NIKE, Inc.
(NYSE: NKE)

Company Valuation
Wade Williams  
Dartmouth '24  
Math & Economics

Emma Krupp  
Hamilton '24  
Economics

Pierce Daly  
Yale '24  
Global Affairs

Grayson Welo  
Northwestern '23  
Journalism & Marketing

Christina Leonard  
Bates '23  
Psychology & Rhetoric

Erik Henzl  
Colgate '24  
Mathematical Economics
With strong growth potential, NIKE should be valued at $175 per share, 13% over its current price

- 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.

Unmatched Product and Brand Innovation
- Direct-to-Consumer Focus
- Market Expansion
- Currently Undervalued

Annual Revenues (Millions USD)

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

Unmatched Product and Brand Innovation
• Direct-to-Consumer Focus
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Spotlight: Jordan x Snapchat Product Innovation

Unmatched Product and Brand Innovation

• Direct-to-Consumer Focus
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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

Unmatched Product and Brand Innovation

• Direct-to-Consumer Focus
• Market Expansion
• Currently Undervalued
NIKE's progressive and inclusive marketing campaigns put consumer values at center of its brand.

Unmatched Product and Brand Innovation

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- **Unmatched Product & Brand Innovation**: NIKE continues to beat out its competitors through superior **product innovation**, living up to its established reputation as the best in the industry
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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

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

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

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

Unmatched Product and Brand Innovation • Direct-to-Consumer Focus • Market Expansion • Currently Undervalued
New NIKE live stores seek to elevate the consumer experience

Currently 4 NIKE Live stores operating in the US and Tokyo

Sneaker bar at NIKE Live store in Long Beach, CA

NIKE Live store in Eugene, OR

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

**NIKE Revenues by Geography (USD Millions)**

- Asia Pacific, Latin America
- Greater China
- Europe, Middle East, Africa
- North America

Source: Nike 10K, Tuck Analytics

**Market Share of Sportswear Brands in China (2019)**

- 22.9% Nike
- 20.4% Anta
- 16.4% Li Ning
- 6.7% Adidas
- 6.3% Others

Source: Daxue Consulting, Tuck Analytics
NIKE will attract more women consumers by investing in women's sports and expanding women's products.

In 2021, NIKE brought in $8.5 Billion in revenue from its women's business, a 22% increase from 2020.
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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NIKE's free cash flows are projected to increase through fiscal 2026

NIKE Historical and Forecasted FCFs 2018-2026 (in billions USD)
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

Unmatched Product and Brand Innovation • Direct-to-Consumer Focus • Market Expansion • Currently Undervalued
Through scenario analysis, we see different valuation models for NIKE

<table>
<thead>
<tr>
<th>Value Driver</th>
<th>Bull</th>
<th>Base</th>
<th>Bear</th>
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</thead>
<tbody>
<tr>
<td>Terminal growth rate:</td>
<td>3%</td>
<td>2%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Sales growth (2022-2026):</td>
<td>12%, 10%, 8%, 6%, 6%</td>
<td>10%, 7%, 6%, 5%, 5%</td>
<td>8%, 6%, 5%, 4%, 4%</td>
</tr>
<tr>
<td>Effective tax rate:</td>
<td>12%</td>
<td>16%</td>
<td>20%</td>
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<tr>
<td>Resulting share price:</td>
<td>$321</td>
<td>$175</td>
<td>$141</td>
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</table>

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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**

**NIKE's Annual Revenue Growth by Geography**

Source: Nike 10k, Tuck Analytics
## Free cash flow projections from DCF model

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<tbody>
<tr>
<td>EBIT (Operating Profit)</td>
<td>4,445,000,000</td>
<td>4,772,000,000</td>
<td>3,115,000,000</td>
<td>6,937,000,000</td>
<td>7,630,700,000</td>
<td>8,164,849,000</td>
<td>8,654,739,940</td>
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<td>EBIT*(1-T)</td>
<td>1,966,632,370</td>
<td>4,004,663,195</td>
<td>2,739,516,799</td>
<td>5,964,299,505</td>
<td>6,560,729,455</td>
<td>7,021,770,140</td>
<td>7,443,076,348</td>
<td>7,815,230,166</td>
<td>8,205,991,674</td>
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<tr>
<td>plus: depreciation</td>
<td>747,000,000</td>
<td>705,000,000</td>
<td>721,000,000</td>
<td>713,000,000</td>
<td>950,880,165</td>
<td>1,017,441,776</td>
<td>1,078,488,283</td>
<td>1,132,412,957</td>
<td>1,189,033,332</td>
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<td>minus: capital expenditures</td>
<td>(1,028,000,000)</td>
<td>(1,119,000,000)</td>
<td>(1,086,000,000)</td>
<td>(751,000,000)</td>
<td>(1,469,754,000)</td>
<td>(1,572,636,780)</td>
<td>(1,666,994,967)</td>
<td>(1,750,344,736)</td>
<td>(1,837,861,973)</td>
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<td>NWC</td>
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<td>4,337,000,000</td>
<td>3,916,000,000</td>
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<td>6,233,061,961</td>
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<td>minus: change in NWC</td>
<td>562,500,000</td>
<td>(101,000,000)</td>
<td>97,000,000</td>
<td>(421,000,000)</td>
<td>1,575,558,068</td>
<td>384,689,065</td>
<td>352,814,828</td>
<td>311,653,098</td>
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<td>(Unlevered) Free Cash Flows</td>
<td>1,143,132,370</td>
<td>3,691,663,195</td>
<td>2,277,516,799</td>
<td>6,347,299,505</td>
<td>4,462,297,552</td>
<td>6,081,886,072</td>
<td>6,501,754,817</td>
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<td>7,229,927,280</td>
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<tr>
<td>Present value of FCFs</td>
<td>1,143,132,370</td>
<td>3,691,663,195</td>
<td>2,277,516,799</td>
<td>6,347,299,505</td>
<td>4,279,068,278</td>
<td>5,592,676,006</td>
<td>5,733,273,479</td>
<td>5,822,471,753</td>
<td>5,862,561,065</td>
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<td>Sum of Present value of FCFs</td>
<td>$27,290,050,581</td>
<td>$27,290,050,581</td>
<td>$27,290,050,581</td>
<td>$27,290,050,581</td>
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</tbody>
</table>
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
A closer look at footwear and apparel

NIKE Footwear Revenues (USD Millions)

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

NIKE Apparel Revenues (USD Millions)

<table>
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<tr>
<th>Year</th>
<th>Revenues</th>
<th>YOY Growth (%)</th>
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</thead>
<tbody>
<tr>
<td>2011</td>
<td>5,513</td>
<td>10%</td>
</tr>
<tr>
<td>2012</td>
<td>6,333</td>
<td>15%</td>
</tr>
<tr>
<td>2013</td>
<td>7,491</td>
<td>18%</td>
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<tr>
<td>2014</td>
<td>8,109</td>
<td>8%</td>
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<tr>
<td>2015</td>
<td>8,636</td>
<td>6%</td>
</tr>
<tr>
<td>2016</td>
<td>9,067</td>
<td>5%</td>
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<tr>
<td>2017</td>
<td>9,654</td>
<td>6%</td>
</tr>
<tr>
<td>2018</td>
<td>10,773</td>
<td>12%</td>
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<tr>
<td>2019</td>
<td>11,550</td>
<td>7%</td>
</tr>
<tr>
<td>2020</td>
<td>10,953</td>
<td>-5%</td>
</tr>
<tr>
<td>2021</td>
<td>12,865</td>
<td>17%</td>
</tr>
</tbody>
</table>
Kaepernick Ad Campaign Grew NIKE's Online Sales by 31% over Labor Day Weekend in 2018

2017 and 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 x 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.

**NIKE Cuts The Middleman**

- Direct-to-Consumers Sales (% of NIKE’s Total Revenue): $2.5b
- Total Direct to Consumer Spending: $12.4b

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**Source:** Statistica

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**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

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

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

Source: marketbeat.com