

NIKE INC.

1Q24 RESULTS



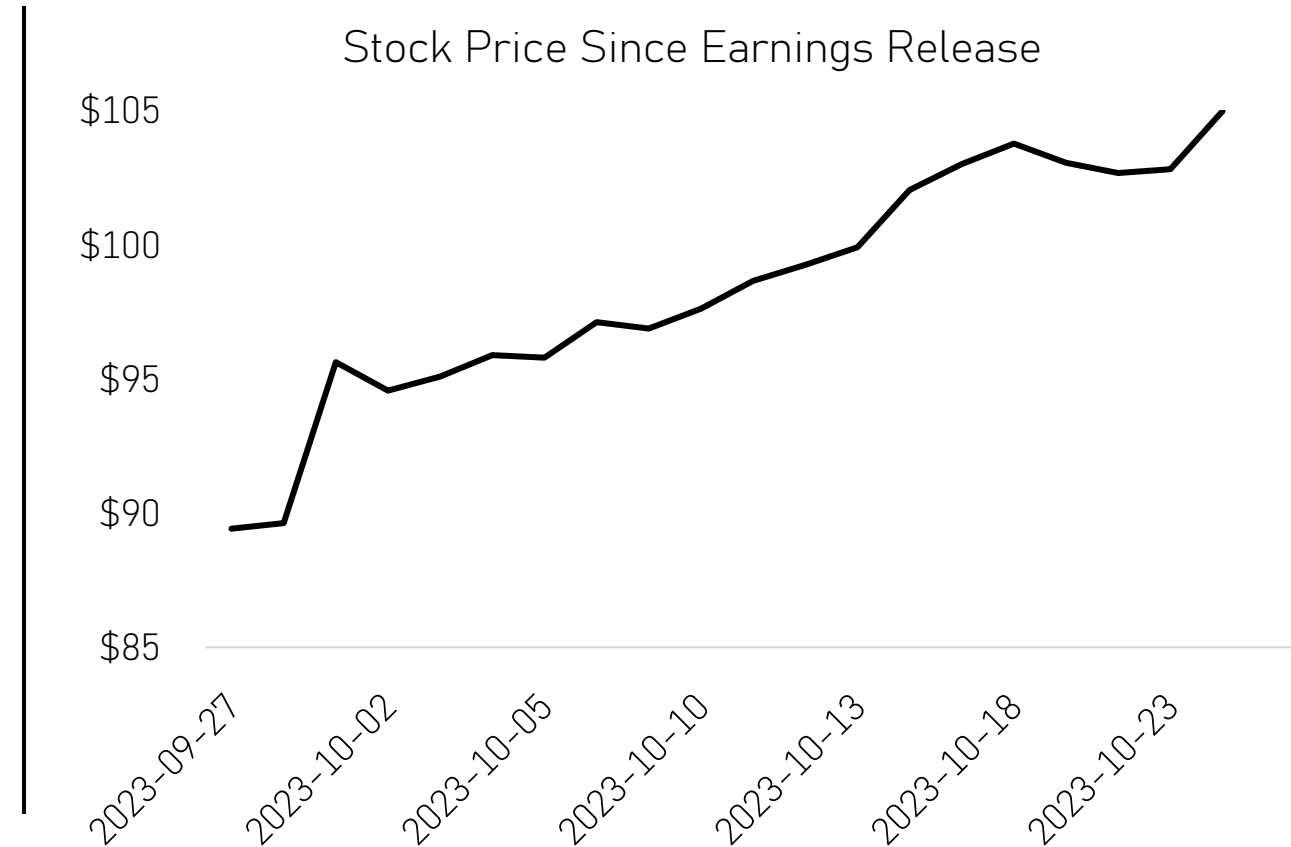
ECONOMIC MOAT

- Intangible Assets
 - Brand Name
 - Patents
- Drives market demand and pricing power



BEAT OR MISS?

- Missed revenue estimates by 0.5%
- Beat EPS estimates by 24.1%



RESULTS- OVERALL

	THREE MONTHS ENDED AUGUST 31,				
(Dollars in millions, except per share data)	2023		2022		% CHANGE
Revenues	\$	12,939	\$	12,687	2 %
Cost of sales		7,219		7,072	2 %
Gross profit		5,720		5,615	2 %
Gross margin		44.2 %		44.3 %	
Demand creation expense		1,069		943	13 %
Operating overhead expense		3,047		2,977	2 %
Total selling and administrative expense		4,116		3,920	5 %
% of revenues		31.8 %		30.9 %	
Interest expense (income), net		(34)		13	—
Other (income) expense, net		(10)		(146)	—
Income before income taxes		1,648		1,828	-10 %
Income tax expense		198		360	-45 %
Effective tax rate		12.0 %		19.7 %	
NET INCOME	\$	1,450	\$	1,468	-1 %
Diluted earnings per common share	\$	0.94	\$	0.93	1 %

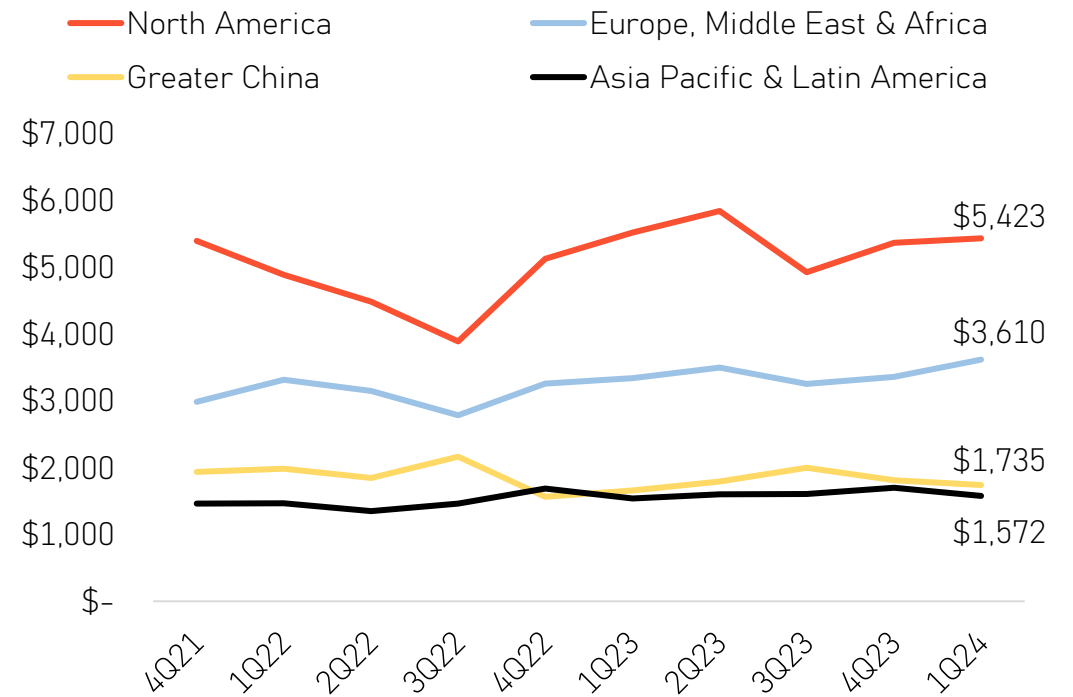
TOP LINE DRIVERS

Revenue grew 2.0%

Geographically

- North America declined 1% (Wholesale -8%)
- Greater China grew 12% (Improved retail traffic)
- EMEA grew 6%
- APLA grew 3%

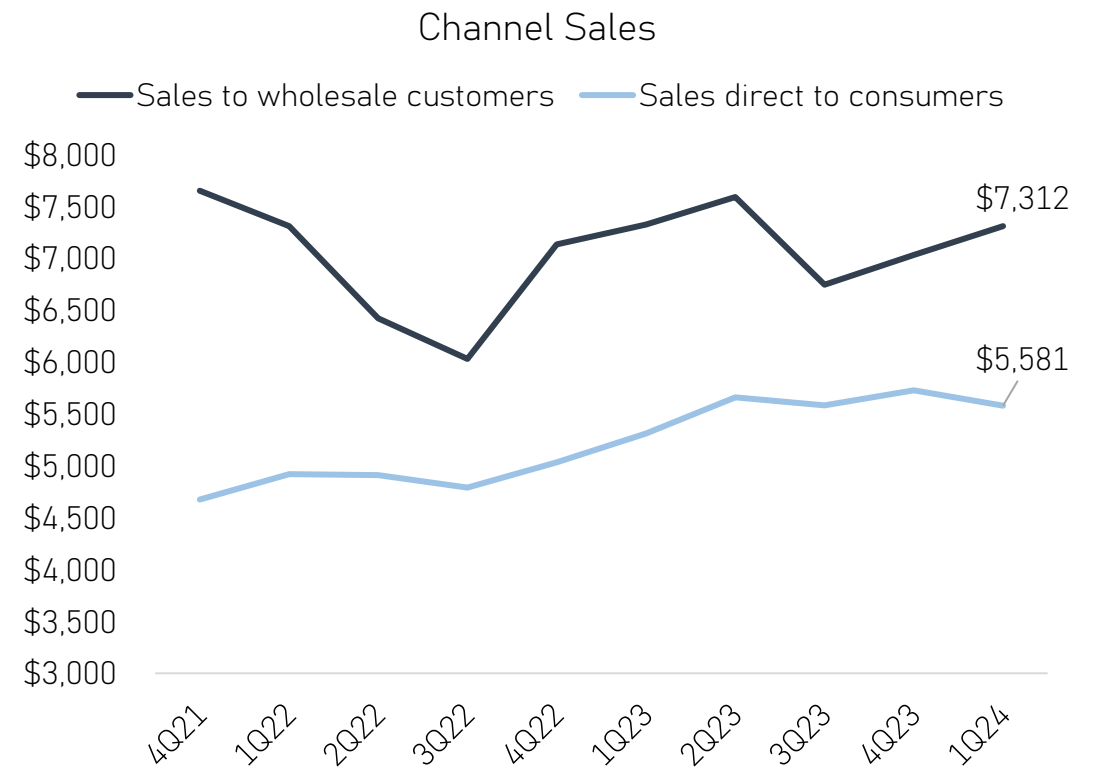
Geographic Sales



TOP LINE DRIVERS - GEOGRAPHIES

Sales Channels:

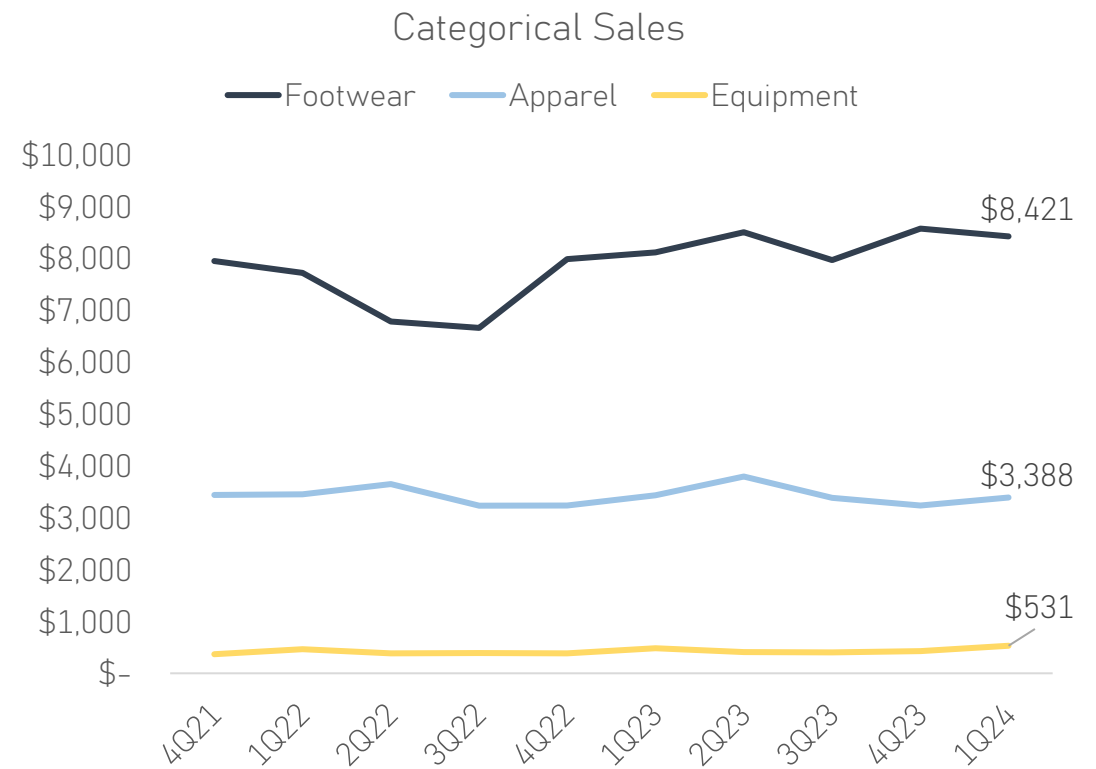
- 6% growth in Nike Direct
 - 2% growth in digital ("tough comparable")
 - 12% growth in stores
- Wholesale sales grew 1% ("restraining supply")



TOP LINE DRIVERS - CATEGORIES

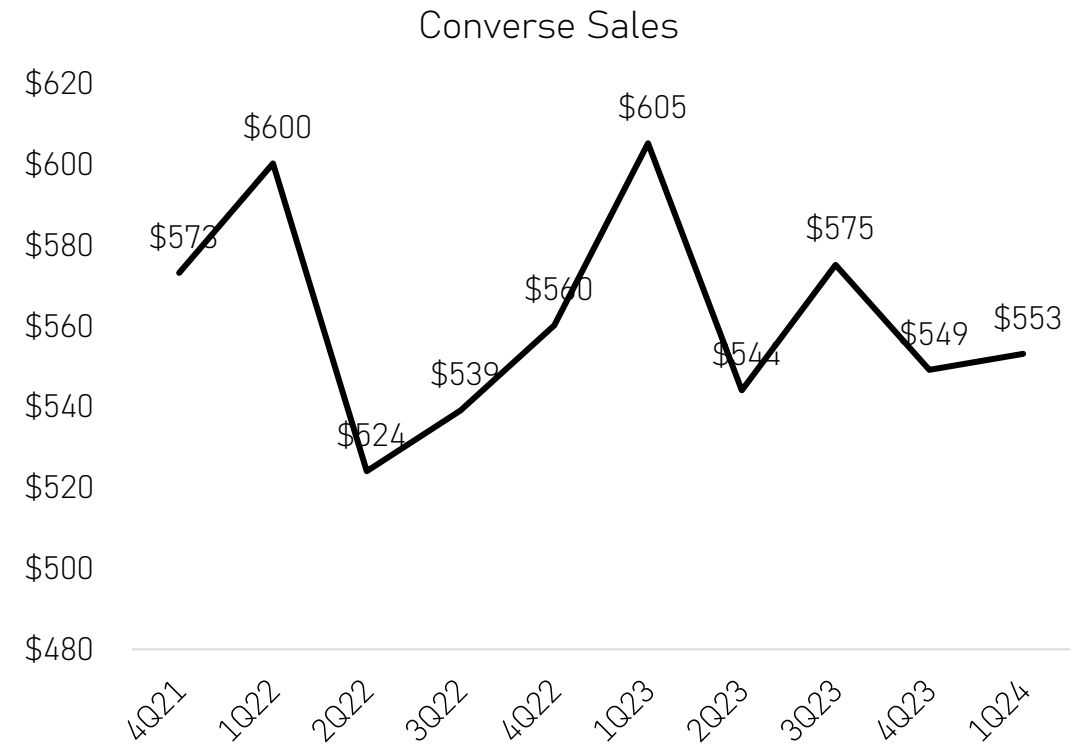
Product Categories:

- Footwear grew 4%
 - Strong growth in Jordan Brand
 - -1% volume, 5% price
- Apparel decreased 1%
 - -12% volume, 11% price



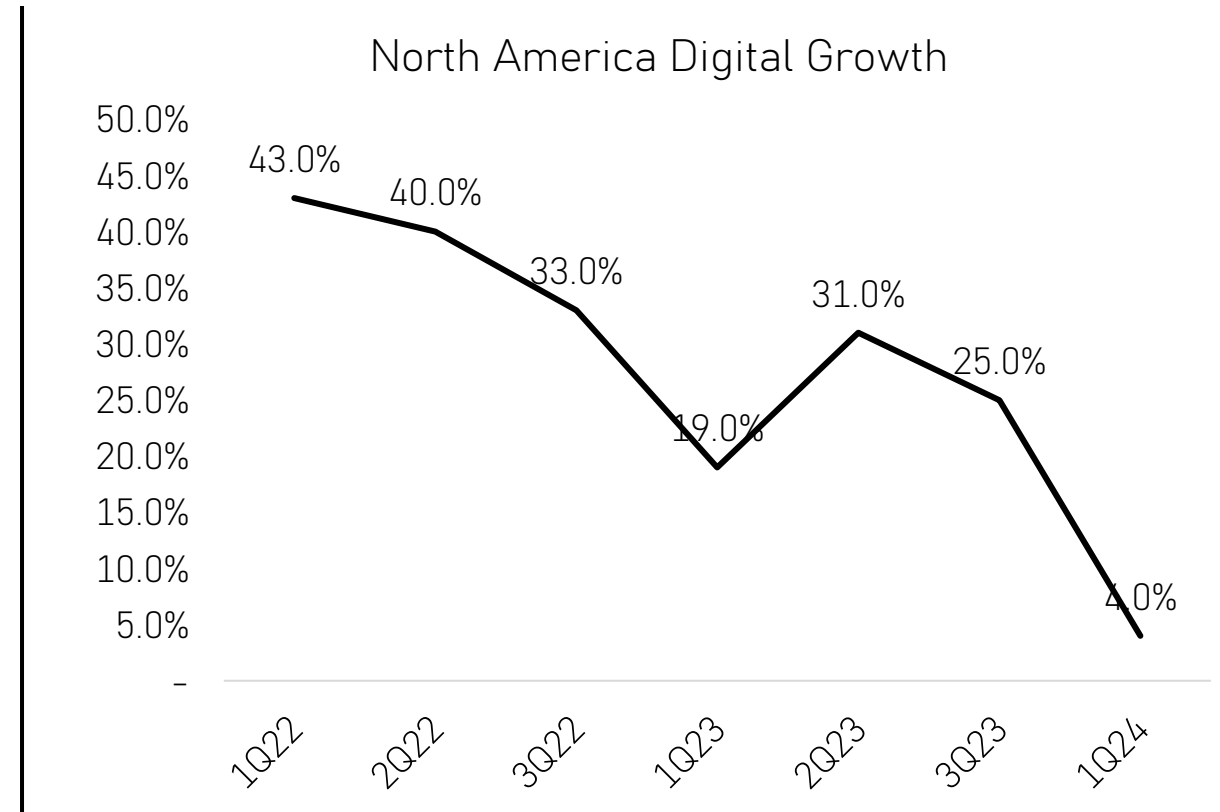
TOP LINE DRIVERS - CONVERSE

- Sales decreased 9%
 - -6% in volumes
 - -3% in price
- Promotional activity in digital



TOP LINE DRIVER TRENDS

- Slowing digital demand
- Return to on-premise sales
- Decrease in volumes
- Strong price increases



IS MANAGEMENT BEING HONEST?

- Management has been selling analyst on the shift to DTC that was accelerated by COVID
 - Shift from Wholesale to DTC or tighten wholesale accounts and push products through Nike owned channels
- Laid out goal of DTC or NIKE Direct to represent 60% of sales
 - Currently at 45%

Why is this important?

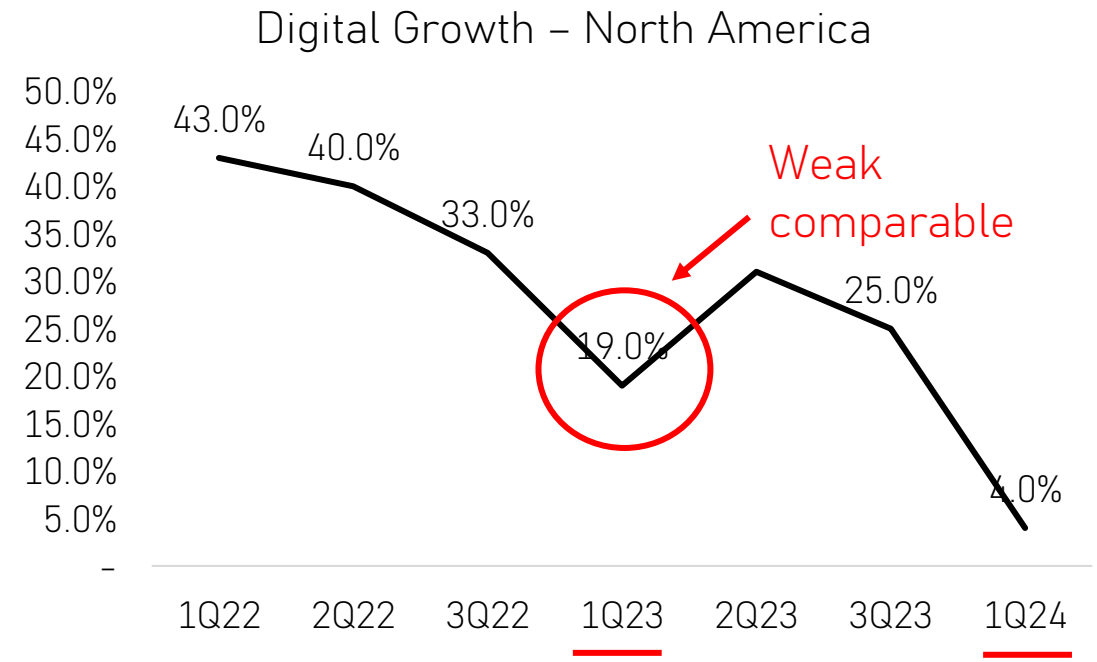
- DTC is higher margin. Higher margin = more profit = higher fair value

IS THIS ACTUALLY HAPPENING?

“Weak wholesale growth from tightening inventory”

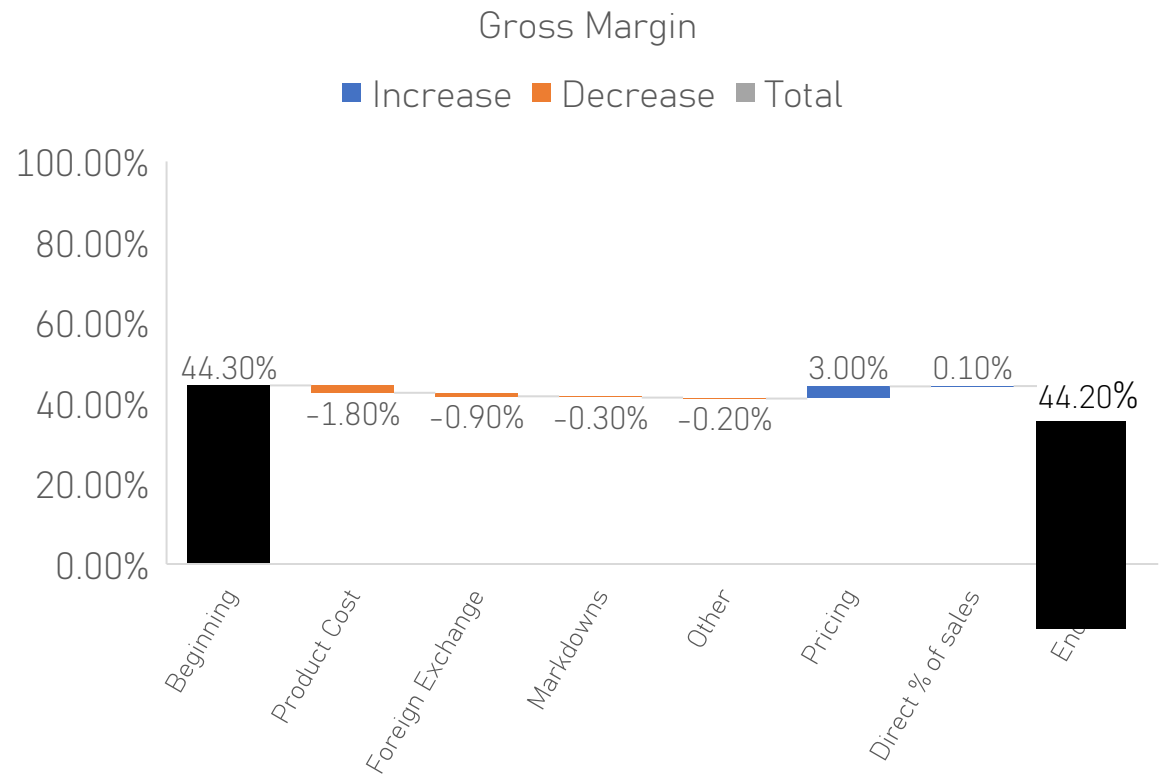


“Weak digital growth from tough comparable”



EXPENSES

- Gross Margin decreased 10bps Or 0.1%
- Operating Margin decreased 100bps or 1.0%
 - Higher demand creation expense



BOTTOM LINE DRIVERS

- EPS grew 1.4%
 - Gross margin decreased 10bps from higher product cost
 - Lower tax rate of 12% compared to 20% in prior year (one –time tax benefit)
 - Diluted Shares down 2.7%

OUTLOOK FY24

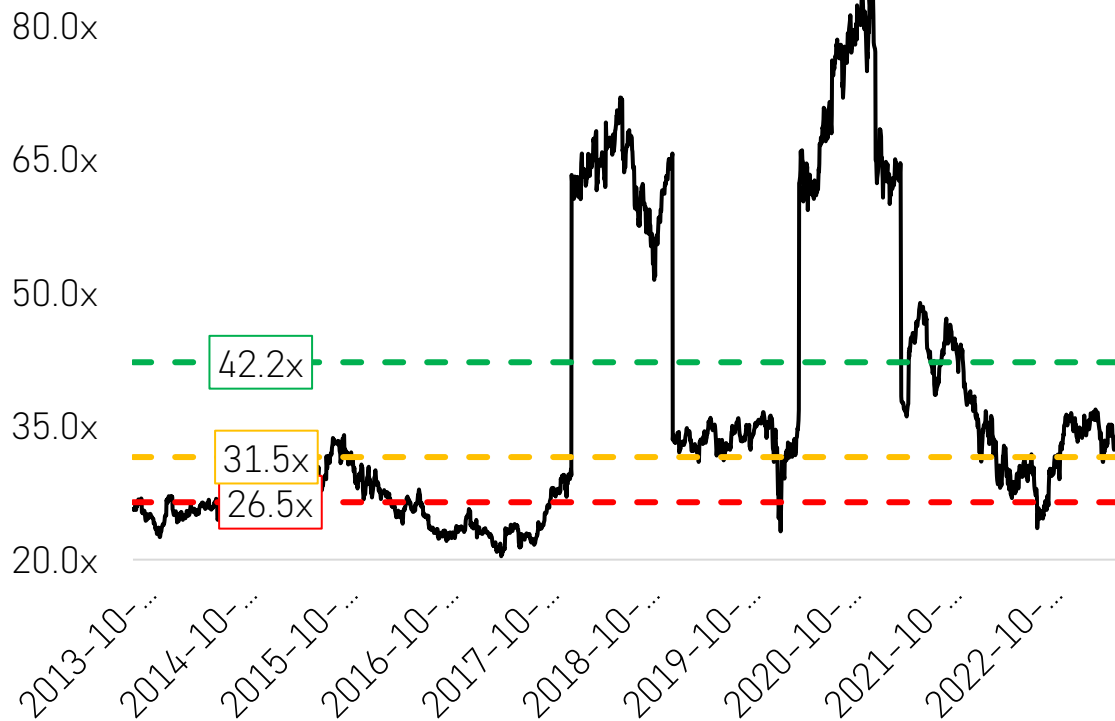
- Gross Margin expansion of 1.4 – 1.6%
- SGA slightly above revenue growth
- Net interest income of \$225m to \$275m
- High teens tax rate

KPI'S

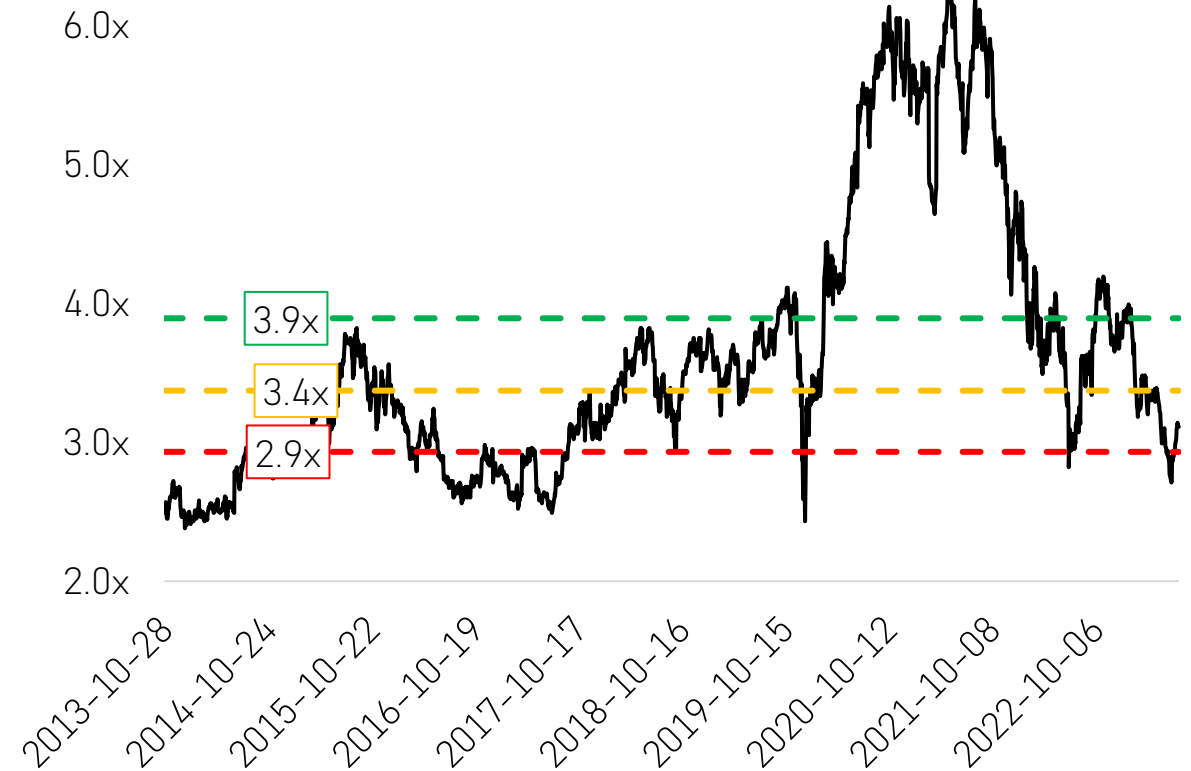
- Obligation ratio of 1.7x vs 1.4x in prior year (Decrease in cash balance from Inventory weighing on free cash flow)
- Digital growth of 4%

VALUE BANDS

Price to Earnings



Price to Sales



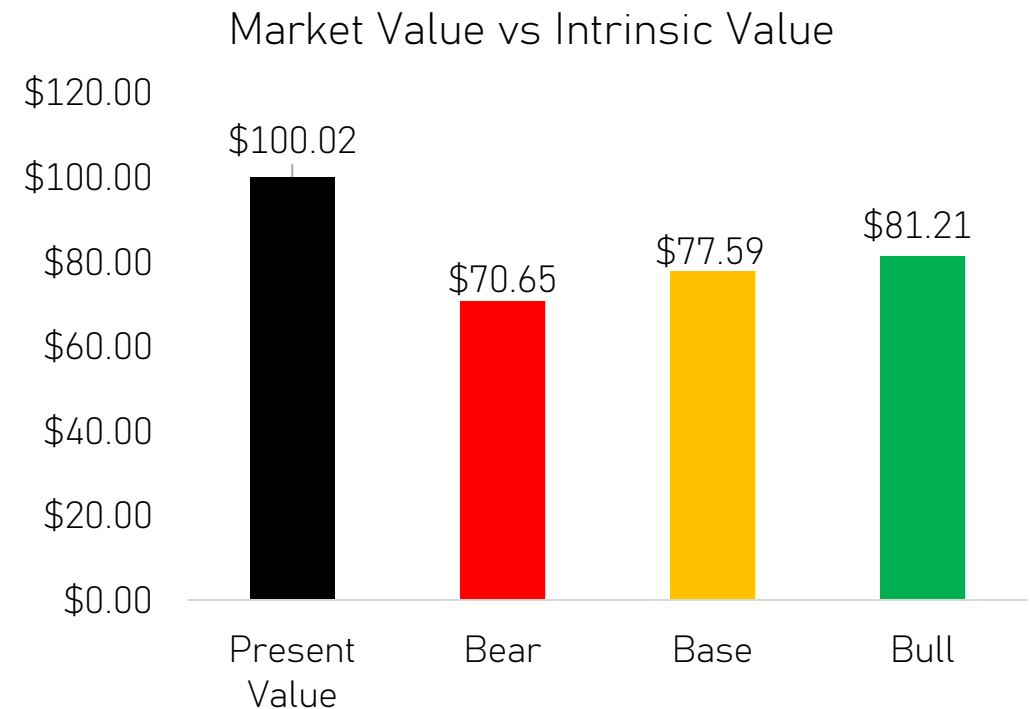
5 YEAR EPS MODEL

Ticker: NKE Price: \$100.02 5 Year Discounted Cash Flow											
								Total Return			
								P/E	Price	PV	5 YR Return
										Annual	Return
Bear	EPS	Current	2023	2024	2025	2026	2027	22.0x	\$92.71	\$57.57	(7.3)%
		\$3.24	\$3.43	\$3.64	\$3.82	\$4.01	\$4.21	27.0x	\$113.79	\$70.65	13.8%
			6%	6%	5%	5%	5%	32.0x	\$134.86	\$83.74	34.8%
Base	EPS	Current	2023	2024	2025	2026	2027	22.0x	\$101.82	\$63.22	1.8%
		\$3.24	\$3.53	\$3.85	\$4.12	\$4.37	\$4.63	27.0x	\$124.96	\$77.59	24.9%
			9%	9%	7%	6%	6%	32.0x	\$148.10	\$91.96	48.1%
Bull	EPS	Current	2023	2024	2025	2026	2027	22.0x	\$106.57	\$66.17	6.6%
		\$3.24	\$3.60	\$3.99	\$4.31	\$4.57	\$4.84	27.0x	\$130.79	\$81.21	30.8%
			11%	11%	8%	6%	6%	32.0x	\$155.02	\$96.25	55.0%

Discount rate:
10%

MODEL RESULTS

Total RoR Sensitivity				
P / E		Est. EPS growth rate		
		5%	7%	8%
	22.0x	(1.5)%	0.4%	1.3%
	27.0x	2.6%	4.6%	5.5%
	32.0x	6.2%	8.2%	9.2%



SUGGESTION

- Sell – thesis is changing around DTC shift
- Management continues to sell analyst on DTC shift, and they continue to eat it up