

EQUITY RESEARCH OF THE WEEK

NIKE, Inc.



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Nike Inc (NYSE: NKE)

Summary

June 2026

Current Price	Target Price	Potential Upside	Recommendation	Industry
\$44.93	\$53.16	18.32%	Hold/Buy	Footwear & Accessories



Investment Thesis

We assign a Hold/Buy recommendation on Nike Inc. (NYSE:NKE) based on a yearly price target of \$53.16, showing an upside of 18.32% from its closing price of \$44.93. These key points drive our suggestion:

Strategic Position and Brand Strength

Nike's greatest competitive advantage remains its brand. According to Brand Finance's Apparel 50 2025 report, Nike is the strongest apparel brand globally, achieving a Brand Strength Index score of 94.7 out of 100 and ranking as the second strongest brand across all industries worldwide. The company continues to demonstrate exceptional pricing power and consumer loyalty across key international markets, reflecting the enduring value of its brand equity and its ability to maintain premium positioning despite increased competition.

Nike's cultural relevance extends beyond traditional financial measures. A 2026 analysis by Tradingpedia found Nike to be the most-followed brand on Instagram globally, with approximately 292 million followers, surpassing brands such as National Geographic, Real Madrid and FC Barcelona. Unlike many consumer brands, Nike has successfully positioned itself at the intersection of sport, fashion and lifestyle, creating an ecosystem that resonates with consumers far beyond its core products. This global reach, combined with decades of athlete endorsements, sponsorship agreements and marketing expertise, creates a competitive moat that remains difficult for rivals such as Adidas, Puma, On Holding and Lululemon to replicate.

Relative Valuation

Nike trades broadly in line with its peer group on EV metrics while maintaining a premium on earnings-based valuation measures. The company currently trades at 19.36x EV/EBITDA, in line with the peer median of 19.36x, while its P/E ratio of 29.56x exceeds the peer median of 22.84x. On a revenue basis, Nike's 1.43x Price/Sales multiple is modestly above the peer median of 1.25x, while its 1.50x EV/Sales multiple is consistent with the peer group median.

The market's willingness to assign Nike a higher earnings multiple reflects the company's unrivalled global brand equity, industry-leading scale and long-term growth potential. Nike generates more than \$46 billion in annual sales, significantly exceeding the revenues of Adidas, Lululemon, ON Holding and Puma, while remaining the strongest apparel brand globally according to Brand Finance.

Turnaround Strategy and Long-Term Growth Potential

Although Nike reported a challenging fiscal 2025, with full-year revenues declining 10%, management has begun implementing a strategic repositioning centred on its "Win Now" initiatives and renewed focus on sport-led innovation. Early signs of progress are emerging, with the company's running category returning to growth and wholesale revenues showing improvement during fiscal 2026. Management's emphasis on strengthening product pipelines, deepening athlete engagement and restoring marketplace balance should support a gradual recovery in revenue growth and profitability over the medium term.

Importantly, independent consumer surveys continue to indicate improving brand momentum. UBS's 2026 global sportswear survey found that Nike's brand strength remains resilient and has improved year-on-year, increasing confidence that the company possesses the foundation necessary for a successful turnaround. Furthermore, Nike maintains a strong balance sheet, more than \$8 billion in cash and investments, and a long track record of shareholder returns, including 24 consecutive years of dividend growth. While competitive pressures, macroeconomic uncertainty and execution risks remain important considerations, we believe Nike's unrivalled brand equity and strategic repositioning provide a compelling pathway to sustainable long-term growth and shareholder value creation.

NIKE, Inc. (NKE)	Market Profile
Closing Price	\$44.93
52-Week High/Low	\$41.35-\$80.17
Shares Outstanding (Billion)	1.2
Market Cap (Billion)	\$66.54
5Y Dividend Yield	1.59
Levered Beta (5-Year)	0.77
EV/Revenue	1.50x
EV/EBITDA	19.36x
P/E	29.56x
Revenue (TTM) (B)	\$46.52
Net Income (TTM) (B)	\$2.25
EPS	\$1.52

WACC	
Equity	66,536,000
Net Debt	502,000
Cost of Debt	5.17%
Tax Rate	17.14%
Debt Weighting D/(D+E)	0.75%
Cost of Debt	4.28%
Risk Free Rate (10-Yr Treasury Yield)	4.44%
Equity Risk Premium	4.18%
Levered Beta	0.77
Equity Weighting E/(D+E)	99.25%
Cost of Equity	7.66%
WACC	7.52%

Sensitivity Table						
WACC	Growth Rate					
	53.16	2.00%	2.50%	3.00%	3.50%	4.00%
	6.52%	54.05	57.25	61.36	66.83	74.46
	7.02%	51.08	53.60	56.74	60.77	66.14
	7.52%	48.67	50.69	53.16	56.24	60.20
	8.02%	46.66	48.32	50.30	52.72	55.75
	8.52%	44.97	46.35	47.97	49.92	52.30

Nike Inc (NYSE: NKE)

Company & Industry Overview

Company Overview

Nike is a popular Global Athletic Clothing brand that mainly specialise in Footwear, sportswear, sporting equipment and accessories, being the leading brand in most markets they are present in due to their vast popularity amongst various different archetypes of consumer that lead to their success

Leadership

As of 2024, Nike has been led by the Chief Executive Officer (CEO) Elliott Hill, that has a background in sports initially before becoming an intern at Nike in 1988 and worked his way up over 30+ years to become CEO. He succeeded John Donahoe who served as CEO from 2020 to 2024 and has a background in consulting have been Bain & Company CEO and also served as the CEO for 2 additional companies before transitioning to Nike. Elliott Hill's long tenure has given him a deeper understanding of the companies strengths and weaknesses. The CFO, Matthew Friend, has been in this position since 2020 and has given Nike a strong presence in the industry, helping Nike to reach \$50 Billion annual revenue in 2023. Leadership at Nike heavily emphasises "performance first" with their products and main focus on consumer satisfaction and innovation in their products to drive revenue up. The average years spent by workers at Nike for higher end roles is 14-20 years, but the average tenure per position is 1.4 - 1.5 years, suggesting frequent role mobility but may limit stability within individual roles.

Business Model and Strategic Focus

Nike generates the majority of its revenue through its footwear and sportswear via multiple production lines such as Jordan and Air Max which appeal to a wide range of customer segments (basketball, streetwear, ext). They also use their leadership in the market to get influential figures to promote their brand. For example, Michael Jordans brand deal generated \$7.3 Billion in 2025 and in 2019, Footballer Cristiano Ronaldo's social media presence generated Nike \$475 Million.

By selling directly to customers through the Nike website and app, they have access to customer spending habits, which also allow them to collect data on their best performing products as well as having quick control over the pricing of their products, allowing them to undercut their opponents. Nike also have a very efficient supply chain with low labour and production costs, which enables them to have more money to reinvest in wages, capital and innovation

Recent Performance & Key Developments

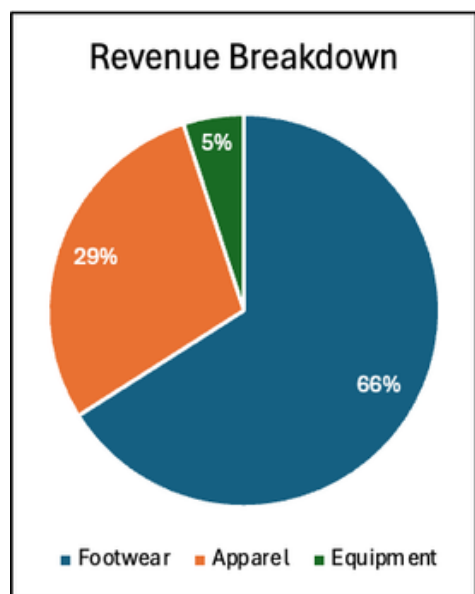
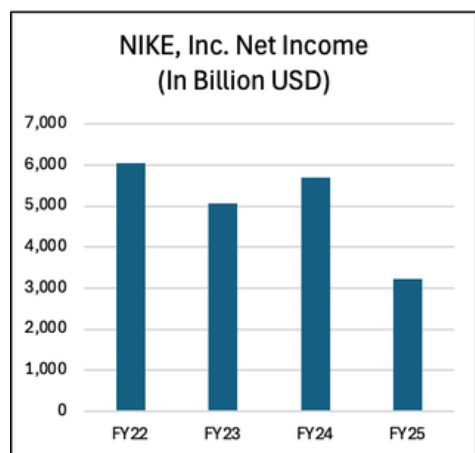
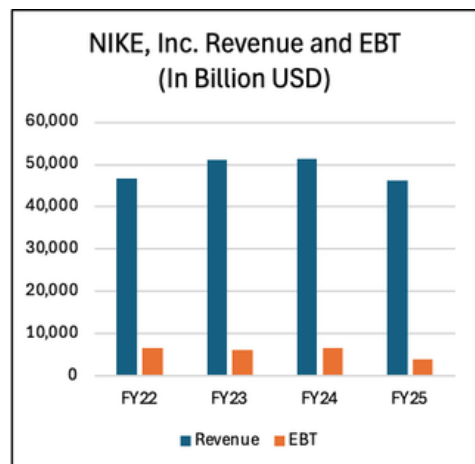
In the last quarter of 2025 following a push in their core sportswear segment, Nike Running managed to increase their profits by 20% to \$11.1 billion. However, this figure is a 12% decrease from the recent quarter and their total revenue for the year was down by 10% to \$46.3 billion due to higher costs and increased discounting. This decline may have also been due to the rising competition from Adidas and Asics as well as shifts in consumer preferences towards alternative styles and product releases.

Industry Overview

As of 2026, Nike continues to dominate the sportswear market by remaining the worlds largest sportswear company, with a market share of 18.94% with Adidas close behind with 10.93% and Ross Stores with 8.97%

Nike ~ \$46.3 billion USD
Adidas ~ \$24.8 billion USD
Anta Sports ~ \$19.09 billion USD

As an oligopoly, the sportswear industry shows immense competition and is rapidly expanding. The constant innovation from companies within the industry including the niche ones in certain areas such as footwear can lead to the dominant firms to lose market share and popularity. Trends also affect how much firms benefit from their innovation and how quick they are to adapt. Different demographics can change their preferences quickly, which will mean the market needs to constantly adapt to those needs and come up with innovative idea.



Nike Inc (NYSE: NKE)

Valuation

Nike's - Revenue Projections	Historicals (TTM)				Projected				
	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue:	46,710	51,217	51,362	46,309	46,772	47,708	48,662	49,635	51,124
Growth Rate		9.6%	0.3%	-9.8%	1.0%	2.0%	2.0%	2.0%	3.0%
Cost Of Revenue	25,231	28,925	28,475	26,519	26,098	26,833	27,342	27,981	28,707
% Of Revenue	54.0%	56.5%	55.4%	57.3%	55.8%	56.2%	56.2%	56.4%	56.2%
Operating Expenses (Including R&D, SG&A, D&A):	14,804	16,377	16,576	16,088	15,281	15,703	16,131	16,563	16,884
% Of Revenue	31.7%	32.0%	32.3%	34.7%	32.7%	32.9%	33.1%	33.4%	33.0%
EBT	6,651	6,201	6,700	3,885	5,587	5,425	5,444	5,323	5,781
% Of Revenue	14.2%	12.1%	13.0%	8.4%	11.9%	11.4%	11.2%	10.7%	11.3%
Taxes	605	1,131	1,000	666	830	884	860	853	910
% Of EBT	9.1%	18.2%	14.9%	17.1%	14.9%	16.3%	15.8%	16.0%	15.7%
Net Income (NOPAT)	6,046	5,070	5,700	3,219	4,781	4,553	4,600	4,488	4,890
% Of Revenue	12.9%	9.9%	11.1%	7.0%	10.2%	9.5%	9.5%	9.0%	9.6%
(+) Depreciation & Amortization:	840	859	844	808	803	809	827	851	872
D&A % Of Revenue	1.8%	1.7%	1.6%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
(-) Capital Expenditures:	(758)	(969)	(812)	(430)	(704)	(705)	(668)	(656)	(726)
% Of Revenue	1.6%	1.9%	1.6%	0.9%	1.5%	1.5%	1.4%	1.3%	1.4%
(-) Change in Working Capital:	(1,660)	(513)	716	(787)	(894)	(716)	(792)	(836)	(860)
% Of Revenue	3.6%	1.0%	1.4%	1.7%	1.9%	1.5%	1.6%	1.7%	1.7%
Unlevered Free Cash Flow:	9,304	7,411	6,640	5,244	7,183	6,782	6,887	6,831	7,348
% Growth Rate	-	-20.3%	-10.4%	-21.0%	37.0%	-5.6%	1.5%	-0.8%	7.6%

WACC	
Equity	66,536,000
Net Debt	502,000
Cost of Debt	5.17%
Tax Rate	17.14%
Debt Weighting D/(D+E)	0.75%
Cost of Debt	4.28%
Risk Free Rate (10-Yr Treasury Yield)	4.44%
Equity Risk Premium	4.18%
Levered Beta	0.77
Equity Weighting E/(D+E)	99.25%
Cost of Equity	7.66%
WACC	7.52%

5Y DCF Valuation	
Sum of PV of FCF	28,310
Growth Rate	3.00%
WACC	7.52%
Terminal Value	40,984
PV of Terminal Value	28,516
Enterprise Value	56,826
(+) Cash	7,464
(-) Debt	502
(-) Minority Interest	0
Equity Value	63,788
Diluted Shares Outstanding	1,200
Implied Share Price	53.16

Comparable Analysis In Billions USD)									
Comparable Companies	Market Data		Financials			Multiples			
	Equity Value	Enterprise Value	Sales	EBITDA	Net Income	EV/EBITDA	P/E	Price Sales	EV/Sales
NIKE, Inc. (NKE)	\$66.54	\$69.66	\$46.52	\$3.86	\$2.25	19.36x	29.56x	1.43x	1.50x
Adidas AG (ADS.DE)	\$36.19	\$41.35	\$29.22	\$2.47	\$1.38	11.03x	22.84x	1.25x	1.5x
Lululemon Athletica Inc. (LULU)	\$13.49	\$14.11	\$11.20	\$2.57	\$1.46	5.50x	9.62x	1.25x	1.2x
ON Holding AG (ONON)	\$12.86	\$12.17	\$8.30	\$0.46	\$0.25	23.25x	41.15x	6.40x	3.2x
PUMA SE (PUM.DE)	\$4.78	\$7.75	\$7.71	\$0.10	-\$0.63	89.33x	13.97x	0.58x	0.90x
High						89.33x	41.15x	6.40x	3.20x
75th Percentile						23.25x	29.56x	1.43x	1.50x
Harmonic Mean						13.22x	18.02x	1.20x	1.39x
Median						19.36x	22.84x	1.25x	1.50x
25th Percentile						11.03x	13.97x	1.25x	1.20x
Low						5.50x	9.62x	0.58x	0.90x

NIKE, Inc. (NKE)

Price Movement Analysis



Chart Appendix

December 2024 - February 2025 | ~\$80 to ~\$73 Nike entered this period near its 52-week high of \$80.17, supported by Elliott Hill's appointment as CEO in October 2024 and the December unveiling of his *"Win Now"* turnaround strategy. However, with no quarterly results yet to validate the plan, confidence fell. The high valuation must be justified by improving fundamentals, and without evidence, even a credible strategy is insufficient to sustain a premium share price.

March 2025 | ~\$73 to ~\$55 Q3 FY2025 results (20 March) triggered the first significant drawdown. Revenue fell 9% YoY, Nike's online presence (Nike Direct) contracted 12%, and profit margins deteriorated sharply, confirming that the previous CEO's aggressive turn toward direct consumer selling had damaged wholesale retail relationships whilst failing to build a sufficiently profitable digital business to compensate. Investors repriced the stock lower once this structural problem became apparent.

April - July 2025 | ~\$55 to ~\$80 Q4 FY2025 (26 June) produced the weakest financial results of the cycle (earnings per share of just \$0.14), yet the stock fully recovered to prior highs. Hill reframed the losses as the deliberate, front-loaded cost of clearing over \$4 billion of legacy "Classic" inventory and announced a new *"Sport Offence"* strategy centred on performance categories, including Running and Basketball. The market's willingness to look past the year's worst results demonstrated that sentiment was driven more by the turnaround strategy than by current performance, a dynamic that would prove consequential as the year progressed.

August - October 2025 | ~\$80 to ~\$66 Q1 FY2026 (30 September) delivered the first YoY revenue growth in over a year, with wholesale revenues rising 7% as rebuilt retail partnerships began contributing. However, Nike Direct continued to contract, and margins shrank further. The market grew increasingly sceptical that wholesale recovery, largely a function of restored partner relationships, could offset the deteriorating direct-channel profitability, while tariff-related supply-chain costs shifted near-term uncertainty to a structural concern.

November - December 2025 | ~\$66 to ~\$58 Q2 FY2026 (18 December): wholesale accelerated to +8% but Greater China fell 17% YoY, digital sales declined 9%, and margins continued to contract. The stock fell approximately 10% post-results. Notably, CEO Hill, Apple board director Tim Cook, and board member Robert Swan collectively purchased ~\$4.45 million of Nike shares on the open market. Insider buying at this scale signals long-term confidence, providing temporary stability without resolving the underlying pressures.

January - February 2026 | ~\$58 to ~\$65 Nike recovered modestly, driven by the credibility of insider buying and positive analyst consensus. However, the approaching "Liberation Day" tariff package was being progressively incorporated into forward cost models. With Nike's supply chain concentrated in tariff-exposed Vietnam and China, analysts estimated a \$1.5 billion annual tariff impact, compounding margin pressures already embedded in the business.

March - April 2026 | ~\$65 to \$44.19 The most severe decline of the period, approximately 35% in under six weeks, came in two waves. Q3 FY2026 earnings (31 March) beat analyst forecasts on both revenue and earnings per share, but forward guidance eclipsed this headline. Q4 revenue was guided at -2% to -4% against consensus +1.9% growth, with Greater China projected to fall by approximately 20%. CEO Hill's admission that the turnaround was *"taking longer than I would like"*, combined with CFO Matt Friend's guidance that meaningful margin recovery was unlikely before Q2 FY2027, removed the near-term timeline underpinning the stock's valuation premium. Nike fell 15.51% on 1 April, its second-largest single-day decline in 25 years, before China's retaliatory tariff escalation pushed it down further to \$44.19 by 5 April, down 45% from its 52-week high. Goldman Sachs, JPMorgan, and Piper Sandler all downgraded to Neutral, cutting price targets to the \$50-\$52 range.

Summary
Nike's share price performance over the past sixteen months reflects declining investor confidence in its turnaround strategy. Despite beating earnings-per-share forecasts in four consecutive quarters, the stock fell after each release as management's forward guidance repeatedly disappointed. Multiple sell-offs throughout 2025 and early 2026 highlighted concerns over slowing growth, margin pressure and a weaker outlook. Rising tariff costs, continued weakness in Greater China and declining Nike Direct sales have further weighed on profitability. Although the stock has fallen approximately 45% from its 52-week high, Nike still trades at around 27x forward earnings, above peers such as On Holding (20.6x) and Lululemon (12.6x), leaving limited room for further delays to its anticipated recovery.

NIKE, Inc. (NKE)

Price Movement Analysis

Investment Risks

Nike is one of the world's largest lifestyle, athletic footwear, apparel, and accessories brands across a wide variety of sports, with a deep portfolio of brands including Jordan and Converse. Founded in 1964, Nike commands a dominant market share within the industry and is also best recognised by authenticity, revolutionary marketing, and pioneering footwear innovation.

Following the establishment of Nike's market-leading position, there are several key risks that could threaten the achievement of our \$55.00 target price and impact the company's structural stability through 2026.

Competition & Market Share

- As the global sportswear industry is highly competitive and saturated, Nike faces many competitors from already established players such as Adidas and Lululemon to emerging brands competing for market share.
- Competitors could potentially invest heavily in product innovation and brand positioning that better target competitors' brand identity. On the other hand, emerging brands could better connect with younger consumers by leveraging social media.
- Increased competition may reduce Nike's pricing power, lead to a loss of market share, and require it to rely more heavily on discounts and promotions.

Changing Consumer Preferences Risk

- As the sportswear industry is heavily influenced by constantly evolving fashion trends and consumer tastes, demand changes may reduce the relevance of Nike's products.
- Consumer demand is driven by cultural relevance, trends, influencer endorsements, preferences, and sustainability, where slow adaptation to emerging fashion trends could fail to resonate with more trend-driven consumers.
- This could lead to a high level of outdated or unsold inventory, loss of brand relevance, declining sales growth, and margin pressure.

Geopolitical & Energy Price Risk

- Rising geopolitical tensions, particularly in the Middle East, may lead to significant volatility in global oil and energy prices, as the Region is a key energy-producing region.
- Recent disruptions have already caused sudden changes in oil prices and supply chain disruptions, such as instability around the Strait of Hormuz.
- Rising oil prices can increase the cost of logistics and transportation, the cost of raw materials and production, and lead to global inflation with reduced consumer purchasing power.
- Nike is indirectly exposed to geopolitical tension as it relies on global manufacturing, shipping, and oil-related materials in production. Ultimately, pressuring Nike's margins.

Macroeconomics & Consumer Demand Risk

- As a follow-up to geopolitical and energy price risks, an increase in geopolitical tension can lead to inflation and weaken global economic conditions, thereby reducing consumers' disposable income.
- This could lead to consumers prioritising cheaper alternatives, reducing discretionary spending, and lower demand for premium Nike products.
- Inflation can also indirectly impact Nike via higher operational costs and increased wage expectations, which could further compress margins.
- In the end could result in slower revenue growth and lower margins, affecting Nike's investors' confidence and valuation.

Strategic Execution Risk

- In 2020, Nike pursued a towards Direct-to-Consumer (DTC) model strategy. The DTC model strategy aims to strengthen customer relationships directly without the wholesale channel, which allows Nike to improve margins and maintain strong control over the brand.
- Recently, Nike redirected from the DTC model back to a balanced wholesale partnership due to pressure from demand for products, inventory management, shifting consumer behaviour, and execution complexity.
- As the DTC model strategy was being implemented, Nike have reduced reliance on wholesale partners, which has strained the relationship with key retailers.
- Misalignment between DTC and the wholesale channel strategy may lead to inconsistencies between channels, misalignment in pricing and inventory, and inefficiencies in the supply chain. Overall, this may impact Nike's growth, profitability, and the firm's efficiency.

To conclude, although Nike benefits from a strong global brand with market leadership. Nike still faces a range of external, internal, and strategic risks that could impact their performance. Being in a competitive industry, rapidly shifting consumer tastes, and ongoing geopolitical uncertainties have increased pressure on Nike's margins and demand. On top of that, the strategy execution of the sales channel and its challenges have also increased operational complexity and risk that could directly or indirectly impact Nike.

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AP Capital Research is a University of Surrey and EFS-affiliated student-led research group, with the sole purpose of providing greater clarity of financial markets. Accomplished through the creation of weekly market insights, detailing the macroeconomic factors driving global markets and industries.

Named after the University of Surrey's Austin Pearce building, we thought it was only right to give credit to the place which truly ignited our immersion into economics and finance, and more specifically, our passion for understanding financial markets.

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