earnings Ratio
ROE – Return on Equity
ROIC – Return on Invested Capital
S&P – Standard & Poor's
SWOT – Strengths, Weaknesses, Opportunities, Threats
TGR – Terminal Growth Rate
TV – Terminal Value
U.S – United States
WACC – Weighted Average Cost of Capital
WC – Working Capital

1 Introduction

Nike, Inc has been a powerhouse in the sports industry for quite a few years. Since its foundation in 1964, the brand always had the vision to propel itself forward ahead of the competition, which is one of the reasons it stays the main player in the sportswear industry.
Nike has been chosen as the researched upon for this project, not only due to its unrivalled dominance but capacity to persevere through tight competition and harsh criticism.

The end goal of this project is to verify in May 31st 2024 how good of an investment Nike actually is. Towards this end goal, we will start by backing up the methodologies, formulas and data used through the Literature review. The next section will have the purpose of detailing the state of the global environment in which Nike is inserted and the other two sections following after, will be a preview of the sportswear industry with Nike's corresponding position and an analysis of the company in regard to its current competitive standpoint and profitability. These mainly theoretical sections will be the foundation that help the valuation methodologies be developed. After reaching the valuation results through the DCF and Relatives, there will be a sensitivity analysis and definitive answer to this project's main question "Nike, Inc Buy, Hold or Sell?".

As to give a preview on the importance of valuation, we can never emphasize enough that equity valuation is synonymous with extensive research and meticulous procedures. A perfect example of equity research failures would be the Lehman Brothers 'bankruptcy in September 2008. Amongst some of the main factors that led to their downfall, it would be worthwhile for this project mentioning their usage of Mark to Market Accounting and Overreliance on Asset valuation. These situations proved to be problematic as respectively, having the firm valuing assets at the current market prices led to inflated asset values during periods of market instability and as the brothers had substantial holdings in complex financial products, their optimistic assumptions on housing prices and default rates led to often assets being overpriced.

For this project we will take a conservative approach when making assumptions, analysing forecasts and overviewing the market.

2 Literature Review

2.1 Valuation

Valuation is a financial tool of crucial importance, as it will allow us to estimate the present value of Nike, Inc. According to Damodaran (2006) valuation is characterized as “the heart of finance”, highlighting that strategic decisions can be better deployed if one has total knowledge of what defines the value of a firm as well as how to estimate it. Fernández (2007) also defends that the grasp of valuation itself, helps in determining the source of value creation and destruction.

Furthermore, the existence of different methodologies in valuation allows for an insightful perception of the estimated value, by knowing what led to it. Even though some models provide information closer to the reality of the business environment, the most important aspect lies in the purpose of the valuation as there are no incorrect models.

In order to thoroughly research the topic of valuation we will be detailing four different approaches in this chapter: Discounted Cash Flow, Relative Valuation, Real Options valuation and Economic Value Added.

2.2 Discounted Cash Flow

This valuation method aims at estimating the value of the business by projecting the future cash flows of each investment. In general terms, the predicted cash flows generated from the investments are discounted to the present day through a discount rate which represents the overall risk of said investments.

Moreover, as this method incorporates the main drivers of a business (such as: cost of equity, weighted average cost of capital, growth rate…), it is hailed as the most accurate method for valuation and as such it is the most commonly used. Fernández (2007) affirms that “the cash flows discounting method is generally used because it is the only conceptually correct valuation method.”.

The formula for the DCF valuation can be defined as such:

Equation 1: DCF

$$DCF = \frac{CF1}{(1+r)^1} + \frac{CF2}{(1+r)^2} + \frac{CFn}{(1+r)^n} \quad \ldots(1)$$

Whereas

CF1 = Cash Flow for Year 1

CF2 = Cash Flow for Year 2

CFn = Cash Flow for additional Years
r = Discount rate

Even though this method is extremely flexible when providing investors with information on investment viability, it has some important limitations to take into consideration. As such, we have to consider the fact that this method entails estimated values, not only regarding the predicted cash flows but also the discount rate used. Consequently, when considering the estimated values for a DCF valuation, the closer to reality they are the more accurate the result will be.

2.3 Relative Valuation (Multiples)

Relative valuation, most commonly known as Multiples valuation, is a method that compares a company's valuation with other companies in the market. The main purpose of this approach is to identify the worth of an asset, in regards to the amount the market is paying for a similar asset, Damodaran (2006).

According to McKinsey *et al*.(2005) Multiples analysis can be extremely insightful, as comparison between the multiples of different companies are being studied it can provide meaningful information regarding "key factors creating value in an industry".

Table 1 : Multiples valuation determinants

Multiples	Fundamental determinants
Price to Earnings Ratio (PER)	Expected growth, Cash Flow, Risk
Price to Book Equity Ratio	Expected growth, Cash Flows, Risk, ROE
Price to Sales Ratio	Expected growth, Cash Flows, Risk, Net margin
Enterprise Value/EBITDA	Expected growth, Reinvestment Rate, Risk, ROC, Tax rate
Enterprise Value/EBIT	Expected growth, Reinvestment Rate, Risk, ROC
Enterprise Value/Sales	Expected growth, Reinvestment Rate, Risk, Operating margin

Source: Damodaran (2006)

Amongst these multiples, the most frequently used for company valuation are the Price to Earnings Ratio (PER) and the EV/EBITDA. The preference towards these two multiples comes from their complementary characteristics. While the PER works with earning based aspects only, it provides a limited overview as it translates how much to spend per share. However, with the metric EV/EBITDA we get a clearer view of the financial performance since it entails not only equity but also the debt component. In the context of this project, we will recur to two different terminologies of P/E ratios, the trailing and forwards. While the trailing P/E is calculated based on EPS from the last 12 month, the forward P/E represents the projected estimates made by analysts for the next 12 months.

Overall, McKinsey et al.(2005) suggests that, despite DCF being the more flexible approach, the eminent flaws it presents while attempting to make the most accurate estimations can be improved through a careful multiples analysis, which can lead to forecasts and values closer to reality

2.4 Real Options Valuation

A Real Option from a management point of view can be regarded as the right but not obligation to go forward with or abandon a certain choice in a project or investment. Normally Real Options are associated with projects regarding tangible assets.

For this approach we will be looking into two different methods of valuation, Decision Tree analysis (DTA) and Contingent Claim analysis (CCA).

As suggested by Schulmerich (2005), DTA aims at representing a project with multiple possible outcomes through a tree shaped structure. Each node of the tree will either represent moments where the management made a decision or there is an outcome of such a decision, with branches representing respective probabilities regarding the decisions made. Even though DTA is useful to price sequential types of investment, where uncertainty lies and where decisions can be made in the future, it can become too complex if there are too many nodes regarding a project. Also, this approach works with a constant discount rate, which might not be compatible, since as uncertainty is resolved the discount rate cannot account for the risk of the change in the project.

According to Damodaran (2002), the CCA can be characterized into two option pricing models, the Binomial model and the Black-Scholes model. The author also defends that the worth of this approach lies in the fact that, in contrast to the DCF method, the CCA analyses

assets that are dependent on an event. The example given relates to oil, whereas an oil reserve development is directly related to the shift in oil price.

2.5 Economic Value-Added model

Economic Value Added (EVA) can be considered a metric of economic profit as according to Damodaran (2002) it represents “a measure of the dollar surplus value created by an investment or portfolio of investments.”. Furthermore, Damodaran (2002) also highlights that the calculation of the EVA revolves around the return on capital, cost of capital and capital invested.

Equation 2: EVA

$$EVA = NOPAT - (WACC * Invested\ Capital) \quad \ldots(2)$$

Whereas,
NOPAT = Net Operating Profit After Tax
WACC = Weighted average cost of capital

When looking at the foundation of investment valuation, Damodaran (2002) proposes that the Net Present Value (NPV) of a project can be defined as “the present value of the economic value added by that project over its life.”.

Equation 3: NPV

$$NPV = \sum_{t=0}^{t=n} \frac{EVAt}{(1+WACC)^2} \quad \ldots(3)$$

By integrating the NPV into the mix, Damodaran (2002) explains that we can calculate the value of a firm if we sum the “capital invested in assets in place” with the current economic value added provided by those same assets and the discounted value of the economic value provided by future investments.

As the EVA model is adept at providing information about the returns on the company’s invested money and insights into assets and expenses, it also is not recommended for companies that work with intangible assets as it revolves around the amount of invested capital.

2.6 Methodology

In this chapter, the methodology will be described through the analysis of some components that are required to be calculated in order to use the valuation models described in chapter 2.1.

As we will base the valuation of this project through the DCF, it would only be appropriate to go through its procedures as well as components. To start with, the DCF has two different approaches: Free Cash Flow to The Firm (FCFF) and Free Cash Flow to Equity (FCFE). Thereafter, we will look into terms such as: Terminal Value, Weighted Average Cost of Capital, Cost of Equity, Risk Free Rate, Market Risk Premium, Beta and Cost of Debt

2.6.1 Free Cash Flow to the Firm (FCFF)

The Free Cash Flow to the Firm approach is the most used methodology in the DCF. It basically represents the cash flows available when taking into account expenses, taxes, net working capital and investments in fixed assets.

Equation 4: FCFF

$$FCFF = EBIT(1 - Tax\ rate) + D\&A + CAPEX - \Delta WC \qquad \ldots(4)$$

Following this, in order to calculate the value of the company we need to compute the Enterprise value (EV) followed by the Equity value (EqV). While the EV represents the overall value of the company the EqV will represent the total value and their formulas are as follows.

Equation 5: Enterprise value WACC

$$Enterprise\ Value = \sum_{t=1}^{t=n} \frac{FCFFt}{(1 + WACC)^t} + \frac{Terminal\ Value}{(1 + WACC)^n} \qquad \ldots(5)$$

Equation 6: Equity value

Equity Value = Enterprise Value + Non operating assets – Debt and equivalents …(6)

2.6.2 Free Cash Flow to Equity (FCFE)

While the FCFF is the most used method the FCFE is considered to be the most complete out of the two since it deals with operating, financing and investing aspects. This approach after considering expenses, reinvestment and debt represents the cash flows available for dividend distribution towards equity holders.

Equation 7 FCFE

$$\text{FCFE} = \text{Net Income} + \text{D\&A} - \text{CAPEX} - \Delta Working\ capital + \Delta Debt \quad \ldots(7)$$

As the FCFF was discounted at the cost of capital rate (WACC) the FCFE will calculate the Enterprise value (EV) by using the cost of equity as its discount rate.

Equation 8: Enterprise value cost of equity

$$Enterprise\ Value = \sum_{t=1}^{t=n} \frac{FCFFt}{(1+r_e)^t} + \frac{Terminal\ Value}{(1+r_e)^n} \quad \ldots(8)$$

2.6.3 Terminal Value (TV)

The Terminal value has the objective of measuring the impact of future cash flows, as it represents the future cash flows assuming a company grows a set growth rate in perpetuity.

Equation 9: Terminal value

$$\text{Terminal Value} = \frac{FCFFt}{Discount\ Rate - g} \quad \ldots(9)$$

As we are using the FCFF to value future cash flows the discount rate will naturally be the WACC.

Regarding the growth rate it is worth mentioning that since no company can grow faster than the rate of the growth in the economy, the set growth rate needs to be smaller than the overall growth rate of the economy.

2.6.4 Weighted Average Cost of Capital (WACC)

WACC can be considered the minimum rate of return an investor is willing to accept in order to invest in a project. It is calculated by adding the capital sources which have been multiplied by their respective weight.

Equation 10: WACC

$$\text{WACC} = \frac{E}{E+D} * Re + \frac{D}{E+D} * Rd * (1-t) \quad \ldots(10)$$

Despite this metric being extremely useful it has some liabilities. When faced with various different types of debt with different interest rates it becomes complex to calculate the metric and there are diverse inputs to calculate WACC that can be subject to influence of external factors, such as market environment.

2.6.5 Cost of Equity (Re)

Several models can be used to calculate the Cost of Equity, however the most common are the Dividend Discount Model (DDM) and the Capital Asset Pricing Model (CAPM). Taking into consideration that, despite the DDM being more simplistic, the CAPM is more accurate so we will further use the second alternative in order to get the Cost of Equity.

The CAPM is computed by taking into consideration the risk-free rate in the market with the sensitivity of the stock's market return times the market risk premium.

Equation 11: CAPM

$$\text{CAPM} = \text{Rf} + \beta * (Rm - Rf) \quad \ldots(11)$$

2.6.6 Risk Free Rate (Rf)

The Risk-Free Rate represents an investment without the risk of defaulting. Tendentially this rate can be associated as an example with the US Treasury Bills, under the Modern portfolio Theory, as the general idea is that T-bills are backed up and represent the government, so it is considered unrealistic the possibility of default.

2.6.7 Market Risk Premium

While calculating the Market Risk Premium, several models can be used, however the historical seems the most appropriate. This follows the rule that the Market Risk Premium is the same for all investors so it is not affected by risk aversion or other investor traits.

The way to calculate this metric is by getting the difference between the expected return of the market and the risk-free rate.

2.6.8 Beta (ß)

The Beta transmits the correlation between the company stock price in regard to market fluctuations.

By calculating ß we are testing the relation between a share with the fluctuation in a market portfolio.

Equation 12: Beta

$$\beta = \frac{cov(R_E, R_M)}{\sigma^2(R_M)} \quad \ldots(12)$$

There are three distinct values for ß, in case it is 1 it moves in unison with market returns variance, if it is 0 it means that the company stock is uncorrelated with variance, while if it -1 it moves inversely in regards to the variance of market returns. The more the value of ß tends towards one of these three values the more accentuated we can verify the effect.

2.6.9 Cost of Debt (Rd)

As we checked previously, we need to calculate the cost of debt in order to get the WACC. The Cost of Debt can be translated as the total amount of interest incurred by having liabilities. This metric can be separated by After-tax and Pre-tax. As the After-tax Cost of Debt takes into consideration the tax advantages of incurring in debt, we will use this metric for the calculation.

Equation 13: After tax cost of debt

$$\text{After tax cost of Debt} = \text{Pre tax Cost of Debt} + (1\text{-tax}) \quad \ldots(13)$$

3 Macroeconomic Overview

To better understand Nike's historical performance, which will be used in the valuation chapter, we will start by providing an outlook on the development of the global markets in recent years. This way, through an analysis and exposure of impactful events within this timeframe, we will be able to more confidently understand the direction the company will take for the near future.

In recent years, the most impactful event to be perceived in a macroeconomic overview was certainly COVID-19. The effects of this notorious pandemic were heavily felt globally and left lasting setbacks to which the world had to bounce back and adapt from. To place things in perspective, in the year 2020 the global GDP presented a downfall of 3,4%, which at the time translates to around 2 trillion U.S dollars. Even though there was a strong recovery in 2021, the sudden appearance of COVID-19 added to the lack of information and preparation the world had at the time, led to urgent containment measures. Consequently, as border and travel restrictions were implemented every industry felt the impact. Whilst some companies were not ready for the sudden unavailability of the DTC approach (direct-to-consumer), others such as Amazon thrived in this situation through the boom of digital trade. This timeframe heavily accelerated the integration of digital tools and digital oriented businesses in the economy, such as the implementation of remote or hybrid work as a common practice.

As we are valuing Nike in 2024 it is only appropriate to also consider the state of the world's economy for this year. At this time, even though there is still some uncertainty and speculation, the global growth rate is expected to stabilize at 3,2% according to the International Monetary Fund. Considering the global presence of Nike, we need to take into consideration the differences in the markets this company operates. For this we will be comparing the real growth rate between emerging or developing economies to already advanced economies.

Figure 1**: Worlds' Real GDP Growth Rate**

Source: International Monetary Fund

Looking at the chart presented above, we can immediately notice two downward spikes representing two impactful events that symbolizes regression. The first spike was the 2008 financial crisis while the second one was the previously mentioned COVID-19. We can observe that these events had similar effects since both presented a quick recovery from the huge downfall and despite not having information past 2024 we can see that post recovery from the financial crisis of 2008, followed a period of stability, which according to the graph there are similarities that incline for a period of stability too.

In 2024, the emerging markets and developing countries (EMDEs) had a real GDP growth rate of 4,2% while the advanced economies presented 1,8% and the global registered 3,2%. As mentioned previously, and highlighted by the chart analysis the growth rate is believed to stabilize in the near future, this will be an important factor when moving forward as we will need to project Nike's expected growth for the next 5 years.

According to the IMF, we are seeing a decline in inflation level. After the peak of 9,5% registered in 2022 it is believed inflation will reach 3,5% at the end of 2025. This value would have a rather positive impact on the economy as it would be nearing central bank targets. Consequently, this would provide monetary easing for major central banks.

4 Industry Overview

Nowadays, Sportswear is composed of apparel, footwear and accessories tailored for sports or athletic activities. In this industry these products exist bound to two ideologies, if they are performance oriented for athletes or leisure focused for regular activity and daily usage. If we consider that sports are a form of historical heritage, which have always been one of the primary forms of entertainment by constantly changing and adapting to civilization's development and preferences, we can see the immeasurable potential this industry possesses and will keep having. Nowadays, the Olympic Committee considers the existence of 200 sports, however the actual sports practiced around the world are believed to be 8000.

Currently, the state of the Sportswear industry is defined by athletes that excel in their respective sports. The larger the audience for a sport the more profitable these athletes become, as brands use their image to promote products or create direct partnerships to have exclusive lines of products under the athlete name. However, looking towards the future we believe that the key factor which will allow this industry to keep thriving is the easy access to product customization. As time goes on and sports evolve, the sheer capacity of being able to associate a number, letter or symbol to a piece of apparel, footwear or accessory will allow companies to steadily keep up with trends.

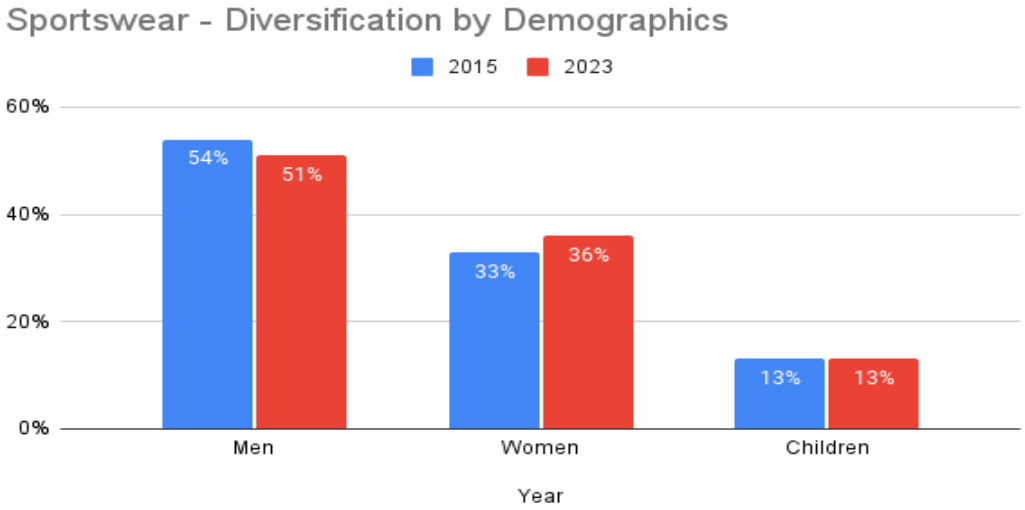
4.1 The world sportswear industry in 2023 and beyond

The sportswear industry in 2023 had a global value of approximately US$395 billion representing a growth of 6% from the previous year. This industry had a compounded annual growth rate (CAGR) of 4,5% between 2009 and 2023. Furthermore, according to Euromonitor it is believed that sportswear will have a CAGR of 6% to 7% between 2024 and 2028. The growth drivers that sustain these expectations revolve around the e-commerce potential, the quick growth Asia-Pacific (APAC) as seen in 2023 and the huge momentum in women and children oriented products.

As digitalization was a factor of the COVID-19 pandemic, the sportswear industry was not an exception. With the strong integration of E-commerce, fuelled by its convenience and accessibility allowed this sales method to reach 30% of the market for sporting goods. Alongside digitalization an important factor that still represents the capacity of growth in this industry is the APAC market. This market represented around 23% of the whole industry, with China representing a substantial 16% due to Anta sports, a multinational sportswear company based in Jinjiang. Relatively to the demographics spectre we can see in the graph below the relevant growth women have presented in sportswear consumption. This allows companies new lines of innovation and product development. A perfect example of this situation is the

increase in female athletes in the Olympic games, while in Athens 2004 their demographic class represented 40%, in Paris 2024 it increased by 10% having women representing half of the total athletes present.

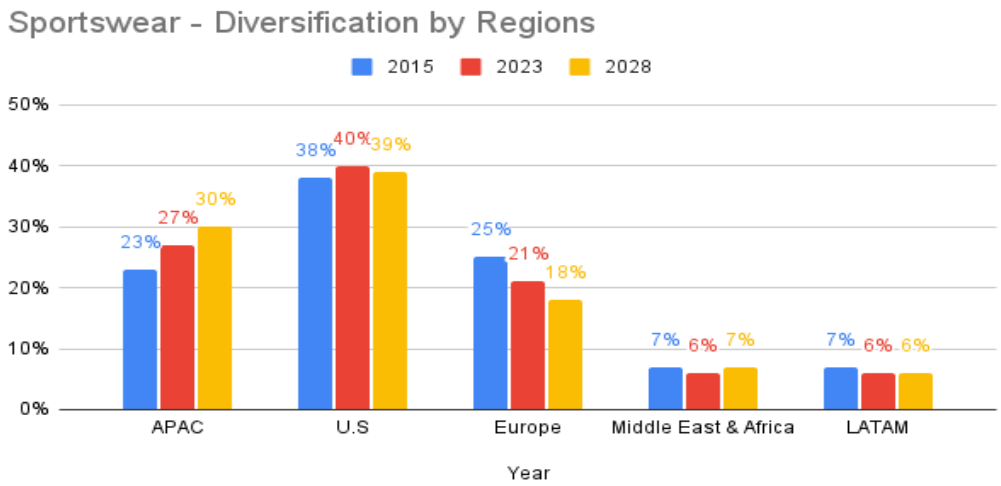
Figure 2: Sportswear Diversification by Demographics



Source: Own elaboration. Euromonitor

Even though the previously mentioned APAC is showing the biggest growth prospects in percentage terms the main market for the sportswear industry has consistently been the U.S market surrounding the 40% threshold. Besides these two markets the sportswear industry is also present in the European, Latin American and Middle Eastern & African markets. This global presence will certainly be followed with strong regional variations from market sizes to consumer preferences. As Nike operates on a global scale it would be worthwhile to check the size and development of each region in this industry.

Figure 3: Sportswear Diversification by Regions



Source: Own Elaboration. Euromonitor

Looking at the graph we can observe the beforehand mentioned growth in the APAC region mostly derived from the strong position China holds globally. While the U.S market remains and is expected to remain stable at 40% market share, the European market in contradiction has lost 4% market share from 2015 to 2023 and is expected to lose 3% more in the next four years to the APAC region. A possible reason for this loss in foothold from Europe can be this industry's strong reliance on a complex global supply chain that might be in tension from the war between Russia and Ukraine. As for the other two regions, they hold small similar market shares and are predicted to remain relatively stable for the near future.

4.2 Major global players in the sportswear industry

Intense rivalry seems the appropriate term to describe the state of the sportswear industry in the last few years. From major powerhouses like Nike, Adidas and Puma to rising competitors like Under Armour, New Balance and Skechers, the sporting goods industry has been a centre stage for fierce competition ranging from product differentiation to price strategies and marketing innovation.

Firstly, as the products manufactured by the companies in this industry are tendentially directed towards the same sports with the same purpose (footwear or apparel), so brands are required to apply innovation through the development of new designs as well as usage of advanced materials to get an edge: Additionally, brand image cultivation focusing on customer loyalty is a must, Under Armour is a good example of a brand that thrived from marketing, endorsements and sponsorships with an athlete, namely Stephen Curry, whom became the main figure of the brand through his success in basketball.

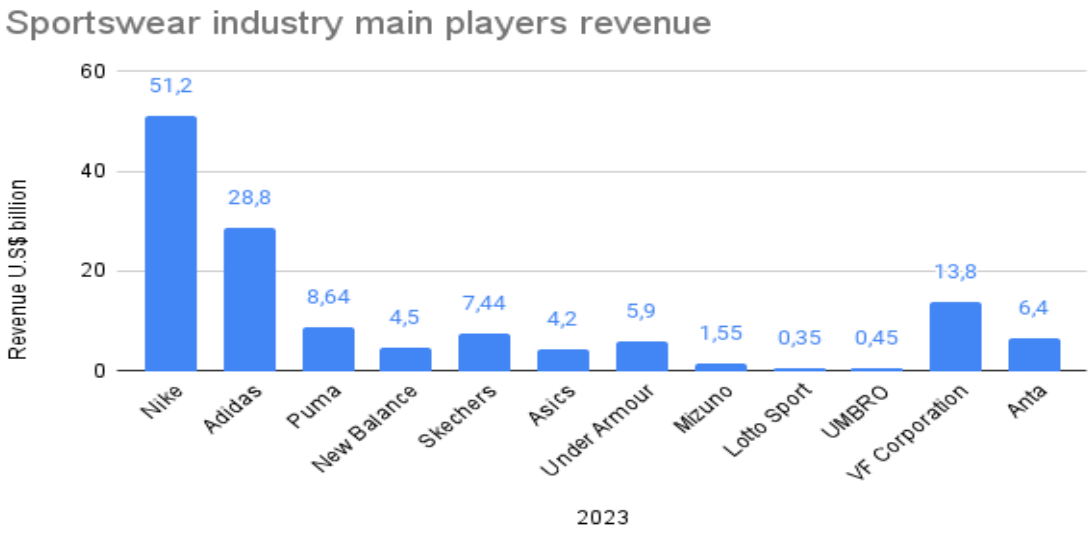
Secondly, as it is extremely hard to compete with the likes of Nike or Adidas that have a really strong foothold in the market through customer loyalty, global brand awareness and capacity to provide enticing contracts to new coming superstar athletes, smaller brands need to take advantage of every possible option being one of them pricing strategies. In one instance these brands can recur to discounts and promotions as a means of captivating more consumers. On another instance they can promote value propositions directed towards performance and quality in terms of what is currently available in the market, this way not only can they attract well informed customers but also promote their brand image.

Lastly, as once again major brands have the advantage of worldwide recognition, aggressive marketing strategies that place emphasis on lesser-known brands are key to create awareness. These strategies can vary from sponsorships of major sports events to

endorsements of well-known figures like celebrities that have a lot of visibility throughout social media platforms.

Taking into consideration our purpose of performing Nike's valuation, it only feels appropriate to look into the actual values of the major players in this industry.

Figure 4: Sportswear Industry Main Players Revenue

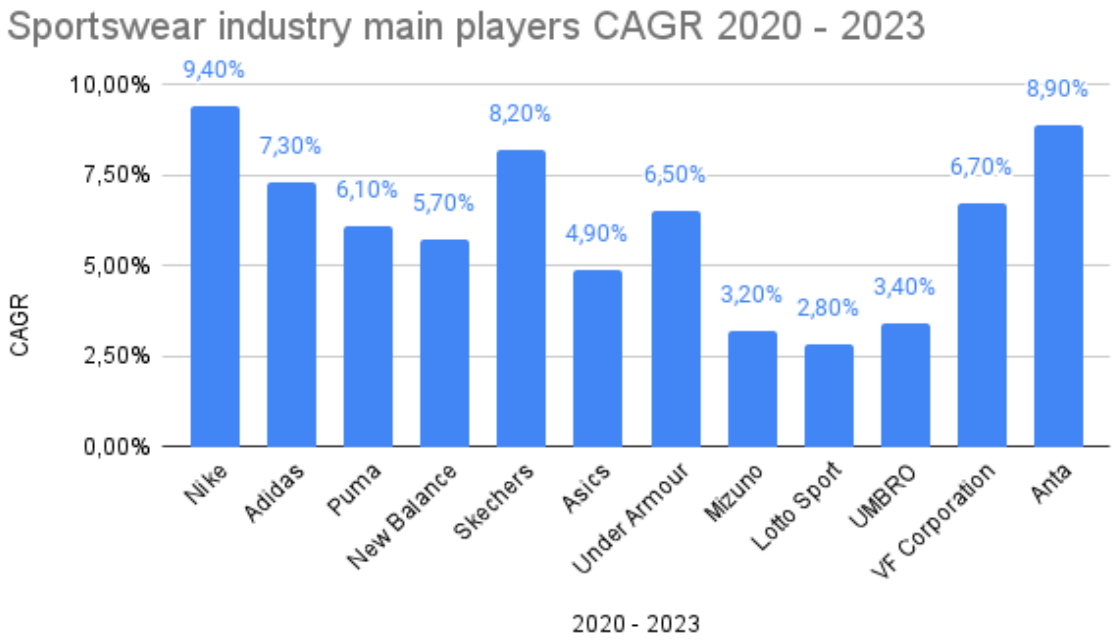


Source: Own Elaboration. Global Growth Insights

Looking at the graph we can observe that Nike holds the leading position in this industry with 52,2 U.S$ billions, followed by Adidas with 28,8 U.S$ billions. Even though it is certainly difficult to compete with these two companies there is a lot of potential for some of the other brands to gain market share and increase revenues in some of the markets in which Nike operates. Anta sports as we already mentioned previously, has a lot of capacity to expand its operations in the APAC market due to geographic advantages and vast cultural advantages in that market which can promote customer loyalty in the long term.

In order to have a more complete overview and development expectation of the competition in this industry, we will analyse below the growth each company had recently.

Figure 5: Sportswear Industry Main Players' CAGR 2020-2023



Source: Own Elaboration. Global Growth Insights

This graphic clearly states Nike's sheer dominance in the sportswear industry with a CAGR of 9.40%, however as we have mentioned before, Anta despite not having the biggest revenues is a company with a lot of potential and presents a CAGR only second to Nike with 8,90%. Another substantial value that translates the possibility of growth and development in this industry is Skechers', with a 8,20% CAGR beating Adidas and Puma by 0.90% and 2,10% respectively.

4.3 Key Trends in the sportswear market

Athleisure and sustainability/ technology and e-commerce/ Customization and health/ Collaborations and inclusivity

Towards the final goal of evaluating Nike, it is only fitting that we take into consideration the current state of the sportswear industry as this will not only allow us to perceive the stance the company has to take but also key areas that might still be lacklustre and need investment. For this analysis four segments will be tackled in order to effectively represent the current market trends.

Athleisure and Sustainability: When mentioning big names within the sportswear industry, commonly Nike, there is an immediate association to products tailored towards sport performance alongside with the image of famous athletes associated with the brand. Even though this type of products is extremely popular, a trend of combining athletic apparel with casual clothing has grown continuously more popular earning the terminology of athleisure. This concept has the objective of providing consumers with the comfort of sport clothing integrated in a fashionable design which allows for both exercise and casual daily activities.

The key aspect of this trend is the degree of general acceptance, as the products are marketed and used, a general consensus is created around the acceptability of the outfits as a fashion reality.

Another surplus that emerges with athleisure is the capacity it has to adapt towards sustainable criteria. As the clothes are not focused on raw sport performance but instead on general exercising or sport practice, companies have more leeway on the means of production and the materials used. Additionally with the rapid growth in environmental awareness consumers are also looking towards companies that not only practice sustainable manufacturing methods but also provide products made with eco-friendly materials, such as recyclable polyester or organic cotton.

Technology and E-commerce: As it has already been mentioned due to the COVID-19 the digitalization movement accelerated the integration of new technologies in multiple industries, sportswear inclusive. With sudden increase and dependence on online shopping, consumers became aware of the new buying simplifications and exponential worldwide product accessibility. This certainly was a factor of immense competition between companies in the sector as consumers retained their preference for online shopping, placing a requirement on companies to invest on these online platforms in order to keep up with the new trend. A really positive impact of digitalization was the opportunity it generated to unknown brands in the industry like GymShark. This brand taking full advantage of online platforms and social media, not only marketed successfully their apparel products but provided online educational home exercising services to people during pandemic and after pandemic while there was still fear of going to gyms.

In terms of technology, despite having its impact most noticeably in the online sales methods, it has always been a part of the sportswear industry and even nowadays new products based on fitness trackers and smart clothing are being constantly upgraded to provide consumers with data on fitness levels and health metrics.

Customization and Wellness: Considering the type of products present in the sportswear industry brands have close to no restrictions, besides the materials used for certain products most of the items can actually be customized. This customization has been a growing trend, from sport fans that instead of buying a certain team’s player jersey they would rather have their own name on that jersey or even a simple change in colour from an already existing product. Facing the reality of this trend, companies are not only adapting to consumer preferences but also researching them through data-analytics in order to provide better products.

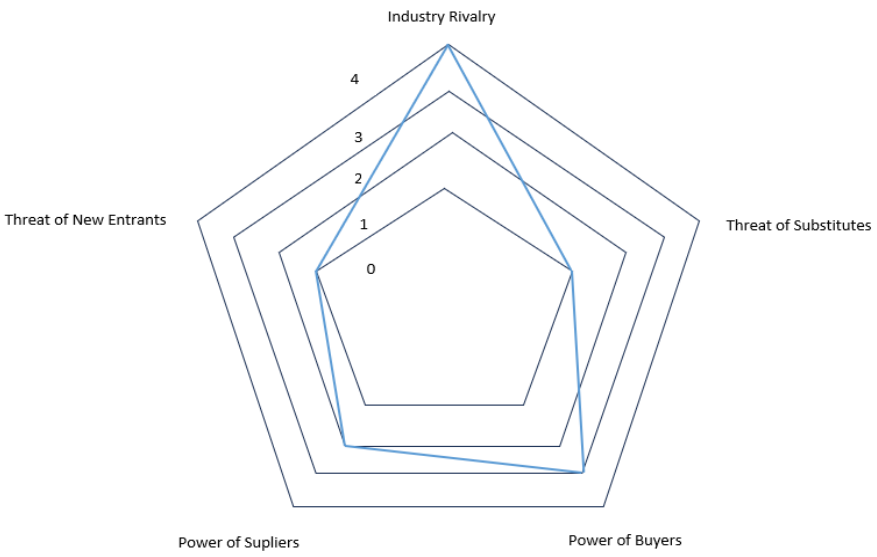
Through this data research, companies are also trying to promote consumers' general health. By analysing their preferences towards diverse health trends, products that promote mental well-being can be manufactured in the form of meditation or yoga settings in digital devices to promote the reduction of depression or anxiety. Furthermore, we cannot disregard the continuous increase in fitness awareness, as such brands also attempt to promote and be part of events directly involved with physical wellness like open public runs and mini marathons.

Inclusivity and Collaboration: As exercising is gradually becoming a common concept when attempting for a healthier lifestyle, brands want to be able to captivate every type of consumer. This objective entails that products need to take into consideration sizes and styles that cater to different body types and demographics. As consumers are affected by a myriad of variables when it comes to preferences, brands such as Nike, are taking into consideration geographical discrepancies and cultural differences in order to best promote products suited for those characteristics. An efficient measure that is being used, is the integration of different cultures and lifestyles in their marketing and campaigns, which leads to a higher degree of inclusivity and relatability with the brand itself.

In order to best provide these inclusive methods, we are starting to see brands opting for collaboration with other industries in an attempt to tap into new audiences. A popular method is collaboration with celebrities, as every region and culture have their own popular figures. Whilst the other approach is more technical, by collaborating with tech companies, innovative products tailored to specific types of consumers can be manufactured.

4.4 Porter's five forces analysis

Figure 1: Porter's five forces analysis



Source: Own Elaboration

Industry Rivalry: High Threat

The sportswear industry has an extremely high level of competition. This derives from the fact that the products traded in this industry are not only affordable in general but also target the majority of demographics in society. As a consequence, these products' lack of versatility creates increasing tension on companies' growth, making them intensely compete for market share instead of new consumers. All considered, in order to fight for market share, brands heavily invest into marketing, differentiation and innovation through branding or even deals with famous figures, promoting this way a high level of competition.

Threat of Substitutes: Low Threat

Currently the presence of substitute products for sportswear is low as the industry covers most of the needs consumers have in terms of apparel, footwear and accessories. The inexistence of products that can be presented as substitutes for sportswear is mainly derived from the growth in athleisure, as these new products are directed beyond the sports market into casual and fashionable clothing. Additionally, even specific activities like yoga which may be adept at a different type of equipment are turned into an opportunity for brands in this industry to adopt while trying to target new segments of the market.

Power of Buyers: Medium Threat

As the diversity of products is large, consumers have a relatively strong bargaining power. Even though it is not an oppressive level of influence as brand image and loyalty provide a lot of value in this industry, buyers are evidently price sensitive since there are a lot of brands and products to choose from, which added to a simplification in terms of accessing information through e-commerce platforms leads to a more informed and selective purchase from consumers.

Power of Suppliers: Low Threat

Suppliers are a key part of this industry however their influence is significantly low as there are a lot of manufacturing options and currently no shortage of raw materials. Furthermore, brands are trying to implement vertical integration by producing more internally, reducing this way the dependence on suppliers even more. Despite the low influence suppliers have, it is worth mentioning that they still can show some impact as brands that establish quality control deals might face significant additional costs when changing suppliers.

Threat of New Entrants: Low Threat

The sportswear industry is a relatively mature market, which added to the presence of powerhouses like Nike and Adidas generates heavy constraints for new brands trying to integrate the market. These constraints exist mainly around the strong brand image and consumer loyalty that these major players possess, creating a larger early investment requirement for marketing and distribution. Additionally, these are companies with a long historical background in the industry having this way long relationships with retainers pressuring the access to distribution channels.

5 NIKE, INC Overview

5.1 Foundation and Growth

The origins of Nike date to 1958 were a college student and track athlete named Phil Knight approached his university running coach Bill Bowerman with heavy dissatisfaction towards the state of running shoes in the American market. It was only 6 years later in 1964, that these two soon to be partners started their company Blue Ribbon Sports. The initial idea revolved around being a distributor of Onitsuka Tiger (a Japanese shoe manufacturer nowadays known as ASICS) in the American market.

The exclusive contract Blue Ribbon Sports made showed a lot of promise growing yearly at a steady pace. It was only in 1971, a year where sales hit a whopping U.S$ 1,3 million, that Blue Ribbon Sports faced with bath faith from the Japanese counterpart started to look for manufacturers and created their own brand Nike.

The beginnings of this new project were market by the Swoosh logo a design made by Carolyn Davidson and the release in 1972 of Nike's first shoe "Nike Cortez", a big success amongst runners. What followed, was a huge focus from Nike in product development and endorsement deals. The company's investments not only provided increase brand awareness but led to innovative mechanisms in their products such as the air cushion technology integrated into their shoes. Posteriorly, this new mechanism led to the creation of the Air Max line.

Nike's period of growth is what we can define the decade of 1980s. The company started by going public, trading in the New York Stock Exchange (NYSE). It was also during these years that Nike had the vision to enter a contract with an NBA player called Michael Jordan, creating the exclusive line of shoes called Air Jordan. This decade also marked the brand's achievement of global awareness as their slogan "Just do it" became extremely popular through advertisement.

Historically, it was from the 1990 threshold that Nike started their path towards global market domination. As the company decided to integrate apparel and accessories to the already popular footwear products, it started to become the centre of what we know today as the sportswear industry. Additionally, with the previously mentioned endorsement deal with Michael Jordan, they were the first brand to popularize basketball as a sport worldwide, opening this way the path to multimillion $ contracts with athletes as we know today.

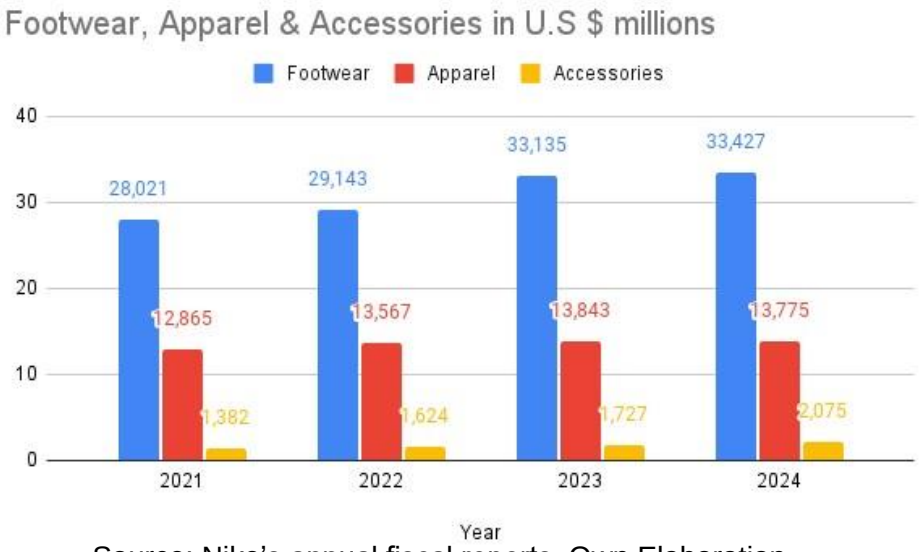
Reviewing on this company's background history, it is clear that their accumulated innovation and success led to the position of market leader the company holds for so many years in the sportswear industry

5.2 Business context

Nike having its origins in America and most of its revenues from the North American sportswear market, it is evident that their headquarters would be situated in the USA specifically Beaverton in Oregon. Furthermore, their heavy presence in the sportswear industry is also due to ownership of subsidiaries which translates into the capacity of targeting diverse market segments. Some of the well-known subsidiaries are: Jordan brand, Converse and Hurley.

As presented in Nike's annual fiscal reports, the brand places their products into three different categories: Footwear, Apparel and Accessories. Each category has a different weight when it comes to Nike's revenues and their representation is as follows.

Figure 6: Footwear, Apparel & Accessories in U.U $ millions

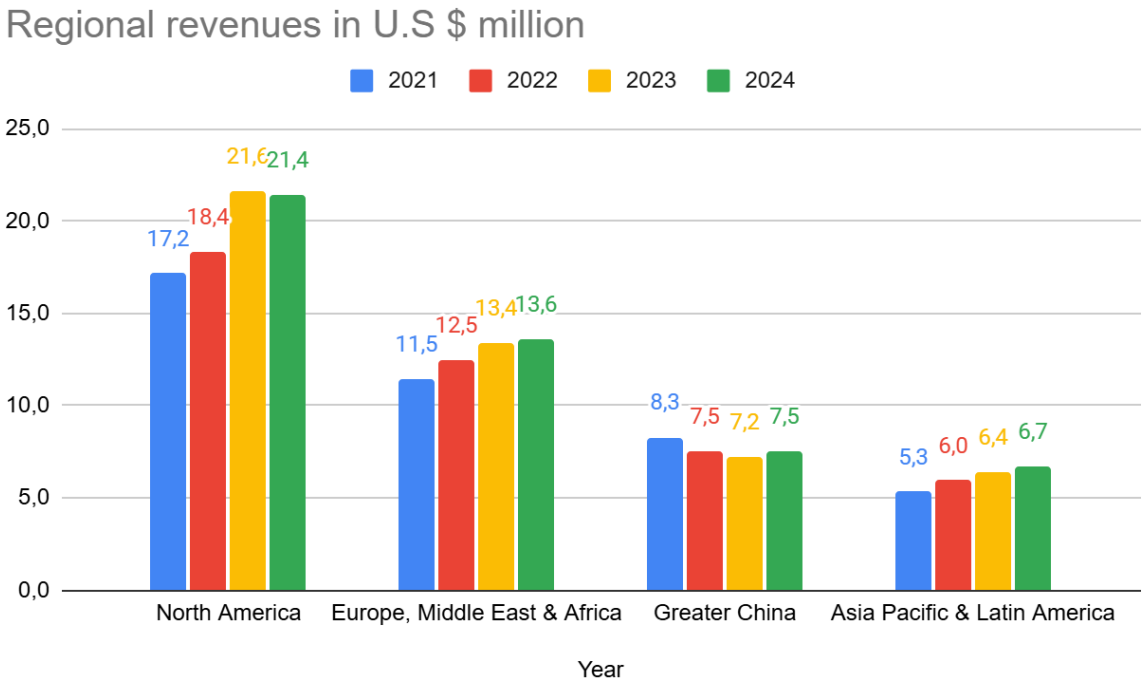


Source: Nike's annual fiscal reports. Own Elaboration

According to the data provided by Nike presented in the graph above we can observe that, in terms of the company's revenues the Footwear category has the most weight followed by the Apparel products. Analysing each group separately we can start by mentioning the relevant upside of 13,7% footwear products seen between 2022 – 2023. Relatively to the apparel segment, the values are quite similar throughout the four years in study, however in 2024 Nike felt a downside of 0,49% relative to the previous year. Lastly, even though accessories account for the least weight representation of Nike's revenues they had the biggest growth in 2024 relative to 2023, representing an upside of 20,15%.

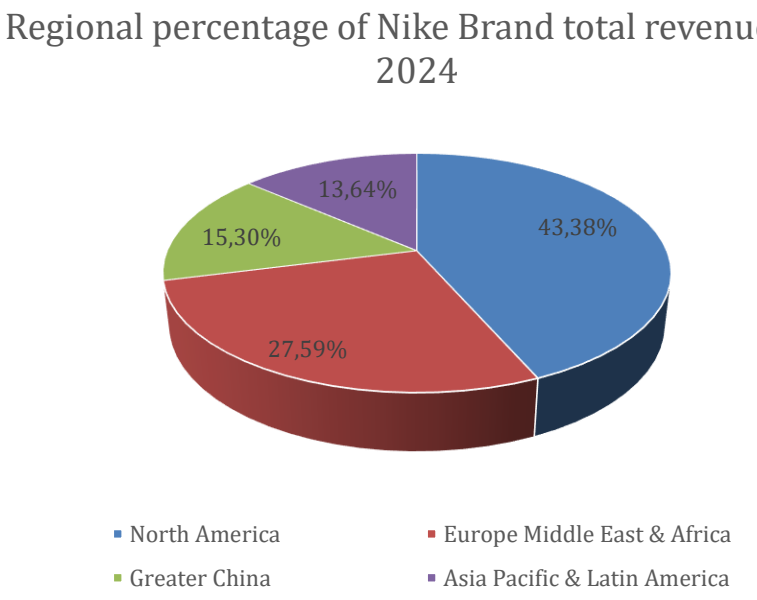
As we want to have a complete perspective on Nike's business operation, we are still missing an overview of the global distribution of Nike's influence across the different regions it operates in. Following data from Nike's annual fiscal reports, regional revenue and percentage of revenue charts are formed below.

Figure 7: Regional Revenues in U.S $ millions



Source: Nike annual fiscal reports. Own Elaboration

Figure 8: Regional Percentage of Nike Brand Total Revenues in 2024



Source: Nike annual fiscal reports. Own Elaboration

As we can observe from both charts, the region where Nike has the most presence is indeed North America. Considering first, the pie chart we observe the emphasis that the North America region has with 43,38% of Nike Brand total revenues in 2024 (does not include converse and corporate revenues). Followed by Europe, Middle East & Africa with a relevant 27,59% the other two regions present similar weights, having Greater China the edge relative Asia Pacific & Latin America.

Moving on to regional revenues analysis, we can observe that between 2021 – 2024 only the Greater China region did not present growth in general, instead it had the biggest revenue value in the first year. This may be derived by China's growing regional company Anta sports, together with possible political and geographical difficulties. In opposition to Great China's values, Europe, Middle East & Africa together with Asia Pacific & Latin America presented constant growth, however it is worth mentioning that the growth was relatively higher in early years while slower in the last year. For Nike's main operating region, we can observe a huge growth spike from 2022 to 2023 of 17,74%, followed by a small downside of 0,98% in revenues generated.

Overall, Nike's business context translates the image of a powerful brand with strong foundations in the sportswear industry. The company showed considerable growth in its categories and regional revenues, however relative to the latter it also showed signs of stagnation for its two biggest operating regions in 2024.

5.3 SWOT analysis

Strengths	Weaknesses
Brand Recognition	Reliance in suppliers
Research & Development	Negative Publicity
Target Market Range	Market Saturation
Opportunities	**Threats**
Digitalization	Supply Chain Restrictions
Emerging Markets	High Industry Rivalry
Athleisure growth	Change in Consumer Preference

Strengths

Brand Recognition: Nike's powerful global recognition is clearly one of its major advantages in the sportswear industry. This level of awareness was attained through huge marketing successes like the slogan "Just do it", added to the simple but eye-catching logo that transmits consumers an impactful message. The company's venture into the celebrity athlete domain, closing deals with the likes of Cristiano Ronaldo, Michael Jordan and Lebron James, allowed for the easy captivation of fans from these athletes' respective sports.

Research & Development: Since the early years of Nike foundation the company has been a pioneer when it comes to investing in innovation. What started with Air Max, has currently progressed to new technologies implementation such as, Flyknit and Dry-Fit.

Target Market Range: As Nike prides itself from being the sportswear market biggest brand, it is a powerhouse in the segment of footwear, apparel and accessories. However, what makes this brand so dominant is their presence in multiple markets derived from the three categories mentioned above. With subsidiaries like Cole Haan, Nike also dabbles in the luxury segment through the production of luxurious shoes, handbags and coats.

Weaknesses

Reliance in suppliers: Focusing on outsourcing allows Nike to reduce on manufacturing costs, however it also generates possible problem in quality control. Possible failure for products to comply with standards may be what can drastically change Nike's dominant position in this very competitive industry.

Negative Publicity: Even though Nike's brand image is extremely strong, the current easiness in obtaining and sharing information make leading companies vulnerable to negative spread of information. In Nike's case critiques surged directed towards their moral values as outsourcing was being made from places with low wages/ poor working conditions and human rights issues. At first Nike tried to ignore criticism, however in a rivalry intensive industry there is no margin for brand image tarnishing, forcing this way Nike to adopt a strategy directed to corporate responsibility. Even though, they were clearly successful in bouncing back from the initial criticism, Nike's market position places it in the spotlight allowing for vulnerability at the smallest mistake.

Market Saturation: As there are a lot of brands in the sportswear industry offering the same genre of products there is low capacity for growth within the industry. Reaching new segments

of consumers require for a different type of products so companies mostly compete directly for market share.

Opportunities

Digitalization: With the growth of E-Commerce, Nike has the means of improving on its online sales and develop intrinsic digital marketing strategies. As this online endeavour is a rather recent reality, it allows for brands to manoeuvre this to their advantage within an extremely competitive environment.

Emerging Markets: Considering that emerging markets most likely do not represent immediate results post investment, as they are still in a growth and development phase companies might shy away from them. However, if we consider the reality of industry rivalry and market saturation in sportswear, emerging markets can become extremely appealing investment opportunities. Additionally, Nike's sheer size in comparison with its competitors allows for more flexibility when it comes to investing in these markets, which can also translate into an immediate stronger foothold from being first to integrate the market.

Athleisure Growth: The interest growth in athleisure from consumers, opens a path for Nike to develop this style of clothing, while using their strong brand image to easily promote their products to loyal consumers.

Threats

Supply Chain Restrictions: As it was mentioned in the weaknesses, Nike's outsourcing generates possibilities of vulnerability towards unexpected circumstances. From geopolitical, economical or even natural disasters events, Nike can become subject to distribution and production constraints. Fragile situations like the war between Russia and Ukraine are good examples of Nike's fragile position relative to outsourcing.

High Industry Rivalry: Also present in sub chapter 4.4 of this project, the sportswear industry is characterized by intense rivalry. Nowadays, it is clear that the defining factors of differentiation for products in this industry are brand awareness and celebrity association. Increasingly, more and more athletes from different sports are being endorsed by brands in order to compete for market share, turning this industry into performance-based derived from the athletes in their respective sports. If we look at Stephen Curry a four-time NBA champion, his deal with Under Armour instantly propelled the brand globally.

Change in Consumer Preference: When dealing with clothing derived products, fashion trends are always key to keep following. As societies currently function a lot based on common

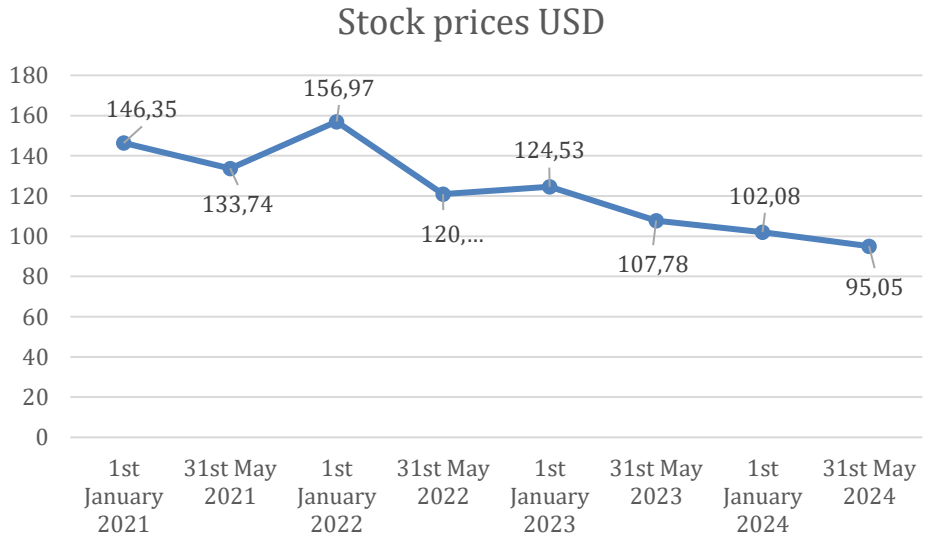
perspective, companies need to be prepared to quickly adapt to drastic changes in consumer preferences. Besides, as there is a lot of supply for sportswear products added to quick access to information, consumers are able to consider the best purchases creating more difficulties for competing brands.

5.4 Stock valuation

Nike, Inc (NYSE, NKE), a publicly quoted company since 1980 in the New York Stock Exchange, is currently present is key stock indices. Some of the most well-known are Down Jones Industrial Average (DJIA), S&P500 Index, NASDAQ-100 Index. The company's presence in these major indices highlights the prestigious position Nike holds within the American market and provides possible investors with performance tracking information within said indices.

In 1980 when Nike went public, its stock price started at U.S$ 22 per share. Meanwhile, 41 years later, in the beginning of 2021 the company's stock registered U.S$ 143,35 per share representing a growth of 552%.

Figure 9: Stock prices USD



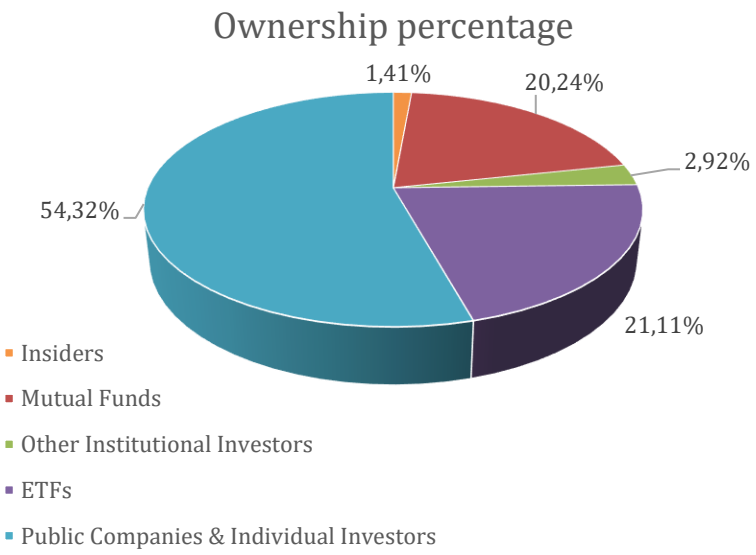
Source: Yahoo Finance Data. Own Elaboration

Looking at the graph we can observe that during the presented timeframe, Nike's stock price reached its peak early 2022, moreover it has presented thereafter a gradual yearly decline in performance. The represented downside from the peak value of U.S$ 156,97 per share in 2022 to May 31st 2024 was of 39%. A reason for this consistent yearly downfall may lie in a reduction of consumer discretionary spending, that together with the lack of recent innovation makes the company's product lines less compelling for consumers.

5.5 Shareholder structure

Nike's ownership structure is split between institutional, retail and individual investors. According to TIPRANKS' website we can observe that close to 44,27% of Nike's stock is owned by institutional investors, 54,32% is attributed to public companies & individual investors while 1,41% is relative to insider investors. The company ownership overview is presented as follows.

Figure 10: Ownership Percentage



Source: TIPRANKS website

As public companies & individual investors represent more than half of Nike ownership it would only be appropriate to go through some of the currently main shareholders at May 31st 2024. The first shareholder mention must certainly be Swoosh, LLC as it was formed to hold most of Phil Knight's stock from Nike. It has 437 million shares representing 29% of the company as its single largest shareholder. Following Swoosh is the Vanguard group, as one of the worlds largest investment managers it owns 109,7 million shares representing 7,2% of shares outstanding. Black Rock another large investment manager follows Vanguard in terms of Nike ownership, with 85,5 million shares representing 5,7% of shares outstanding. The last honourable mention would have to go to Travis Knight 2009 Irrevocable Trust II, as it belongs to Phil Knight's son and has 82 million shares of Nike representing 5,4% of shares outstanding.

If we consider, as previously mentioned, that Vanguard and Black Rock are some of the world's largest investment managers, we can see Nike's dominant market position and analysts' belief in the company's future prospects.

5.6 Financial Analysis

Before moving to the Valuation chapter, we will perform a financial analysis on Nike to assess its performance and stability. Through an analysis on Profitability, Liquidity and Solvency we will get an overview of the company financial health.

5.6.1 Profitability

To perform a profitability analysis, we will go through three financial metrics, the Return on Assets, Return on Invested Capital and Return on Equity. Nike's past 5 years values for this metrics are presented as follows.

Table 2: Profitability Ratios

Profitability Ratios	2020	2021	2022	2023	2024
ROA	8,10%	15,17%	14,99%	13,51%	14,96%
ROIC	21,95%	42,37%	34,66%	25,45%	31,39%
ROE	31,52%	44,86%	39,57%	36,20%	39,50%

Source: Nike Annual Fiscal Reports. Own Elaboration

Starting with the Return on Assets (ROA), this measure provides information on a company's efficiency in generating profits from its resources, being calculated by dividing net income with total assets. Analysing Nike's ROA we can see that in 2020 the company had a lower level ROA with 8,10%, however in the span of one year this metric spiked to a ratio of 15,17%. This spike might be related to a post COVID-19 recovery and it shows Nike's capacity to adapt and overcome adversity. For the current year of 2024, we can observe that ROA sits at 14,96% demonstrating an upside relative to 2023's 13,51%. This reflects an increase in the company's ability to generate net income from its assets in comparison to the previous year.

Return on Invested Capital (ROIC) is a metric used to determine a company's efficiency when it comes to allocating capital towards profitable projects and is computed by dividing Net Operating Profit After Tax (NOPAT) with the invested capital. Looking at Nike's ROIC it is apparent the same situation noticed previously from ROA, whereas the ratio in 2021 increased a lot from 2020. The registered values were 42,37% and 21,95% respectfully, strengthening this way the previous claim regarding Nike's capacity of adaptability. Furthermore, we can observe that from 2021 until 2023, Nike registered a significant decrease in ROIC going from 42,37% to 25,45%. This was slightly offset this year, where the company presented a ROIC value of 31,39% showing clear signs of improvement.

Lastly, the Return on Equity (ROE) determines the company's efficiency in turning equity financing into profits and it is calculated by dividing net income with shareholder's equity. Analysing Nike's ROE, we can observe that 2021 was also the year with the highest ROE of 44,86%. The current Nike's ROE was 39,50% and it represented an increase from 2023 where the ratio was 36,20%.

5.6.2 Liquidity

In the context of this financial analysis, liquidity measures a company's short term financial health and capacity to compel with immediate obligations. We will further look into Nike's liquidity prospects below.

Table 3: Liquidity Ratios

Liquidity Ratios	2020	2021	2022	2023	2024
Current Ratio	2,48	2,72	2,63	2,72	2,4
Quick Ratio	1,39	1,85	1,65	1,6	1,51
Cash Ratio	1,06	1,39	1,21	1,15	1,09

Source: Nike Annual Fiscal Report. Own Elaboration

Current ratio simply represents the company's current assets over current liabilities. A good prospect for this ratio is if its value is above 1 as this would represent assets have the ability to cover liabilities. Nike's current ratios from all 5 years in study confirm the company's capacity to cover obligations. As 2021 and 2023 registered the highest current ratios at 2,72 we can observe a slight decrease towards 2024 where the ratio was 2,4. Despite this, in accordance with the fullratio website the industry average current ratio for 2024 was around 2,09 and as such Nike's value of 2,4 its still ahead.

As inventories might not be as readily as accounts receivable to be converted into cash, computing the quick ratio is a conservative approach when evaluating liquidity. So consequently, the quick ratio is computed by removing inventories from current assets and dividing by the company's current obligations. Comparing Nike's quick and current ratios we can see that 2021 was the year with higher ratios with values of 1,85 and 2,72. However, when the current ratio of Nike was the same in 2021 and 2023 the quick rate decreased significantly from 1,85 to 1,6 and this is a representation on the difference in inventories registered those years. For 2024 the quick ratio registered 1,51 a lower value when comparing to the previous year.

Lastly cash ratio can be considered the most conservative metric in terms of liquidity analysis as it takes into consideration only the most liquid assets and its computation is cash and cash equivalents over liabilities. Nike's cash ratio shows a high increase from the 1,06 value in 2020 to a ratio of 1,39 in 2021. From 2021 onwards, the company registered consistently lower ratios hitting a value of 1,09 in 2024.There are multiple motives for a decrease in cash ratio, from decreases in cash reserves, operational inefficiencies or even changes in accounting practices. In Nike's case the decrease in cash ratio from 2024 compared to 2023 was mainly derived from the company incurring into new liabilities, something that did not happen in the previous year.

5.6.3 Solvency

Contrasting liquidity, solvency is a metric used to evaluate a company's capacity to continue operations in the long term. This metric focuses on liabilities extending for more than one year like bonds or loans and financial health is transmitted if the company has enough assets to sustain operations and invest in future growth. Relatively to Nike's solvency we will be looking at some ratios below.

Table 4: Solvency Ratios

Solvency Ratios	2020	2021	2022	2023	2024
Debt to Equity Ratio	1,20	0,74	0,62	0,64	0,55
Debt to Assets Ratio	30,81%	24,95%	23,39%	23,80%	20,76%
Interest Coverage Ratio	35,00	26,48	32,56	-	39,20

Source: Nike Annual Fiscal Reports. Own Elaboration

Debt to equity ratio measures the degree in which a company uses debt for financing instead of own resources and is calculated by dividing liabilities over equity. Analysing the table above, it is observable that Nike's debt to equity ratio presented a constant behaviour, decreasing throughout the 5 years. It is important to notice that in 2020 Nike had a debt to equity ratio above 1, more precisely of 1,2 and this means that in that year the company had higher financial leverage alongside more risk, as the value of debt was higher than equity. As the company demonstrated a downward trend reaching a ratio of 0,55 in 2024, the value registered in 2020 was probably an effect of the COVID-19 pandemic whereas the company might have needed an external injection of funds.

Debt to assets ratio is a metric that provides insight on the level of risk the company is subject to as it measures the degree in which assets are financed by debt and its calculation

is made by dividing debt over assets. Nike's debt to assets ratio of 30,81% being its peak value and in 2020, supports the conclusions made previously that this was a year where Nike had the need for external funds to answer the pandemic impacts. Following this year, Nike's debt to assets ratio stabilized dropping to 20,76% in 2024.

Lastly, the interest coverage ratio is a metric that measures the degree in which a company's operating income can cover the interest from its obligations and it is computed as EBIT over interest expenses. From Nike's interest coverage ratio values we can see that the company has no struggle in meeting its debt obligations as a ratio above 1 is the benchmark for this and Nike's minimum registered ratio was 26,48 in 2021. On another note there is no interest coverage ratio in 2023 due to interest expenses being lower relatively to interest payments, which preclude the formula itself.

6 Corporate Valuation

As we reach the main part of this dissertation we will look into the practical aspect for the valuation procedure.

As previously mentioned in the literature review, we will be valuing Nike through the Discounted cash flow model (DCF) and multiples analysis. Despite the application of these three different models our main focus will rely on the DCF as not only it is the most commonly used method of valuation, it also emphasizes intrinsic value, long term cash flow projections and risk adjustment, making it a more appealing approach towards investors interested in the company's potential. With this, the other two approaches will serve as means of reliably checking the plausibility of the price we get.

6.1 Discounted Cash Flows Valuation

As we aim to perform the DCF valuation we will go through three main topics: the estimation of the future cash flows, the calculation of the appropriate discount rate and reaching the terminal value. In order to do these, we will be required to make assumptions, taking into consideration the economic environment around the industry Nike is operational in and its historical performance, these can provide a realistic expectation and overview of the company situation going forward.

Relative to Nike's economic environment we will take into consideration, the United States as it is the primary market in which Nike operates. This will allow us to make more conservative assumptions since, not only can we have confidence in the US economic stability in the long term compared to the rest of the world, but also Nike's long-lasting presence in this market won't be easily swayed through competition factors or even outside economic interference.

As for the company's Historical performance we will take into consideration its past 5 years (2020-2024) since we are attempting to forecast the values for next 5 years also (2025-2029). By doing so, we will get a stable overview of the company's development within this timeframe, which consequently, will allow us to predict more accurately the realistic growth it may have in the future. While looking into the Historical performance we will be getting the information from the Income statement, Cash flows statement and Balance sheet provided in each annual report from Nike from 2020 to 2024. In this chapter, these financial instruments will serve as a means of reasoning behind the forecasted values of Nike and the respective assumptions made.

6.1.1 Revenue

Taking into consideration Nike's 2023/2024 fiscal reports, the company registered 1% increase in full year revenue, direct sales revenue and wholesales revenue. Despite the general increase it must be mentioned that in the fourth quarter of 2024 the company registered a downside of 8% in direct revenues and while this may be alarming due to Nike's strategic approach of mainly using direct to consumer sales channels, it is also offset by recent years focus on development of digital commerce.

Nike's projected revenue will have a significant impact in this analysis, as it not only is the first assumption to be made it will posteriorly impact future assumptions to be made. With this we firstly aim at defining an appropriate growth rate that will adequately represent Nike future growth for the forecasted years. As growth is a metric dependent on multiple variables and as such differs from year to year, instead of trying to project a possible growth for each forecasted year we will try to recreate a realistic representation of where Nike's revenues will be after the forecasted timeframe by considering a conservative steady average growth rate.

Through looking at the revenues from the past 5 years we were able to consider Nike's growth. However, to have a realistic growth rate we will opt for a conservative approach and considering that the global GDP growth rate is expected to stabilize at 3,2% until 2029 we believe a 3% growth rate would fit our intended projections.

Table 5: Forecasted Revenues

(Billion $)	2024	2025F	2026F	2027F	2028F	2029F
Revenues	51,362	52,903	54,490	56,125	57,808	59,543
%growth	0,28%	3,0%	3,0%	3,0%	3,0%	3,0%
Expected growth rate	3%					

Source: Nike's Annual Report 2024. Own Calculations

6.1.2 EBITDA

As EBITDA (earnings before interest tax depreciation & amortization) measures a company's operational profitability we will be recurring to the average EBITDA margin. This represents that the operation's expenses increase in proportion to the revenues. With this we reached an average EBITDA margin of 14,39% between 2020/2024.

Table 6: Forecasted EBITDA

(Billion $)	2024	2025F	2026F	2027F	2028F	2029F
Revenues	51,362	52,903	54,490	56,125	57,808	59,543
EBITDA	7,155	7,611	7,839	8,074	8,316	8,566
EBITDA / Revenues	13,93%	14,39%	14,39%	14,39%	14,39%	14,39%

Source: Nike's Annual Report 2024. Own Calculations

6.1.3 Depreciation & Amortization

While forecasting this metric we will also use historical D&A costs in percentage of revenues and its average value will be the forecasting trend. Even though we are using the percentage of revenues, according to Koller et al (2010) there are two other viable methods using the equipment purchases and through the percentage of Property, Plant and Equipment (PPE).

Consequently, the ratio for this timeframe (2020/2024) led to an average of 1,98%, to which was applied towards forecasting the following values.

Table 7: Forecasted D&A

(Billion $)	2024	2025F	2026F	2027F	2028F	2029F
Revenues	51,362	52,903	54,490	56,125	57,808	59,543
D&A	0,844	1,047	1,079	1,111	1,145	1,179
D&A / Revenues	1,64%	1,98%	1,98%	1,98%	1,98%	1,98%

Source: Nike's Annual Report 2024. Own Calculations

6.1.4 EBIT

The Earnings Before Interest and Tax is a key component in the DCF valuation, as not only it provides insight on a company's operational proficiency but also serves as a foundation to calculate cash flows.

As shown below this metric will be obtained by subtracting the forecasted values of the Depreciation & Amortization costs from the forecasted EBITDA values.

Table 8: Forecasted EBIT

(Billion $)	2024	2025F	2026F	2027F	2028F	2029F
EBITDA	7,155	7,611	7,839	8,074	8,316	8,566
D&A	0,844	1,047	1,079	1,111	1,145	1,179
EBIT	6,311	6,563	6,760	6,963	7,172	7,387

Source: Nike's Annual Report 2024. Own Calculations

6.1.5 Corporate tax rate

With access to Nike's annual fiscal reports, specifically its income statement, we extracted the past 5 years of effective tax rates supported by the company. As this measure is an average rate of tax paid on Revenues and we will not have access to said projections with guaranteed accuracy for future years, we will instead use a corporate tax rate so that we have a viable forecasting fixed rate. This corporate tax rate will consist of the average of the previously mentioned effective tax rates for the past 5 years, as it is demonstrated in the Appendix. Overall, the corporate tax rate will be 13,66%.

6.1.6 Net Operating Profit After Taxes

Having the EBIT forecasted and a corporate tax rate we will be able to arrive at the NOPAT, which allows the cash flows to be derived from. Suggestively, in order to calculate NOPAT, we will remove the value of the corporate tax rate from the EBIT.

Thereafter, the forecasted values of NOPAT are presented as follows.

Table 9: Forecasted NOPAT

(Billion $)	2024	2025F	2026F	2027F	2028F	2029F
EBIT	6,311	6,563	6,760	6,963	7,172	7,387
Effective tax rate	14,90%	13,66%	13,66%	13,66%	13,66%	13,66%
NOPAT	5,371	5,667	5,837	6,012	6,192	6,378

Source: Nike's Annual Report 2024. Own Calculations

6.1.7 Capital Expenditures

When referring to Capital Expenditures most commonly known as CAPEX, we can mention two distinct properties. Firstly, growth CAPEX, consisting of investments made towards increasing a company's capacity or expanding its operations, in instance acquiring new equipment or building new facilities. Secondly, maintenance CAPEX, which entails expenditures needed towards maintaining existing assets, ensuring this way they keep operating efficiently.

Overall, we can identify CAPEX as a metric that represents investments in long term assets that are expected to provide benefits over a long period of time.

While attempting to forecast the CAPEX values for our intended timeframe, we will not be able to recur to the previously used method of obtaining the historical average percentage of expenditure relative to revenues (Appendix). Following this, as the company registers an expenditures rate of 1,91% which is lower than the 1,98% average growth rate we chose for Depreciations & Amortizations, we will have to at least match the D&A growth rate for our CAPEX projections. With that in mind we forecasted CAPEX as follows.

Table 10: Forecasted CAPEX

(Billion $)	2024	2025F	2026F	2027F	2028F	2029F
Revenues	51,362	52,903	54,490	56,125	57,808	59,543
CAPEX	(0,812)	(1,058)	(1,090)	(1,122)	(1,156)	(1,191)
CAPEX / Revenues	1,58%	2%	2%	2%	2%	2%

Source: Nike's Annual Report 2024. Own Calculations

6.1.8 Net Working Capital

Working capital is a metric that relays important information regarding a company. One of its key features is being capable of measuring a company's liquidity, relaying this way its capacity of using short term assets to cover for short term liabilities. Consequently, we can reach Nike's Working capital by subtracting current liabilities from current assets.

Recreating the previously used method we will start by computing the historical working capital. In this case, through Nike's balance sheet we will define the current assets by "Accounts receivables", "Inventories", "Prepaid expenses and other current assets" and the current liabilities by "Notes payable", "Accounts payable", Accrued liabilities", "Income tax payables". Afterwards, we will proceed with obtaining the working capital in terms of revenues (Appendix G) so that the average of this metric between 2020/2024 can be used to project the

working capital values for 2025 through 2029. Even though the forecasted values have already been calculated, in order to posteriorly compute the free cash flows what we ultimately need is the variation that his metric registers.

Thereafter, the projections as well as the variations for this metric are presented as follows.

Table 11: Forecasted changes in WC

(Billion $)	2024	2025F	2026F	2027F	2028F	2029F
Revenues	51,362	52,903	54,490	56,125	57,808	59,543
Total WC	4,684	5,336	5,496	5,661	5,831	6,006
Change in WC	(1,012)	0,652	0,160	0,165	0,170	0,175
Change in WC / Revenues	9,12%	10,09%	10,09%	10,09%	10,09%	10,09%

Source: Nike's Annual Report 2024. Own Calculations

6.1.9 Terminal growth rate

Looking at terminal growth rate, we can refer to it as the rate at which a company's future cash flows are expected to grow indefinitely, after the forecasted time intended. With this, a major factor that highlights the importance of this metric lies in the fact that the terminal growth rate is the most impactful factor when calculating Enterprise value.

In order to calculate the terminal growth rate, we will need the expected inflation rate alongside the expected GDP growth rate for the countries in which Nike is active. Considering that Nike operates in around 200 countries across multiple continents we decided to adopt a straightforward plus conservative position for these metrics, which will allow us to reach an adequate terminal growth rate. Consequently, for the expected inflation rate we consider the United States as a solid representative due to being the principal component of Nike's biggest market (North America). While for the expected GDP growth rate we opted to provide a wider perspective, so instead of using the US as the staple metric, instead we are using the expected global GDP growth rate.

According to the Federal Reserve bank of St. Louis the 5 year expected inflation rate at the 31st of May is 2,38%, while according to Statista the expected global GDP growth rate will trend around 2,15%.

The terminal growth rate is presented as follows.

Table 12: Terminal Growth rate

Assumptions	Rates
Expected inflation rate	2,38%
Expected GDP growth rate	2,15%
Terminal growth rate	4,53%

Source: Statista, Federal Reserve Bank. Own Calculations

6.1.10 Free cash flow to the firm

Having all the inputs necessary to calculate the FCFF, namely NOPAT, Depreciation & Amortization, Capital Expenditures and variation in Working Capital, we can proceed to calculate the metric that represents the cash generated by a company's operations, that can be distributed to all capital providers without affecting its ongoing operations.

Hence, we will provide the cash flows between 2025 to 2029 with addition to the perpetuity value. It is worth mentioning that the perpetuity will be calculated by taking the last year cash flow (2029) and forecasting one extra year considering the terminal growth rate.

Table 13: Free Cash Flows to the Firm

(Billion $)	2024	2025F	2026F	2027F	2028F	2029F	Perpetuity
NOPAT	5,371	5,667	5,837	6,012	6,192	6,378	
D&A	0,844	1,047	1,079	1,111	1,145	1,179	
CapEx	(0,812)	(1,058)	(1,090)	(1,122)	(1,156)	(1,191)	
(-) Change in WC	(1,012)	0,652	0,160	0,165	0,170	0,175	
FCFF	6,415	5,004	5,666	5,836	6,011	6,191	6,471

Source: Own Calculations

6.2 Cost of Debt

Initially, through Damodaran's approach (2008) of calculating the cost of debt we will need to obtain a default spread relative to Nike's credit risk and the risk free rate. Posteriorly, this spread will be added to the risk free rate in order to obtain the cost of debt.

Starting with the risk free rate we will use as a proxy of an investment without risk the 10 year US treasury bond. In accordance with CNBC at the 31st of May 2024 the value of these bonds was at 4,512%. Secondly, relative to the spread we must take into consideration Nike's bond ratings provided by Moody A1 and S&P Global Ratings AA-. Being presented with two distinct valuation levels we computed the interest coverage ratio (6,662) so that when using the Damodaran (2021) table which through the interest coverage ratio relates a company's rating to a default spread.

Everything considered, Nike's default spread is 0,85% which goes in accordance with the S&P rating and the interest coverage ratio. The results for the pre-tax cost of debt are a value of 5,36% (4,512% + 0,85%).

6.3 Cost of Equity

For the cost of equity, the CAPM model will be used. As stated in the Literature review, we will need three inputs, namely the "risk free rate", "levered beta" and "market risk premium".

As mentioned previously in the cost of debt chapter we already have a risk free rate of 4,512%. So, moving into the levered beta, we know from the literature review that it represents the sensitivity of a company's stock price relative to shifts in the market. Considering that Nike is a publicly traded company we were able to obtain the beta value on the 31st of May 2024 from Stock analysis on net, at 1,04. Lastly, for the market risk premium we were able to obtain it from the Damodaran website database of "implied ERP by month from September 2008 to current", whereas on the 31st of May 2024 it registered a market risk premium of 4,27%.

Overall, we can say that considering the market risk exposure of Nike, investors require a 8,95% return on the company's stock.

Table 14: Market Structure

(Billion $)	2024
Market share price	95,05
# shares (billions of shares)	1,53
Market value of Equity	145,43
Current portion of long-term debt	0,001
Current portion of operating lease liabilities	0,477
Non-current liabilities	13,087
Market value of Debt	13,565

Source: Nike Annual Report, 2024. Own Calculations.

6.4 Weighted Average Cost of Capital

Taking into consideration that Nike on the 31st of May 2024 was trading at $95,05 and had 1,53 billion shares outstanding we obtain the market capitalization by multiplying both metrics which results in a value of U.S$145 430 millions.

Aiming at computing the WACC we will aggregate a table below with the necessary components.

Table 15: WACC

$ billions	2024
Market cap	145,43
Equity ratio	91,5%
Cost of equity	8,95%
Risk free rate	4,512%
Beta	1,04
Market Risk Premium	4,27%
Debt	13,565
Debt ratio	8,5%
pre tax cost of debt	5,36%
tax rate	13,66%
WACC	8,58%

Source: CNBC, Stock Analysis on Net, Damodaran's Blogspot. Own Calculations.

With all the inputs available, using the formula (10) we get WACC at 8,95%.

6.5 Discounted Cash Flow - Valuation results

After forecasting the Free Cash Flows to the Firm, computing the Terminal Growth Rate and obtaining the Weighted Average Cost of Capital, few steps are required to complete the valuation by reaching the stock's fair price. Subsequently, we will start by calculating the Terminal value assuming the perpetual cash flow we will use formula (9). Following the Terminal value, we discount the FCFF to present values through the usage of the WACC as the discount rate. Having the cash flows and the Terminal value both discounted to the present day through the WACC will allow us to sum these values in order to obtain an Enterprise value of $132 315 millions.

As we look towards calculating the Equity value of Nike, we will subtract from the Enterprise value the financial Debt and add the non operating assets. Finally, knowing the Equity value and the number of shares outstanding we will obtain the stock share price.

All the values and calculations appear as follows.

Table 16: DCF Results

(Billion $)	2024	2025 F	2026 F	2027 F	2028 F	2029 F	Perpetuity
FCFF	6,415	5,004	5,666	5,836	6,011	6,191	6,471
WACC							8,58%
TGR							4,53%
Terminal value							159,789
Present value		4,609	5,218	5,374	5,536	5,702	105,876
Enterprise value	132,315						
(-) Debt	14,564						
Non-Operating Assets	11,582						
Equity value	129,333						
# shares	1,53						
Price / share	84,531						

Source: Own Calculations

6.6 Sensitivity analysis

To complement the previous results obtained from the DCF valuation we will perform a sensitivity analysis by pacing variations on the perpetual growth rate and WACC previously used. These metrics were chosen taking into consideration their large impact on terminal value and the fact that terminal value represents the majority of enterprise value. This way, we will be able to observe how increments and reductions of 0,25% in these rates affect the final stock price for Nike.

Observing the values obtained we can identify that the best scenario for Nike's share price happens when TGR is 5,28% and WACC is 7,83%. In contrast we can also observe the worst scenario happens when TGR is 3,78% and WACC is 9,33%.

From this subtle analysis we can deduce the correlation each metric has with the share price. For instance, if we consider WACC fixed at one value, we can observe that the terminal growth rate correlates positively with share price, since an increase or reduction in TGR translates to the same outcome in share price. Instead, if we consider TGR fixed at a single value, we can observe that the WACC has a negative correlation with share price, since an increase or reduction in this metric translates to the inverse outcome for the share price respectively.

Overall, this sensitivity analysis allows for a reminder on the difficulty of performing a company valuation. As we had to use different assumptions throughout the valuation, this

analysis shows the degree of subjectivity and bias that pressures the final results we reached in the previous section.

Table 17: Sensitivity Analysis

Sensitivity analysis		WACC						
		7,83%	8,08%	8,33%	**8,58%**	8,83%	9,08%	9,33%
Terminal growth	3,78%	86,578	81,631	77,234	73,61	69,76	66,56	63,651
	4,03%	91,44	85,888	80,988	76,632	72,735	69,229	66,058
	4,28%	96,986	90,705	85,206	80,352	76,037	72,177	68,704
	4,53%	103,374	96,201	89,979	84,958	79,723	75,449	71,625
	4,78%	110,808	102,529	95,424	89,26	83,864	79,101	74,867
	5,03%	119,57	109,805	101,694	94,655	88,55	83,204	78,486
	5,28%	130,049	118,576	108,992	100,868	93,895	87,847	82,551

Source: Own Calculations.

6.7 Relative valuation

To perform the relative valuation, we started by choosing 5 publicly traded companies from Nike's main competitors (Columbia Sportswear, Puma, Under Armour, Lulemon Athletica, Skechers). It must be mentioned that Adidas, a goliath in the apparel and sportswear industry was not chosen as a peer for this valuation due to the P/E ratio values being outliers in this industry. As most of the companies are presenting P/E ratios between 17 and 30 around the 31st of May 2024, according to gurufocus Adidas registered 325,4 which ended up being a total biased factor in the valuation.

For this valuation, we retrieved from yahoo finance data regarding the trailing P/E ratios, forward P/E ratios and EV/EBITDA ratios that were the closest to the 31st of May 2024. The reason that led to using two P/E ratios is to compare the historical valuation with the projected one and see the tendency of the industry.

Table 18: Multiples valuation

Multiples	Trailing P/E	Forward P/E	EV/EBITDA
Columbia Sportswear	19,48	21,83	9,52
Puma	23,43	19,08	13,28
Under Armour	12,83	12,71	9,31
Lululemon Athletica	29,56	25,38	17,18
Skechers	18,19	17,39	10,65
Mean	20,698	19,278	11,988
Median	23,43	19,08	13,28
Enterprise value	-	-	85,774
Non operating assets	-	-	
(-) Debt	-	-	
Equity	-	-	85,774
Nike's EPS	3,95	3,95	3,95
	1,53	1,53	1,53
Price per share	81,757	76,148	56,062
Market share value (31st of May 2024)	95,05	95,05	95,05

Source: Nike's Annual Report, 2024. Yahoo Finance. Own Calculations.

After analysing the table, we can observe that Nike's price calculated by all 3 metrics is below market value. Another motive that is related to this overvaluation of Nike is the trailing P/E being larger than the forward P/E, as this translates that analysts expect the industry to lose value.

All in all, by taking the trailing P/E ratio and the EV/EBITDA ratio we get the average value of Nike' stock price as 68,91$. This value translates to a downside potential of 27,501%, in terms of Nike's value relative to the market. Presenting this way, an inflated image of the company's true value.

6.8 Valuation Results

Table 19: Valuation Results

Nike	Share Price
DCF Valuation	84,958
P/E	81,757
EV/EBITDA	56,062
Market Value (31st of May2024)	95,05

Source: Own Calculations

From the table above, we can observe that the values we obtained presented similar results. Initially, as we computed the DCF valuation, the conservative approach to Nike's stock price value presented a downside in comparison to the market value for the same period. Consequently, as we are presented with an overvaluation of Nike, our recommendation to investors would be to sell the shares.

In an attempt to strengthen our position in the DCF valuation, we performed a Multiples valuation. In this valuation, we were able to observe that all metrics used registered a lower value in comparison to the market. It must be highlighted that through the Trailing P/E being larger than the Forward P/E we know that analysts are predicting a performance decay in the industry. Overall, as the average price per share of Nike presents a downside of 27,501% relative to the market, we can conclude that the Multiples valuation is in conformity with the DCF valuation.

Finally, considering both valuation models' results, on the 31st of May 2024, our recommendation is to sell Nike's shares as they are overvalued in the market.

7 Conclusion

The main purpose of this project was to answer de the question “Nike Inc, Buy, Hold or Sell?” and by determining the fair value of Nike’s share on May 31st 2024 we are currently able to recommend investors in how they should proceed. The computations and conclusions we ere able to get throughout this project were due to the extensive research present in the chapters previous to the actual valuation.

With all the information gathered we were able to project revenues’ growth as well as forecast important valuation components. This information allowed for the process of calculating the Free Cash Flows and gave reliable backing when reaching a viable WACC value. All the assumptions made were on the conservative side and included our interpretation of the economic environment around Nike.

In order to back the results from our DCF valuation we not only performed a relative valuation through the P/E and EV/EBITDA ratios but also presented a sensitivity analysis, highlighting the actual impact slight changes in WACC or TGR have in the final result.

Considering that both valuation methodologies led to the same conclusion, we have a certain degree of confidence in reaching an appropriate fair value for Nike. With this, on May 31st 2021 while the market share value of Nike was at U.S$ 95,05, through the DCF valuation the fair value of its shares was at U.S$ 84,531 per share. Having nearly, U.S$ 10 of difference between fair value and market value we would recommend investors to sell Nike’s shares.

It is relevant to mention that the results from this work are subject to limitations, from information gaps to sensitive assumptions established. So, we would further recommend that new assessments should be made in the global outlook of Nike.

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9 Appendixes

Appendix A. Historical value of Revenues

($ billions)	2019	2020	2021	2022	2023	2024
Revenues	39,117	37,403	44,538	46,710	51,217	51,362
%growth		-4,38%	19,08%	4,88%	9,65%	0,28%

Source: Nike's Annual Reports

Appendix B. Historical value of EBIT

($ billions)	2019	2020	2021	2022	2023	2024
EBIT	5,492	4,234	7,734	7,515	6,774	7,155
%sales	14,04%	11,32%	17,36%	16,09%	13,23%	13,93%

Source: Nike's Annual Reports

Appendix C. Average Historical Effective Tax Rate

($ billions)	2019	2020	2021	2022	2023	2024
Taxes	0,772	0,348	0,934	0,605	1,131	1,000
Effective tax rate	16,10%	12,10%	14,00%	9,10%	18,20%	14,90%
Average tax rate	13,66%					

Source: Nike's Annual Reports

Appendix D. Historical value of D&A

($ billions)	2019	2020	2021	2022	2023	2024
D&A	0,720	1,119	0,797	0,840	0,859	0,844
D&A / Revenues	1,84%	2,99%	1,79%	1,80%	1,68%	1,64%
Average D&A/%sales	1,98%					

Source: Nike's Annual Reports

Appendix E. Historical value of EBITDA

($ billions)	2019	2020	2021	2022	2023	2024
EBITDA	5,492	4,234	7,734	7,515	6,774	7,155
EBITDA / Revenues	14,04%	11,32%	17,36%	16,09%	13,23%	13,93%
Average EBITDA of revenues	14,39%					

Source: Nike's Annual Reports

Appendix F. Historical value of CAPEX

($ billions)	2019	2020	2021	2022	2023	2024
CAPEX	(1,119)	(1,086)	(0,695)	(0,758)	(0,969)	(0,812)
CAPEX / Revenues	2,86%	2,90%	1,56%	1,62%	1,89%	1,58%
Average of CAPEX revenues	1,91%	2%				

Source: Nike's Annual Reports

Appendix G. Historical change in WC

($ billions)	2019	2020	2021	2022	2023	2024
Total WC	4,002	3,933	3,608	5,406	5,696	4,684
Change in WC	-	(0,069)	(0,325)	1,798	0,290	(1,012)
Change in WC / Revenues		10,52%	8,10%	11,57%	11,12%	9,12%
Average of TWC / % Revenues	10,09%					

Source: Nike's Annual Reports