



NIKE, Inc.

(NYSE: NKE)

Company
Valuation



TUCK SCHOOL OF BUSINESS
AT DARTMOUTH



Wade Williams
Dartmouth '24
Math & Economics

Pierce Daly
Yale '24
Global Affairs

Christina Leonard
Bates '23
Psychology & Rhetoric

Emma Krupp
Hamilton '24
Economics

Grayson Welo
Northwestern '23
Journalism & Marketing

Erik Henzl
Colgate '24
Mathematical Economics

With strong growth potential, NIKE should be valued at \$175 per share, 13% over its current price



**Unmatched
Product &
Brand Innovation**



**Direct-to-
Consumer Focus**



Market Expansion

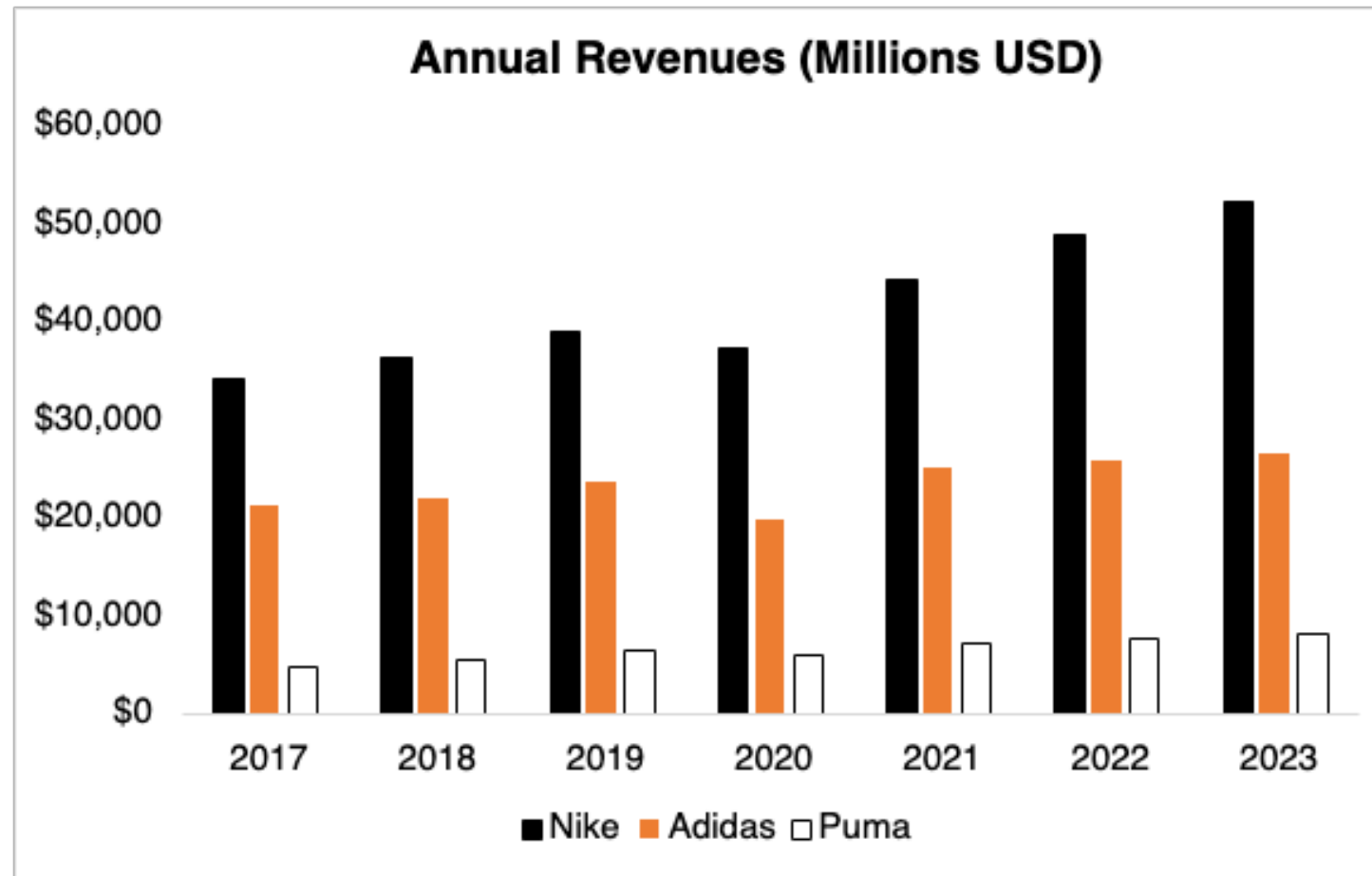


**Currently
Undervalued**

- NIKE continues to beat out its competitors through superior **product innovation**, living up to its established reputation as the best in the industry
- NIKE is growing its consumer base with **progressive marketing campaigns** that positively reshape the brand
- Shift to direct-to-consumer (DTC) sales **accelerated NIKE's digital growth**, with **e-commerce** projected to reach **50% of total revenue** in near future
- NIKE is set to open new **consumer interactive live stores** that will **replace wholesale retailers**
- Despite COVID setbacks, NIKE continued to see **global growth**, especially in the **Greater China region**
- Women are making up an increasing share of NIKE's total revenue as the company puts an emphasis on being an inclusive brand
- NIKE should be valued at ~\$282 billion, suggesting a share price of \$175, which is 13% **higher** than the current share price of \$155



NIKE's focus on branding has facilitated an industry dominance that has become more pronounced over time



2021 Actual for Nike, Forecasted for Adidas and Puma. 2022 & 2023 are Forecasted. (Calculations in Appendix 7)

NIKE's commitment to technological innovation allows the brand to outpace its competitors

Overview

- A commitment to **redefining consumer interaction with sport** has led to the development of several revolutionary products, many of which were designed at Nike's **cutting edge Sport Research Lab**

Examples

- **Nike Zoom Vaporfly** (2018, a controversial running shoe that optimized several innovations into one shoe)



- **Air Jordan 1** (1985, The first signature shoe for Michael Jordan, and a shoe that changed sneaker culture forever)



Competitive Environment



Spotlight: Jordan x Snapchat Product Innovation



NIKE's Sponsorships Drive Growth

Athlete Endorsements

20% (\$336.8 million) of
NIKE's Sponsorship Expenditure



NIKE's Jordan Brand's revenue
up by **31%** in FY21 to **\$4.7 billion**



Like Jordan and Ronaldo, LeBron
James signed a **lifetime deal**
with NIKE in 2003



Cristiano Ronaldo's presence on
social media alone generated
\$474 million for NIKE in 2016

Kit Supplier Partnerships

80% (\$1.34 billion) of
NIKE's Sponsorship Expenditure



NIKE's Jordan Brand's collaboration
with Paris Saint-Germain (PSG),
which is now on its fourth
year, **increased shirt sales in the U.S.**
by 470% in the first year alone

NIKE's progressive and inclusive marketing campaigns put consumer values at center of its brand



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NIKE capitalized on the pandemic lockdown to increase and exceed their e-commerce sales goals

2019 Goal: E-commerce sales to represent 30% of total revenue by 2023

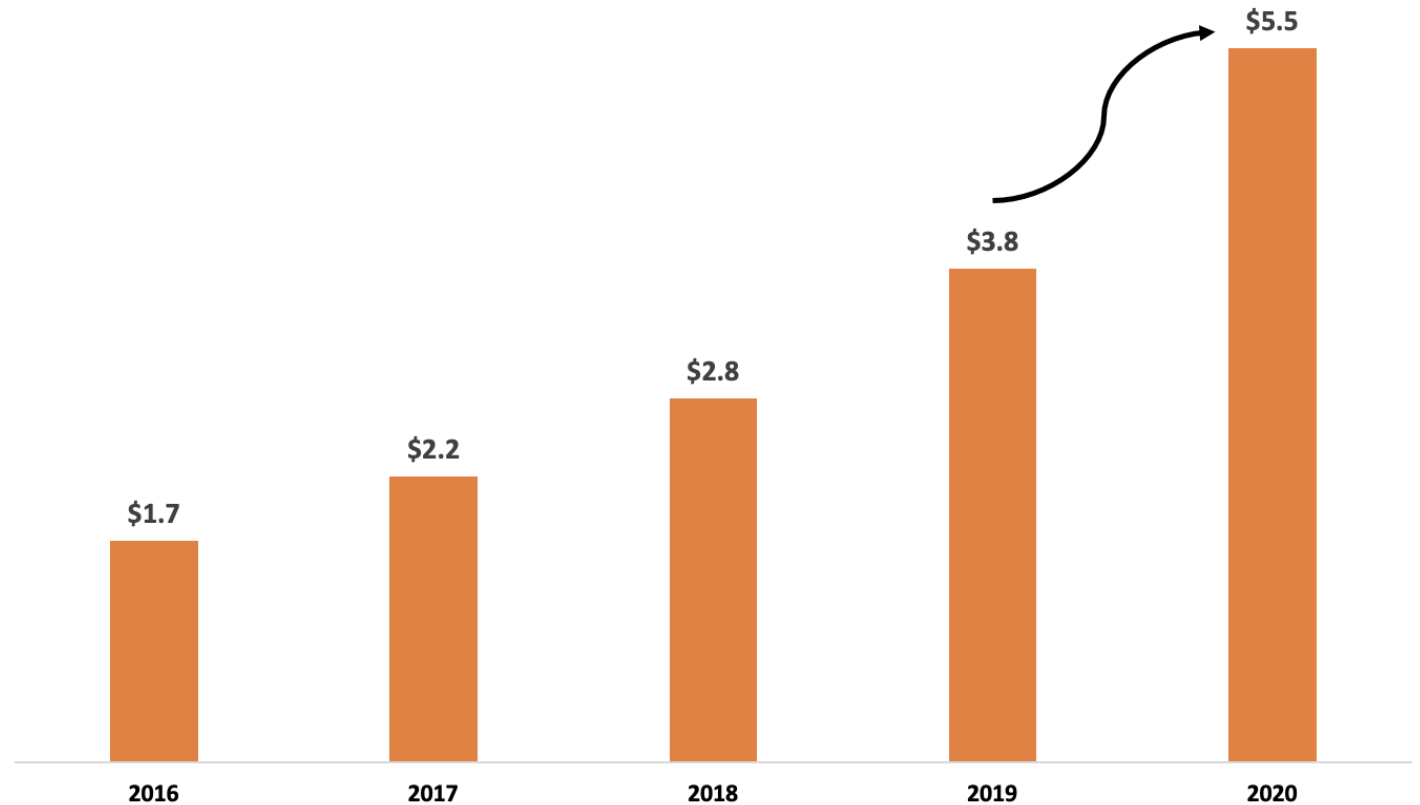


2020: Achieved goal during pandemic, capturing 35%



Future: Forecasted to break 50% in the long term

NIKE's Annual Digital Commerce Sales Growth
In Billions of US Dollars

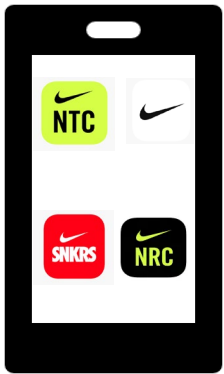


Source: "How Nike is using DTC and data to expand its empire"

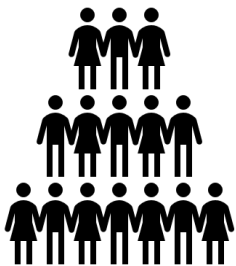
Source: S&P Global Market Intelligence



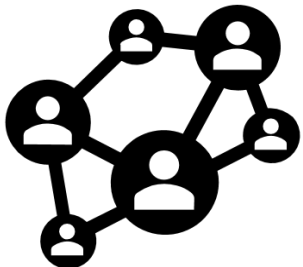
NIKE's fitness apps will continue to drive growth in e-commerce



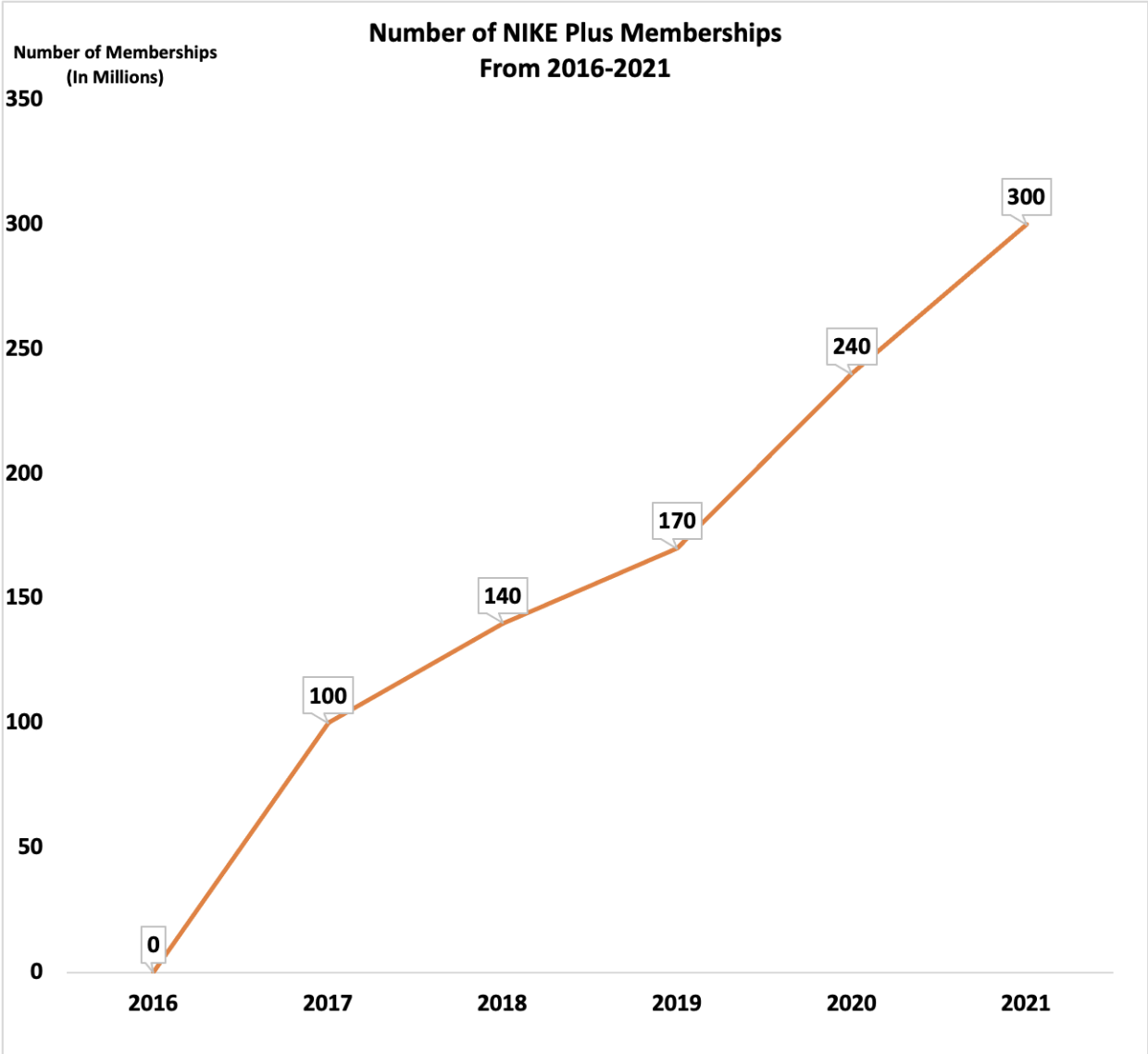
4
Mobile
Apps



300m
Members
and
Growing



1 Nike
Community



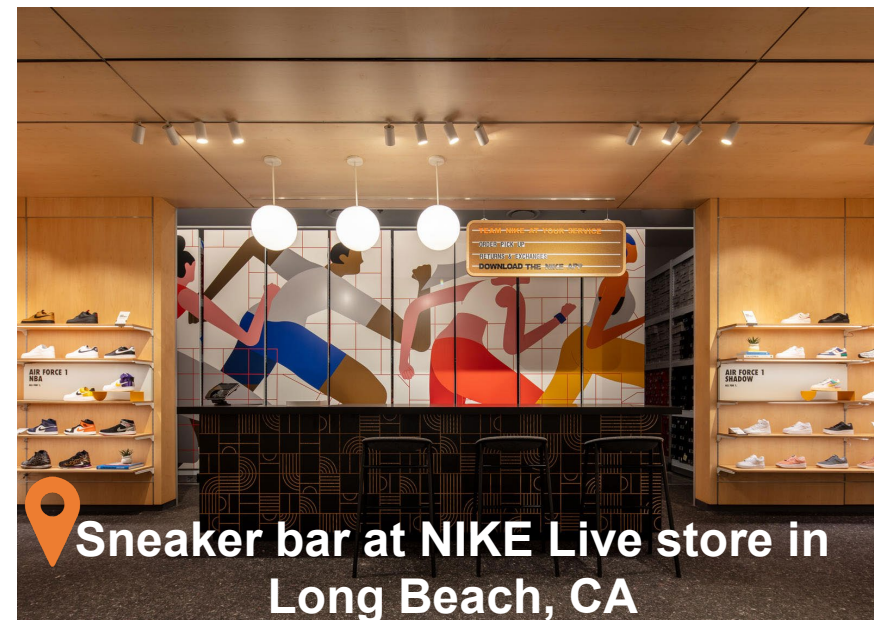
Source: Team analysis



New NIKE live stores seek to elevate the consumer experience



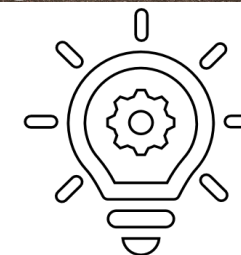
Currently 4 NIKE Live stores operating in the US and Tokyo



Plans to shift **two stores in NYC** to NIKE Live Model in next year



150-200 new Live stores in North America, Europe, Middle East, and Africa

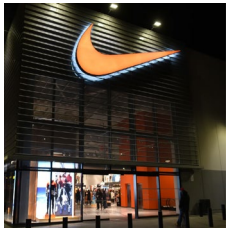


"Vision: to design the most **locally-relevant experience** out there leveraging **digital with personal service**"

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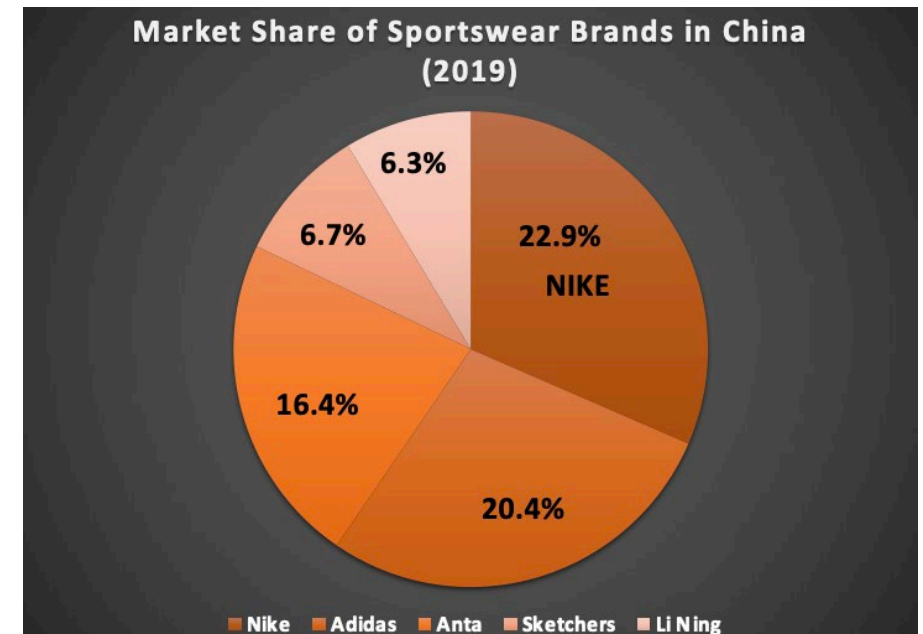
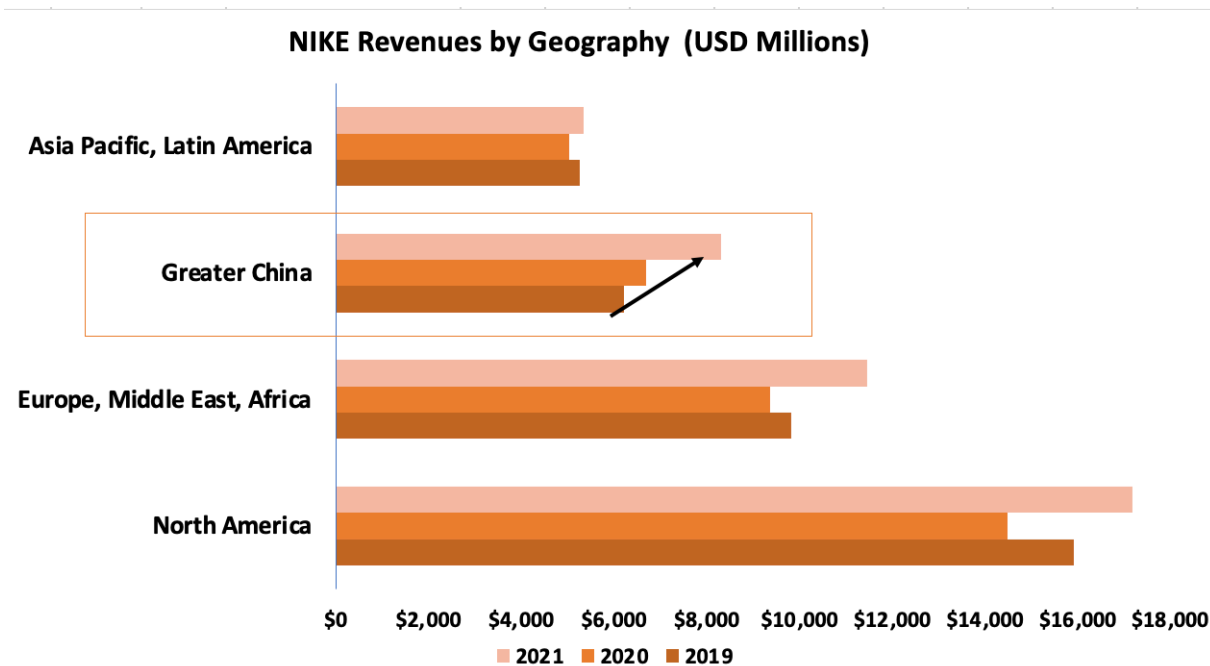


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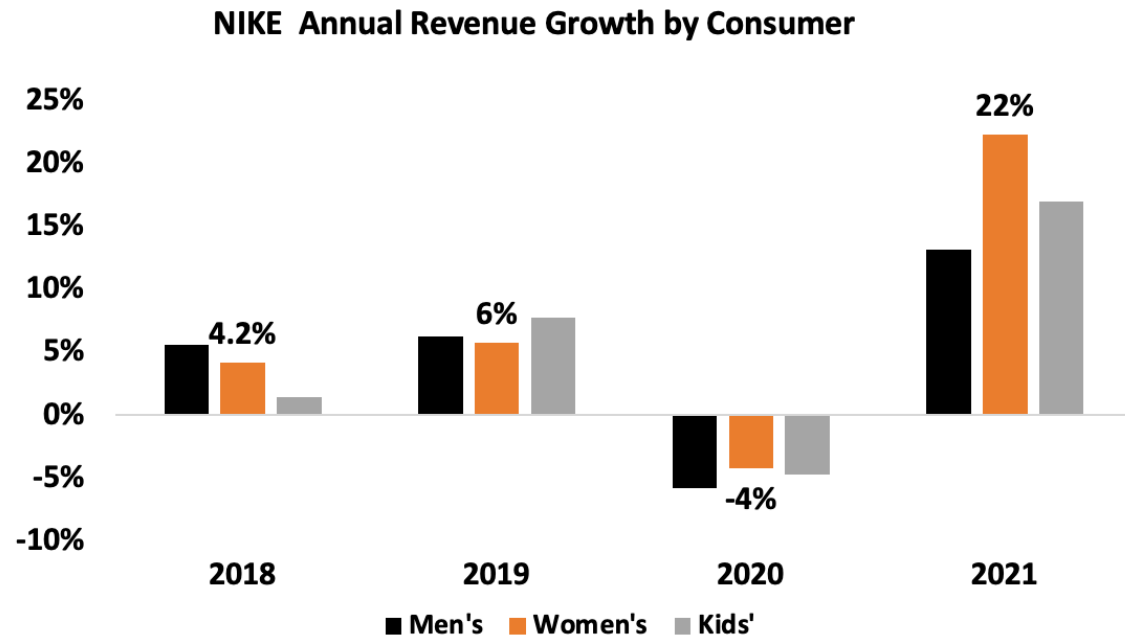


NIKE will expand globally as China and emerging markets grow in wealth





NIKE will attract more women consumers by investing in women's sports and expanding women's products



Source: FY21 Q4, Nike 10K, Tuck Analytics

In 2021, NIKE brought in \$8.5 Billion in revenue from its women's business, a 22% increase from 2020.



NIKE
& the
WNBA



NIKE
Maternity



NIKE expands its brand from the court to the street

\$185 Billion industry in 2019

Consumers report spending 5x more per month on streetwear than non-streetwear

2/3 of consumers report that streetwear products never go out of style



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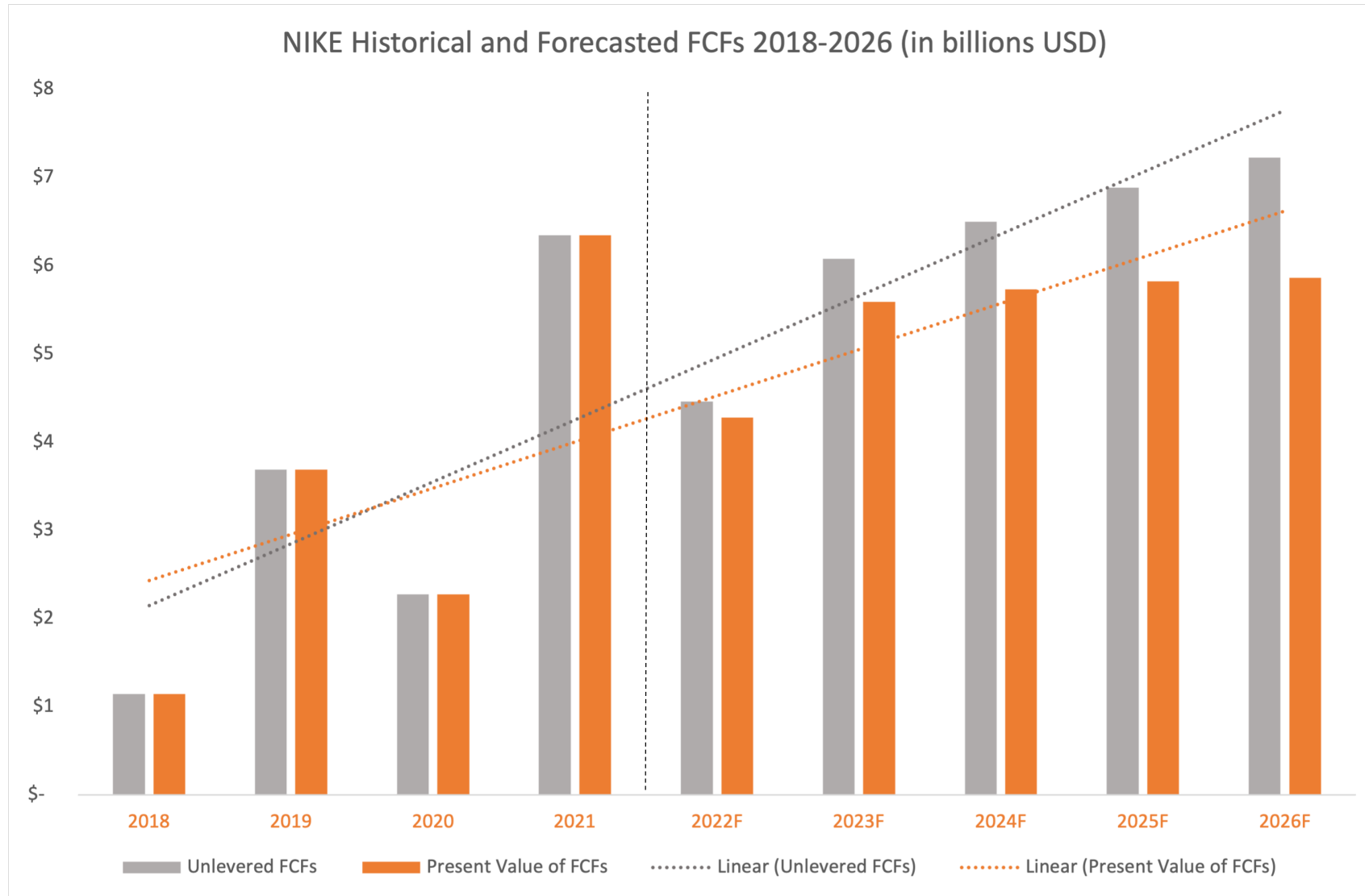
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NIKE's free cash flows are projected to increase through fiscal 2026





NIKE should be valued at ~\$282B, suggesting a share price of \$175

Financial Assumptions

- Risk-free rate: **2%**
- Beta: **0.85**
- WACC: **4.28%**
- Terminal forecast year: **2026**
- Terminal growth rate: **2%**
- Tax rate: **16%**

Key Results

2026 Revenue
\$61B

2026 EBIT
\$9.54B

Equity value
\$282B

Share price
\$175



Through scenario analysis, we see different valuation models for NIKE

Value Driver	Bull	Base	Bear
Terminal growth rate:	3%	2%	1.5%
Sales growth (2022-2026):	12%, 10%, 8%, 6%, 6%	10%, 7%, 6%, 5%, 5%	8%, 6%, 5%, 4%, 4%
Effective tax rate:	12%	16%	20%
Resulting share price:	\$321	\$175	\$141

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Thank you!

Any questions?

Appendix

- **26:** Nike pulls its products from Amazon
- **27:** Allegations of forced Uyghur labor
- **28:** Historical and forecasted revenues, 2017-2026
- **29:** Free cash flow projections from DCF model
- **30:** Corporate governance
- **31:** Footwear & Apparel
- **32:** Kaepernick ad campaign sales growth
- **33:** Forecasting Adidas and Puma
- **34:** Cutting partnerships with wholesale retailers
- **35:** NIKE will expand in emerging markets
- **36:** NIKE's acquisitions
- **37:** NIKE stock projections

In November 2019 NIKE announced it would stop selling its products on Amazon

- Prior to 2017, there were no NIKE products on Amazon for purchase
- NIKE partnered with Amazon to ensure that potential customers searching on the Amazon website could find their products
 - Counterfeit products still appeared in the searches
 - Amazon gained valuable data information from NIKE
- NIKE pulled out of the deal only two years later





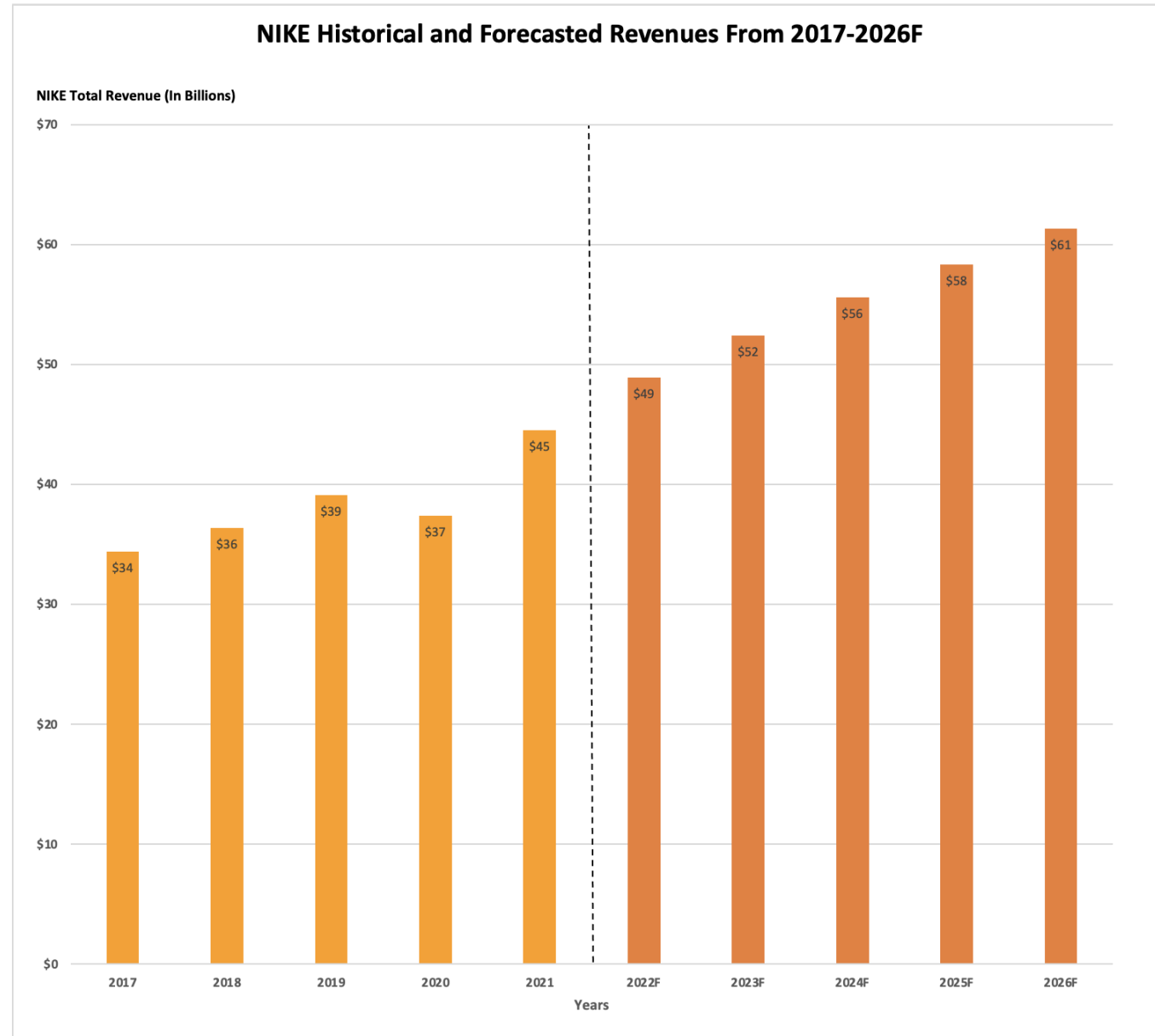
NIKE has faced allegations of forced Uyghur labor

- Allegations of forced Uyghur labor in China's Xinjiang region
- Result: online boycott of several Western brands including NIKE and Adidas
- NIKE's China sales still rose 14% compared to same quarter in 2019
- Recent Citigroup survey found 34% of Chinese consumers significantly less likely to buy foreign brands

Source: [The Wall Street Journal](#)



NIKE historical and forecasted revenues



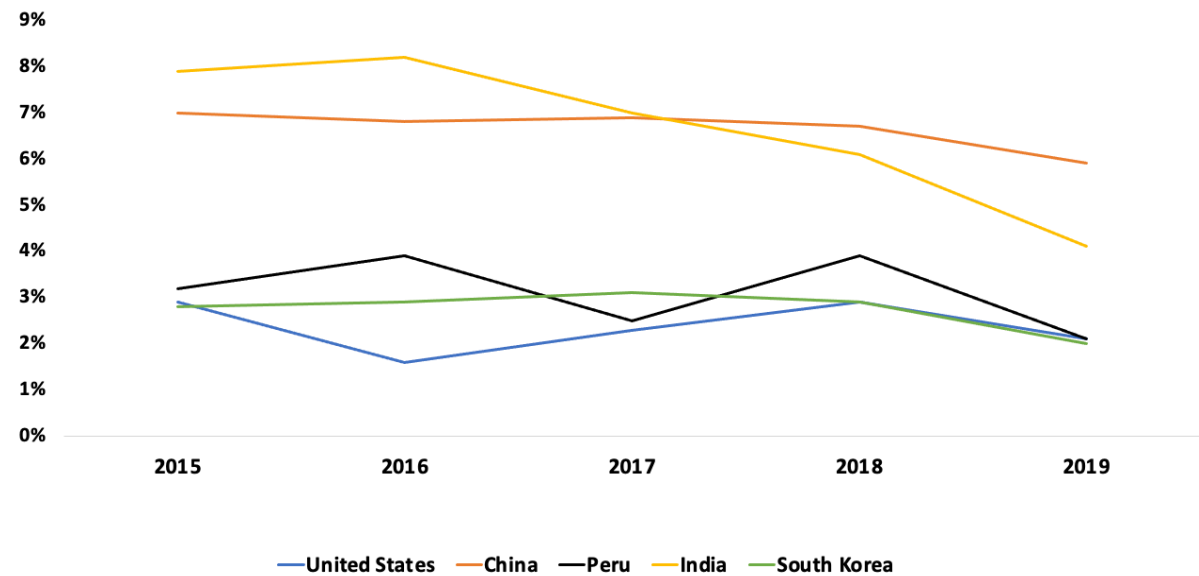


NIKE will expand globally as emerging markets grow in wealth

Emerging markets tend to have higher GDP growth rates than developed countries like the US.

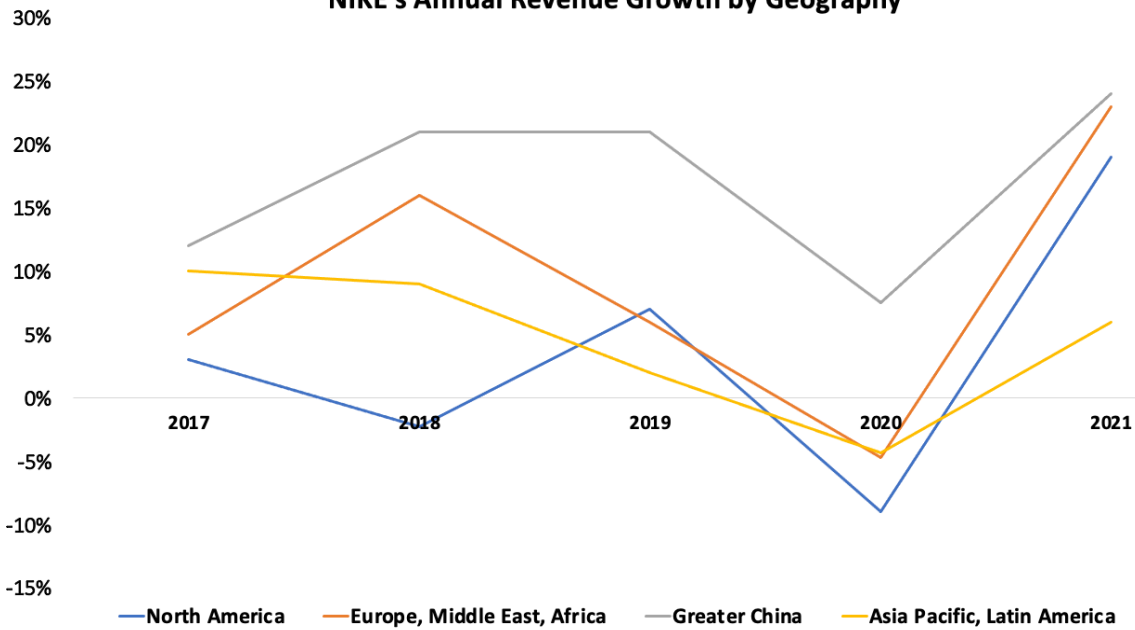
NIKE's revenue growth has been greater in emerging markets, and during COVID, NIKE revenues shrunk less outside North America.

Annual GDP Growth by Country



Source: Nike 10k, Tuck Analytics

NIKE's Annual Revenue Growth by Geography



Source: Nike 10k, Tuck Analytics



Free cash flow projections from DCF model

Discounted Cash Flow Model	Historical -->				Forecast -->				
	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Calculation of Free Cash Flows									
				n=	1	2	3	4	5
EBIT (Operating Profit)	4,445,000,000	4,772,000,000	3,115,000,000	6,937,000,000	7,630,700,000	8,164,849,000	8,654,739,940	9,087,476,937	9,541,850,784
EBIT*(1-T)	1,986,632,370	4,004,663,195	2,739,516,799	5,964,299,505	6,560,729,455	7,021,770,140	7,443,076,348	7,815,230,166	8,205,991,674
plus: depreciation	747,000,000	705,000,000	721,000,000	713,000,000	950,880,165	1,017,441,776	1,078,488,283	1,132,412,697	1,189,033,332
minus: capital expenditures	(1,028,000,000)	(1,119,000,000)	(1,086,000,000)	(751,000,000)	(1,469,754,000)	(1,572,636,780)	(1,666,994,987)	(1,750,344,736)	(1,837,861,973)
NWC	4,341,000,000	4,240,000,000	4,337,000,000	3,916,000,000	5,495,558,068	5,880,247,133	6,233,061,961	6,544,715,059	6,871,950,812
minus: change in net working capital (NWC)	562,500,000	(101,000,000)	97,000,000	(421,000,000)	1,579,558,068	384,689,065	352,814,828	311,653,098	327,235,753
(Unlevered) Free Cash Flows (FCF)	1,143,132,370	3,691,663,195	2,277,516,799	6,347,299,505	4,462,297,552	6,081,886,072	6,501,754,817	6,885,645,029	7,229,927,280
Present value of FCFs	1,143,132,370	3,691,663,195	2,277,516,799	6,347,299,505	4,279,068,278	5,592,676,006	5,733,273,479	5,822,471,753	5,862,561,065
Sum of Present value of FCFs	\$ 27,290,050,581								
Check	\$ 27,290,050,581								

Corporate governance

- In 2019, NIKE's CEO to worker pay ratio was 550:1 whereas S&P 500 average was 163:1
- In 2018, 4 women sued NIKE saying they violated state and US equal pay laws and fostered a work environment that allowed sexual harassment
- In March, 2021, NIKE announced plans to shift toward a more diverse/inclusive workplace
- NIKE has set the goal to reach 50% representation of women in the corporate workforce, 45% representation of women in leadership positions, and 35% representation of ethnic minorities in its US workforce, all by 2025

Sources: [The Oregonian](#), [Business and Human Rights Resource Center](#), and [CNBC](#)



John Donahoe II, current CEO of NIKE



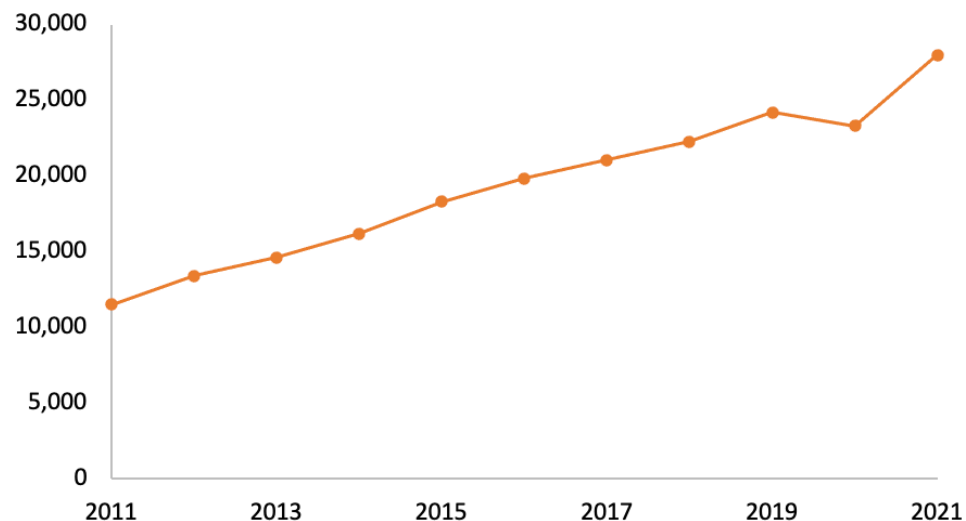
Mark Parker, CEO of NIKE from 2006-2020





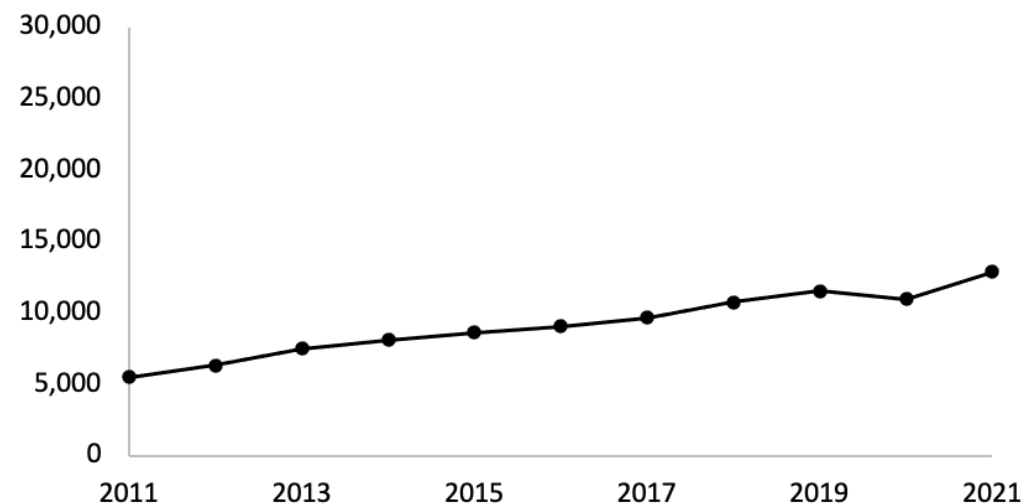
A closer look at footwear and apparel

NIKE Footwear Revenues (USD Millions)



Year	Revenues	YOY Growth (%)
2011	11,518	12%
2012	13,426	17%
2013	14,635	9%
2014	16,208	11%
2015	18,318	13%
2016	19,871	8%
2017	21,081	6%
2018	22,268	6%
2019	24,222	9%
2020	23,305	-4%
2021	28,021	20%

NIKE Apparel Revenues (USD Millions)

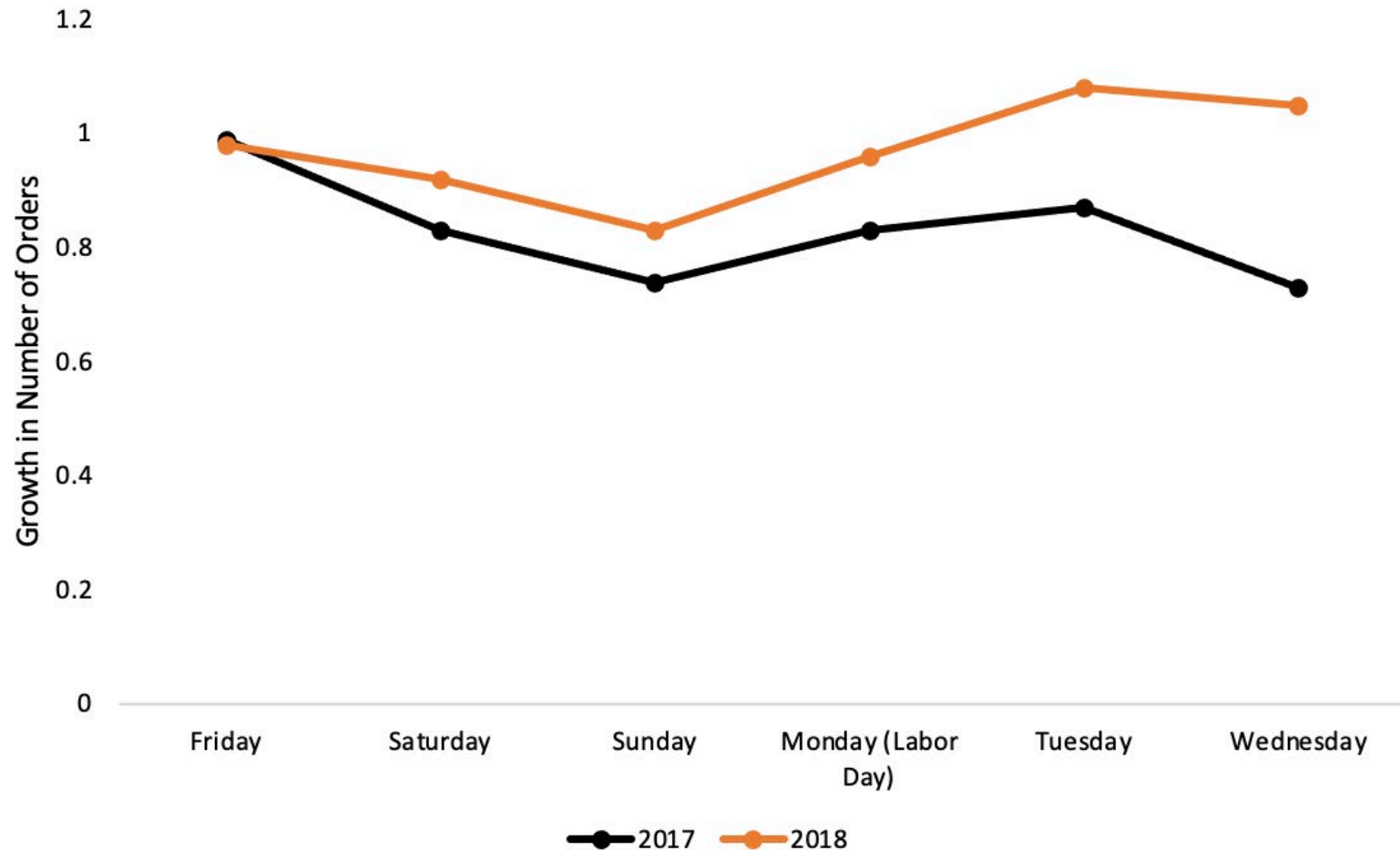


Year	Revenues	YOY Growth (%)
2011	5,513	10%
2012	6,333	15%
2013	7,491	18%
2014	8,109	8%
2015	8,636	6%
2016	9,067	5%
2017	9,654	6%
2018	10,773	12%
2019	11,550	7%
2020	10,953	-5%
2021	12,865	17%



Kaepernick Ad Campaign Grew NIKE's Online Sales by 31% over Labor Day Weekend in 2018

Online Sales of Nike Products over Labor Day Weekend



31%

Boost in sales

\$163.5 million

Generated in earned media

\$6 billion

Increase in brand value

Forecasting Adidas & Puma

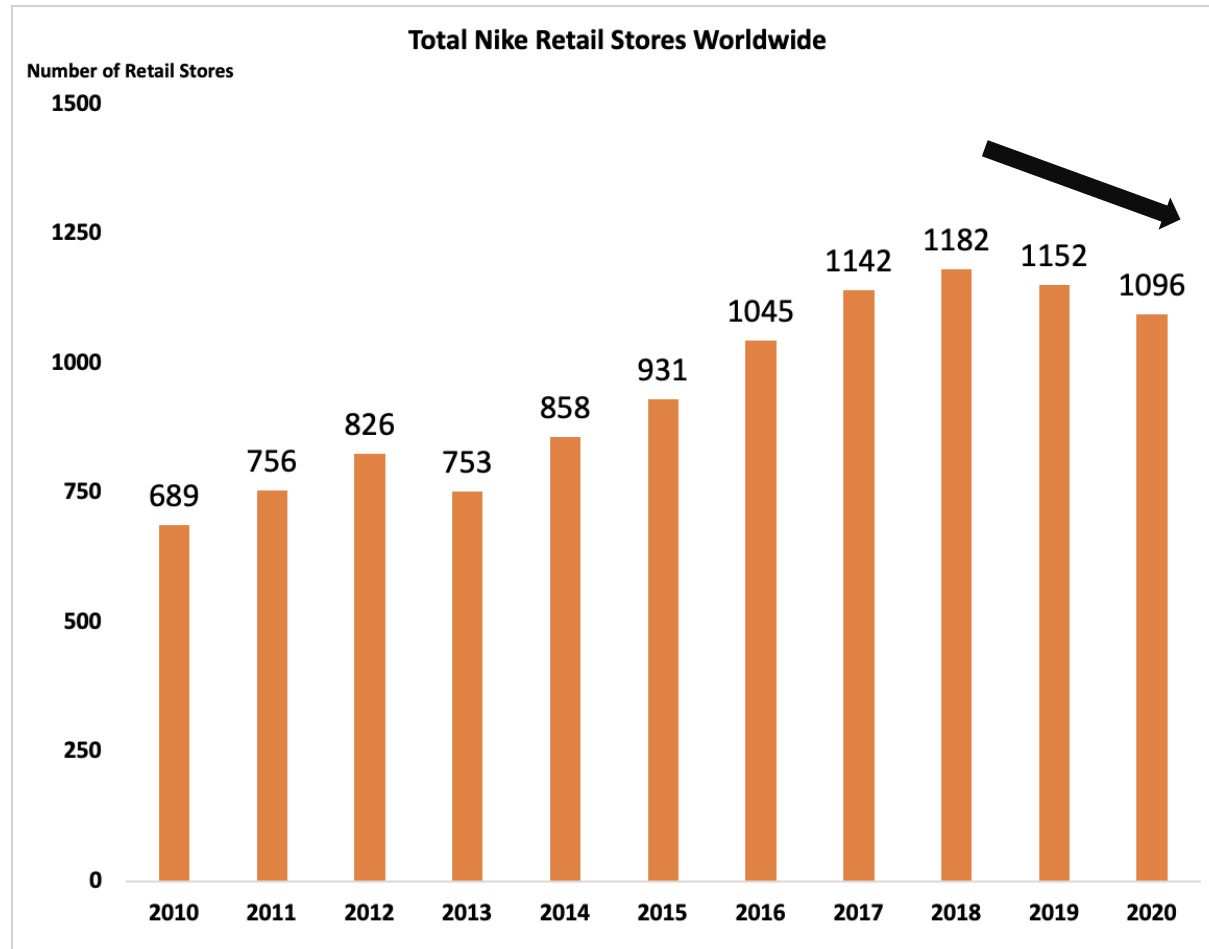
Adidas Net Sales (Millions)

- 2021 Q1: \$6,060
- 2020: \$19,844
- 2019: \$23,640
- 2018: \$21,915
- 2017: \$21,218
- Forecasted 2021 via $Q1 \times 4$ (Stronger growth as a market correction post-Covid), and then 2022 and 2023 based on the average growth rate from 2018-2019 (approx 8%)

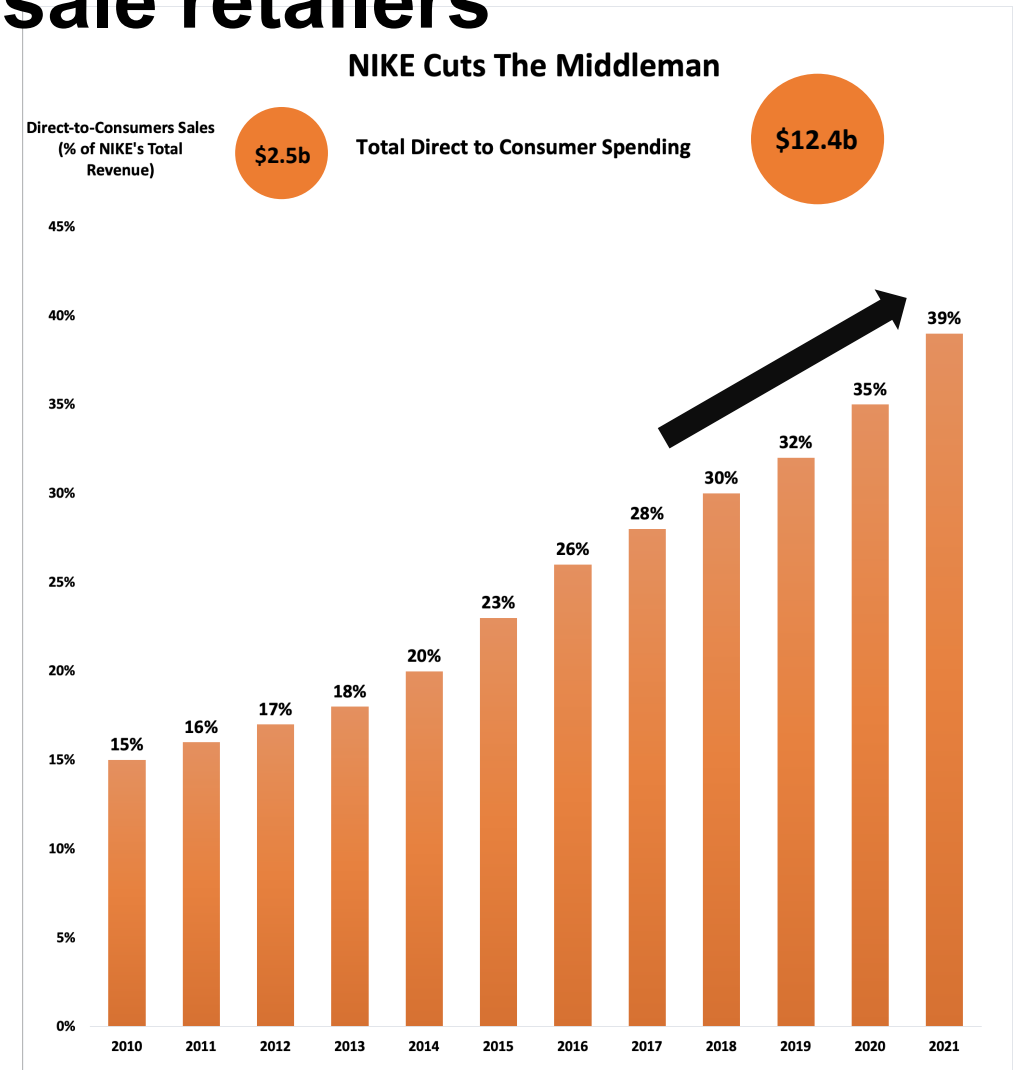
Puma Net Sales (Millions)

- 2021 Q1: \$1,307
- 2020: \$5,230
- 2019: \$5,500
- 2018: \$4,650
- 2017: \$4,140
- Same general logic as for Adidas, average growth rate from 2018 to 2019 being around 15%

To promote their consumer focus, NIKE will continue to cut their partnerships with wholesale retailers



Source: Statistica



Source: NIKE 10K, 2010-2021



Newest acquisitions made by NIKE and plans for

October 14th, 2019

- Founded by Russel Wilson
- Platform aimed at sports teams, broadcasters, and venues
- Helps fans engage in sporting events

celect

DATALOGUE

August 6th, 2019

- Leading retail predictive analytics and demand sensing firm
- Cloud-based analytics platform provides insights that allow retailers to optimize inventory
- Fuels its direct to consumer strategy

TALLY

February 8th, 2021

- Leading data integration platform start-up
- Enhances NIKE'S ability to transform raw data into actionable insights
- Enables consumer led digital transformation



Our valuation falls within other analyst valuations

