



The Gross Prophets
Nike



History

1964: Founded “Blue Ribbon Sports”

1967: Incorporated

1971: Changed name to “Nike”

1971: Swoosh Logo was created

1980: Became Public

1988: Introduced “Just Do It” slogan



History of Jordan Brand

- ✓ 1984 - NIKE offered Jordan a 5 year \$2.5 M to start the Air Jordan shoes
- ✓ 1987 - NIKE allowed Michael Jordan's input in the Jordan III's
- ✓ 1988 – NIKE released Jumpman logo
- ✓ 1997 – NIKE starts Jordan Brand as a sub-brand of NIKE.



Acquisitions

- ✓ Aug. 2, 2016 - Virgin Mega USA (to boost mobile sales)
- ✓ July 9, 2003 - Converse – \$309 M now does \$2 billion in annual sales
- ✓ Feb. 22, 2002 – Hurley – \$120 M



Recent News

Nike x NBA Global Launch

NikeConnect

“Flyleather”

Adidas NCAA Basketball Scandal

Subpoena



2018 1st Quarter News

Revenue of \$9.07 Billion

Earnings per share of \$0.57

Beat earnings by \$0.09





Kevin Durant, Nike athlete: 'No one wants to play in Under Armour's'

KD is one of Nike's biggest names, so it makes sense why he'd trash UA



What is Nike

- ✓ NIKE's principal business activity is the design, development, and worldwide marketing and selling of athletic footwear, apparel, equipment, accessories and services
- ✓ NIKE is the largest seller of athletic footwear and apparel in the world
- ✓ NIKE sells products to retail accounts through NIKE-owned retail stores, internet websites, and mobile applications
- ✓ NIKE also uses a mix of independent distributors and licensees throughout the world

How does Nike make
money?

Look Familiar?



Hurley))









Business Segments

Running

Women's Training

NIKE Basketball

Action Sports

The Jordan Brand

Sportswear (our sports-inspired lifestyle products)

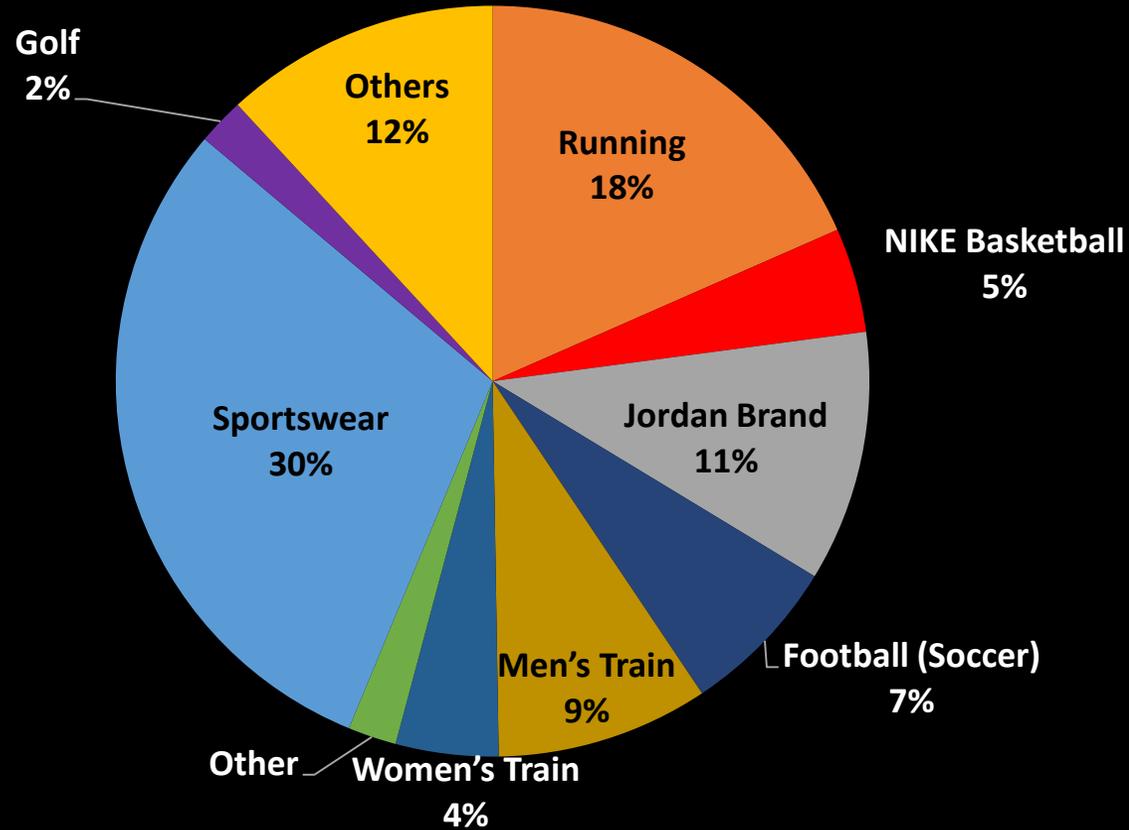
Football (Soccer)

Golf

Men's Training - (baseball and American football products)

Other

Revenues by Segment





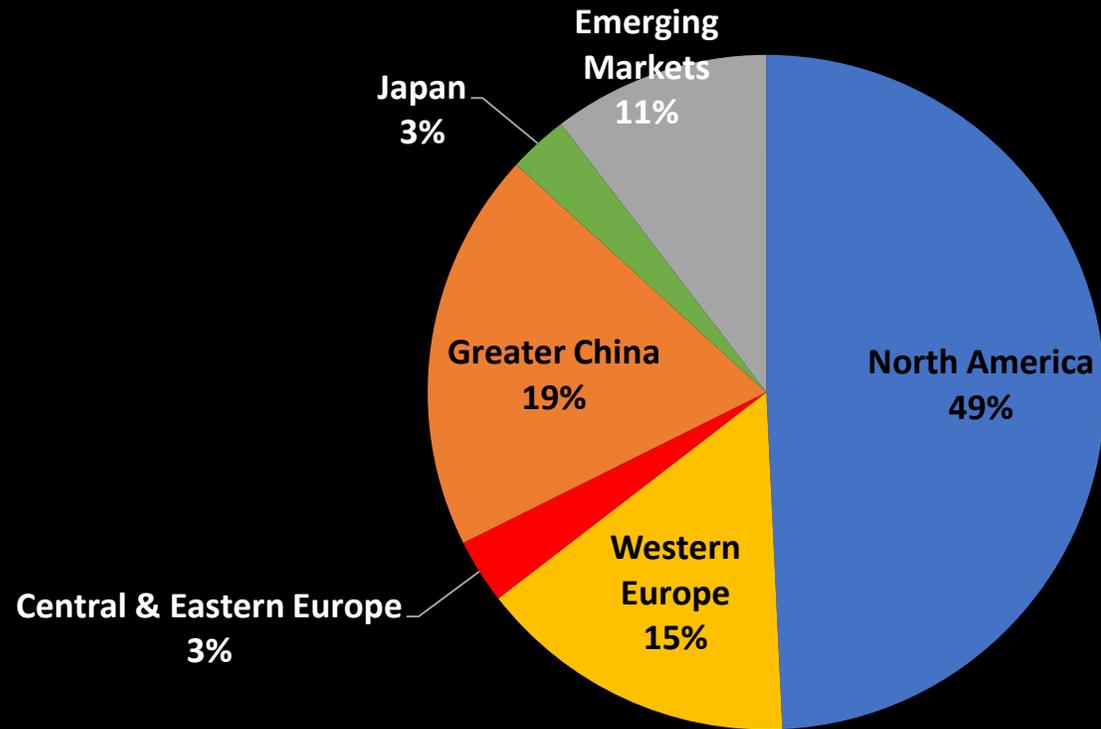
Where do revenues come from?



The World of Nike

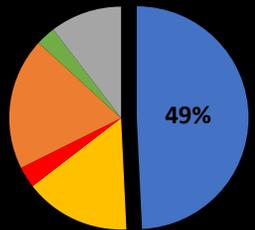
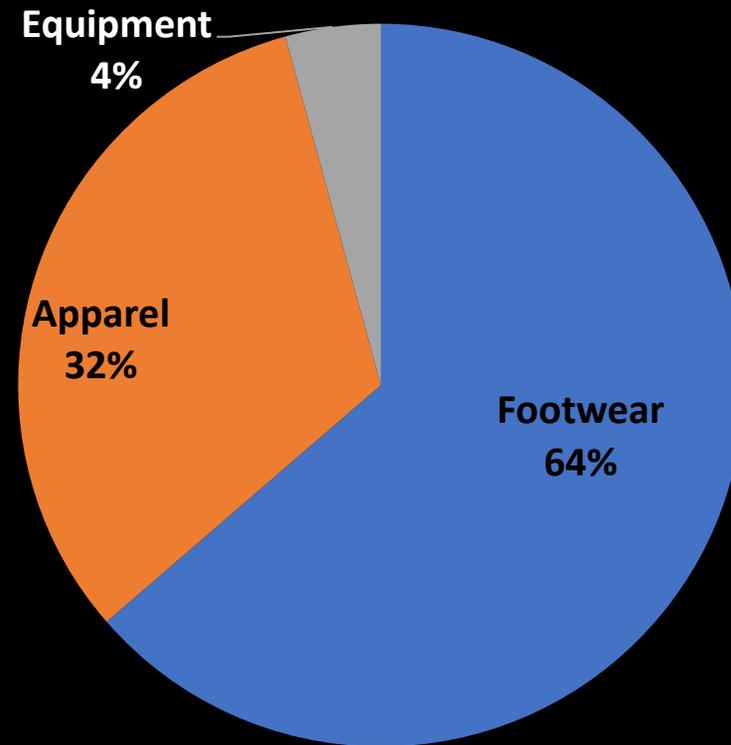


Revenue Locations



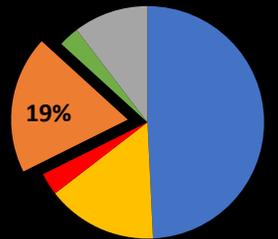
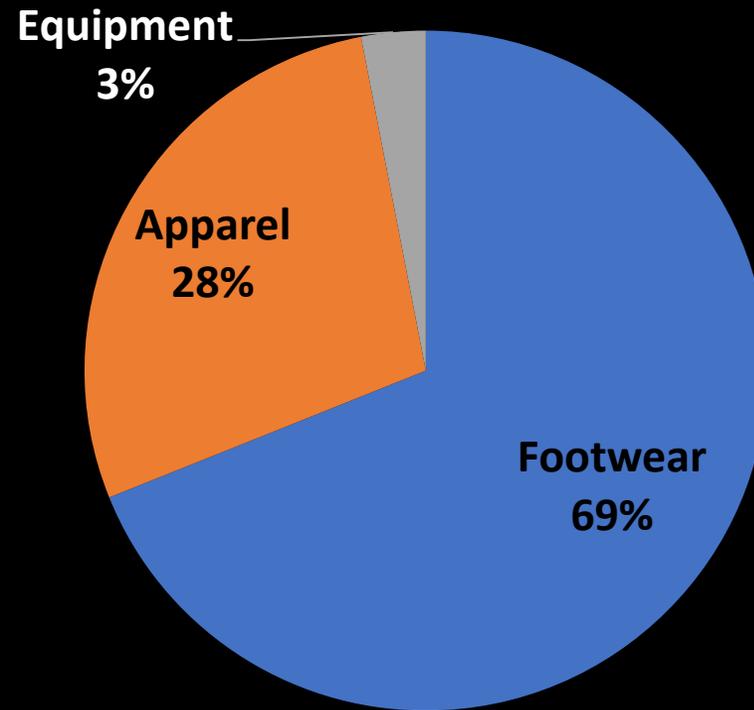


North America



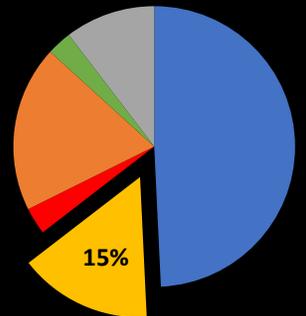
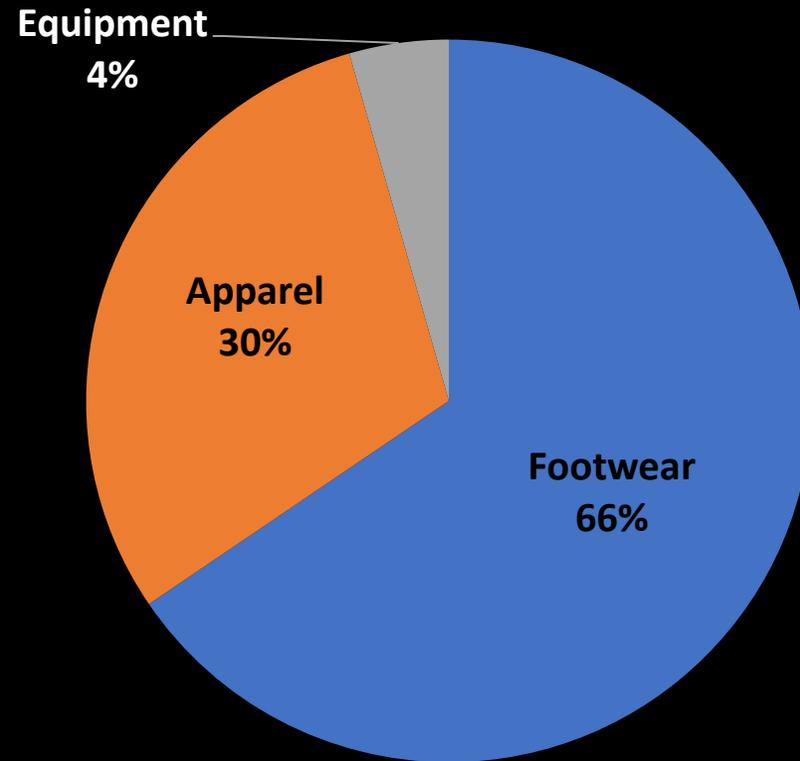


Greater China

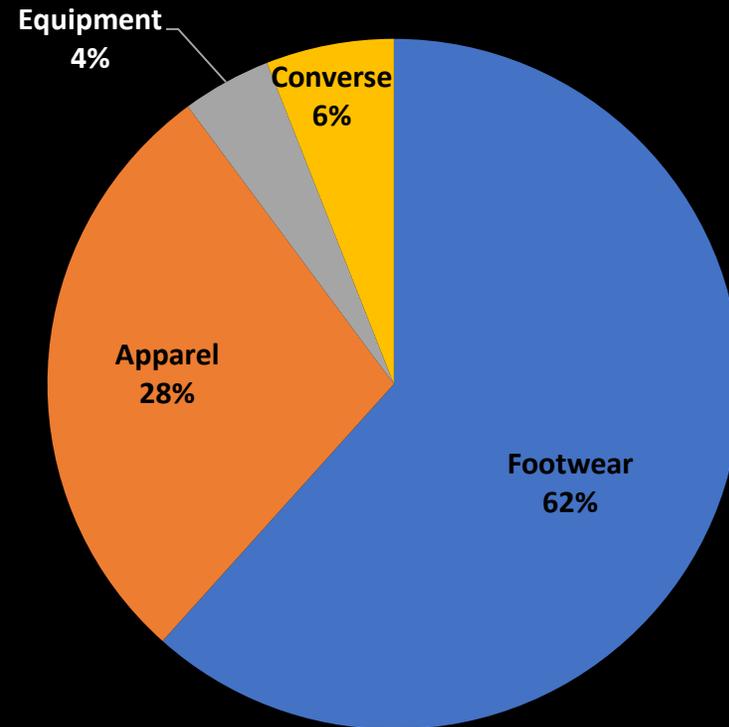




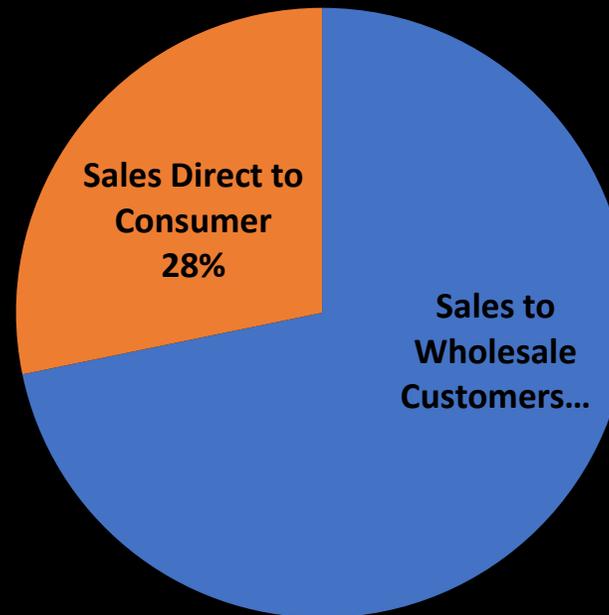
Western Europe

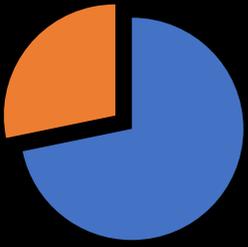


Revenue Breakdown



Direct and Wholesale revenues

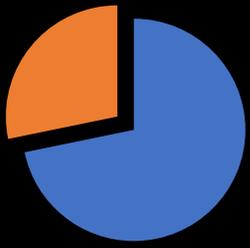




Direct to consumer U.S. operations

Direct to consumer operations sell NIKE Brand, Jordan brand, Hurley, and converse products through *nike.com* and retail stores

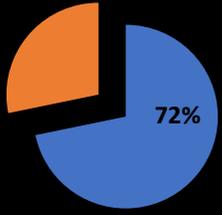
U.S. Retail Stores	Number of stores
Nike Brand factory stores	209
Nike Brand in-line factory stores	34
Converse stores	112
Hurley Stores	29



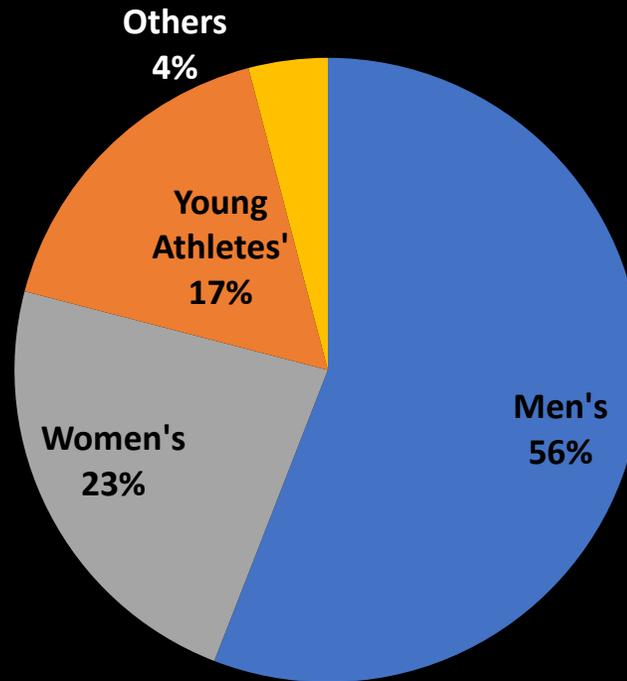
Direct to consumer non U.S. operations

In addition to commerce websites in over 45 countries, Nike's direct to consumer business operates in a number of retail stores.

Non U.S. Retail Stores	Number of Stores
NIKE Brand Factory Stores	642
NIKE Brand in-line stores	71
Converse stores	45



Breakdown of Wholesale Revenues





Manufacturing

What are shoes made of?

✓ Natural and Synthetic rubber

✓ Plastic compounds

✓ Foam cushioning

✓ Natural and Synthetic leather

✓ Nylon

✓ Polyester

✓ Canvas

✓ Polyurethane films



Footwear Manufacturing

Virtually all footwear is manufactured by independent contract manufacturers outside the U.S.

- ✓ Supplied by approximately 127 footwear factories located in 15 countries.
- ✓ Largest single footwear factory accounted for approximately 8% of NIKE footwear production.
- ✓ Contract factories in Vietnam, China, and Indonesia manufactured 46%, 27%, and 21% of NIKE footwear.
- ✓ Five footwear contract manufacturers each accounted for greater than 10% of footwear production.



Apparel Manufacturing

Virtually all apparel is manufactured by independent contract manufacturers outside the U.S.

- ✓ Supplied by approximately 363 apparel factories located in 37 countries.
- ✓ Largest single apparel factory accounted for approximately 13% of NIKE apparel production.
- ✓ Contract factories in China, Vietnam, and Thailand manufactured 26%, 16%, and 10% of NIKE apparel.
- ✓ One apparel contract manufacturers accounted for more than 10% of apparel production.



U.S. Distribution

- ✓ Six significant distribution centers located in Memphis, Tennessee.
- ✓ NIKE Brand apparel and equipment products are also shipped from their leased Foothill Ranch, California distribution center.
- ✓ Converse and Hurley products are shipped primarily from leased facilities in Ontario, California.
- ✓ Smaller leased distribution facilities are located in various parts of the United States.



International Distribution

- ✓ NIKE sells to thousands of retail accounts and ship products from 60 distribution centers outside of the United States
- ✓ In many countries and regions, including Canada, Asia, Europe and some Latin American countries, NIKE has a futures ordering program for retailers.



Retail Issues

Retailers are becoming less popular

Nike sells many shoes in retail stores

- Accounts for 20% of Dick's Revenue

Finish Line reported earnings and cut earnings outlook in half

Nike wholesale segment predicted to decrease from 70% to 50% by 2027



GROWTH

Digital Commerce growth of 30% and 59% in 2017 & 2016

Direct to consumer revenues increased 18%

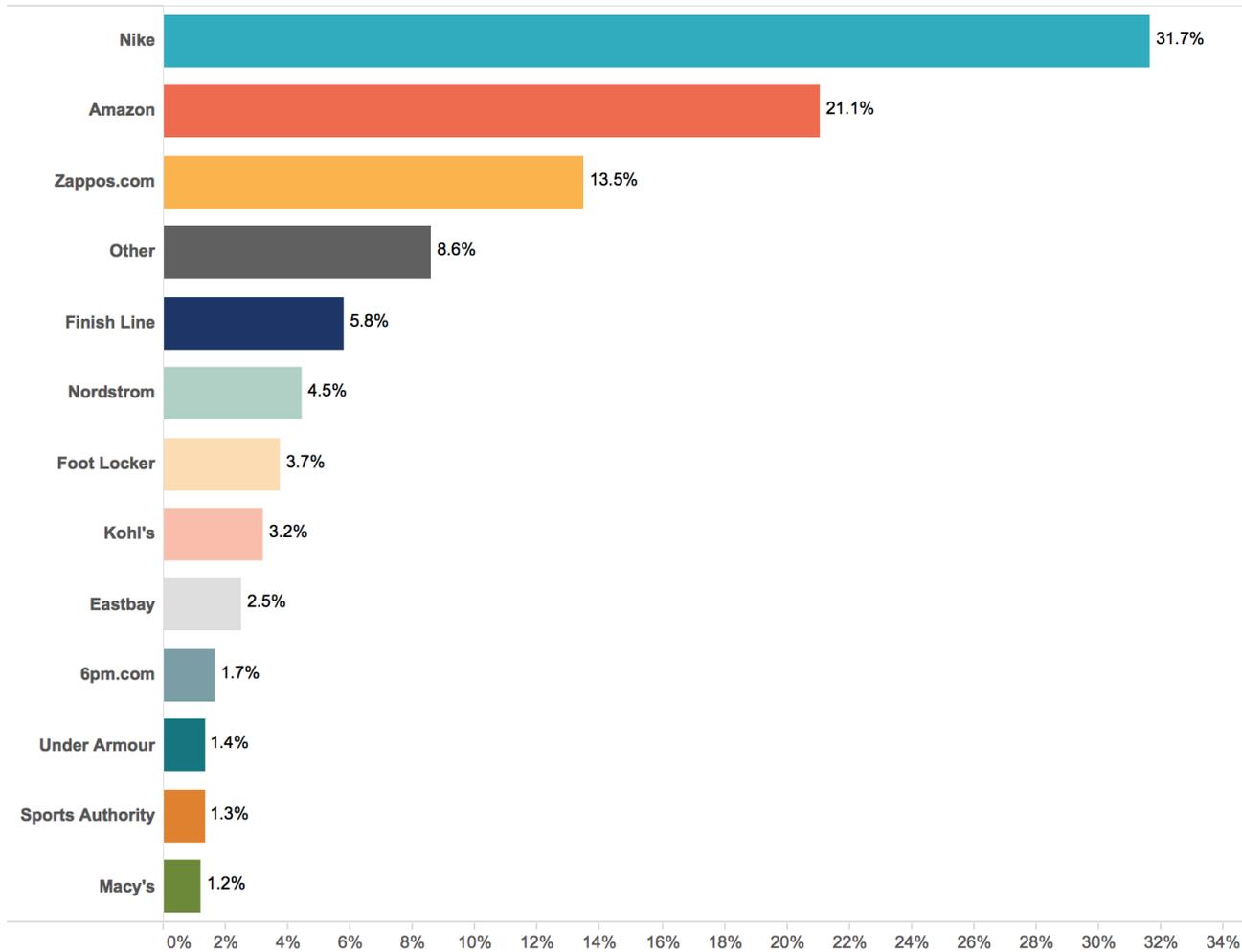
Partnership with Amazon

Higher margins

- Not having to sell to a wholesaler



Top online athletic shoe merchants, by revenue



Copyright © Slice Technologies 2016. January, 2015–March, 2016. N=224,252 U.S. Online Shoppers



GROWTH

Emerging markets growing at 14%

Emerging markets are mainly wholesale

- 90% of China's sales came from Nike Branded outlet

Many new potential emerging markets



GROWTH

NIKE, Inc. Earnings Per Share Performance*

Fiscal Years 2013-2017
Five-year CAGR 16%**



- * These amounts have been restated to reflect our December 2012 and December 2015 two-for-one stock splits and historical results of continuing operations.
- ** 5-Year Compound Annual Growth Rate (CAGR) based on Fiscal Year 2012 split-adjusted diluted earnings per common share of \$1.20.



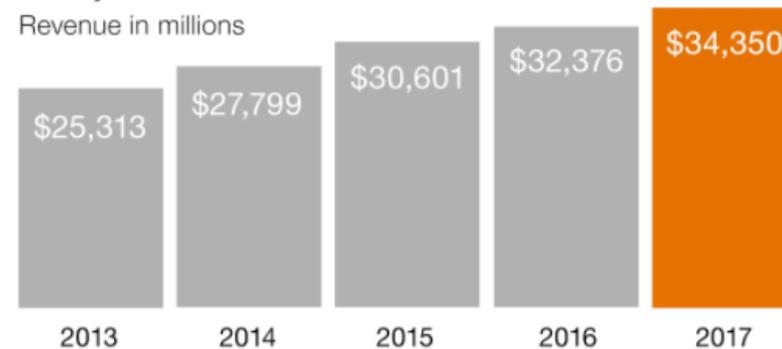
GROWTH

NIKE, Inc. Revenue Performance

Fiscal Years 2013-2017

Five-year CAGR 8%*

Revenue in millions



* 5-Year Compound Annual Growth Rate (CAGR) based on Fiscal Year 2012 Revenue of \$23,331 million. The revenue amounts presented reflect the results of our continuing operations.



Risks

Fierce competition

Cyclical Fashion

Unstable demand in China

Maintain high-quality endorsers



Competitive Advantages

Brand Recognition

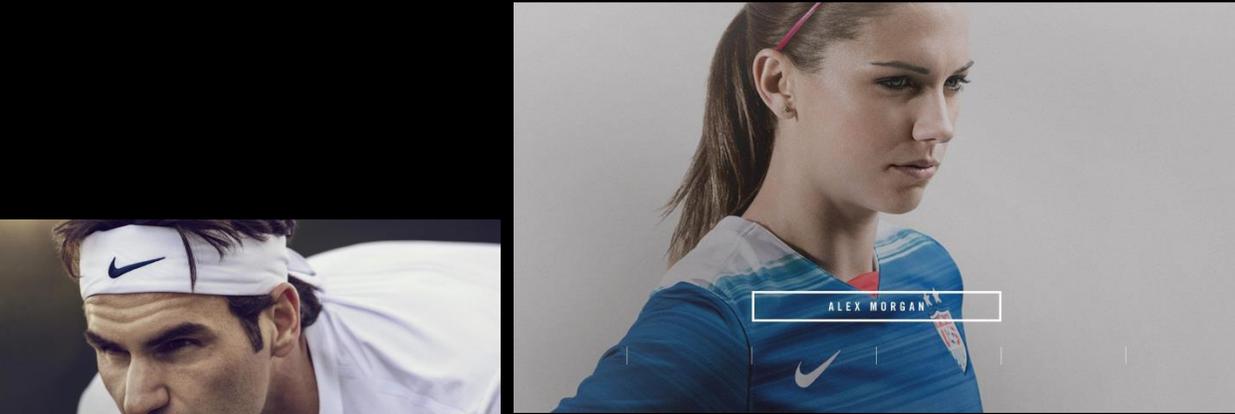
Cost Advantages

High Quality Products

Customization

Innovation

Celebrity Endorsement





Qualitative Analysis

What kind of company is it?	Sustained Competitive Advantage
Is it easily explained?	Yes
Unionized?	No*
Does it require heavy capital infusion?	No
Can inventory become obsolete?	No
Does it require lots of R&D?	Yes
Are there chronic one-time write offs?	Occasionally*
Is the company able to raise its prices to offset inflation?	Yes
Will the company sell more in the future?	Yes
If I gave you 1 billion dollars could you create a competitor?	No

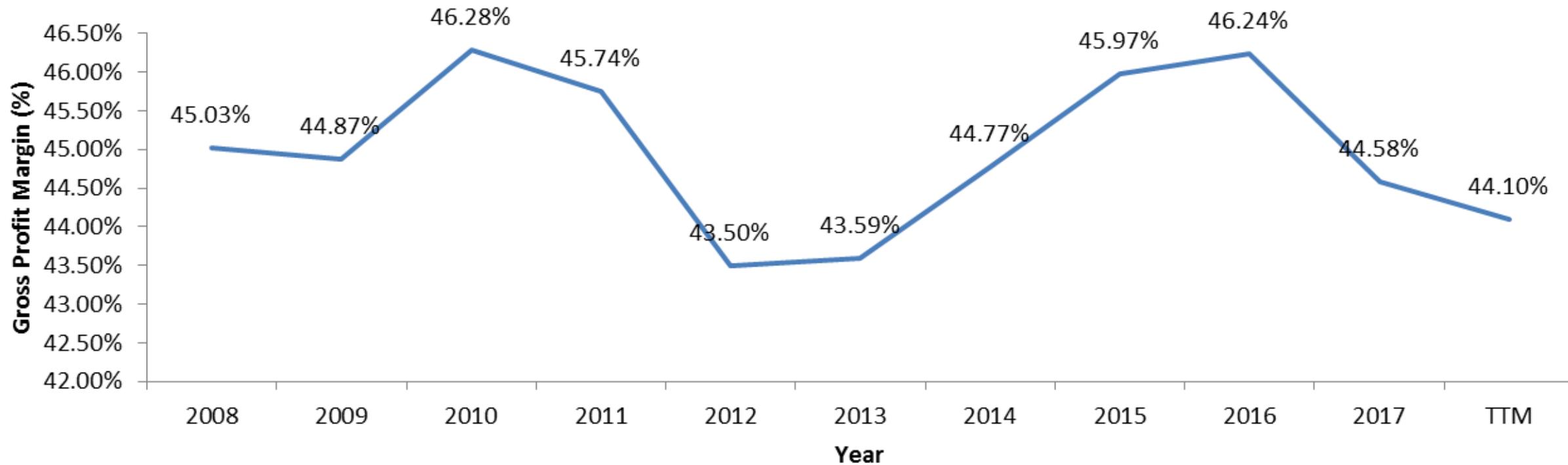


IOFS

<u>TTM</u>	Value	Low Threshold	Pass?
Gross Profit Margin	44.10%	$\geq 20\%$	Yes
% SGA	69.45%	$\leq 80\%$	Yes
% R&D	0.00%	$\leq 10\%$	Yes
% Depreciation	4.73%	$\leq 10\%$	Yes
Interest % of OP	1.47%	$\leq 15\%$	Yes
Net Profit Margin	11.47%	$\geq 10\%$	Yes
Current Ratio	2.67	≥ 1	Yes
Obligation Ratio	0.36	< 5 years	Yes
Adj. Debt to Shareholder Equity	0.97	< 0.8	No
Return on Equity	33.92%	$\geq 15\%$	Yes
Return on Capital	25.48%	$\geq 15\%$	Yes
Dividend Payout Ratio	28.75%	$\leq 60\%$	Yes
Preferred Stock	None	None	Yes
Capital Expenditures	28.04%	$\leq 25\%$	No
Net Earning Trend	Up	Up	Yes
Retained Earnings Trend	Down	Up	No

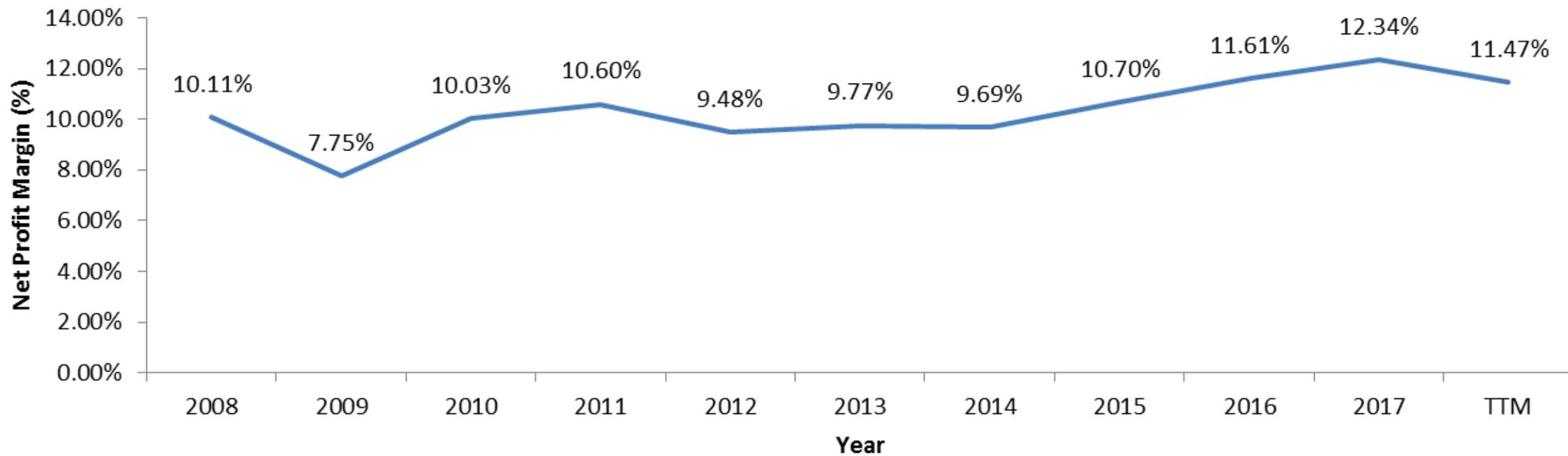


Gross Profit Margin



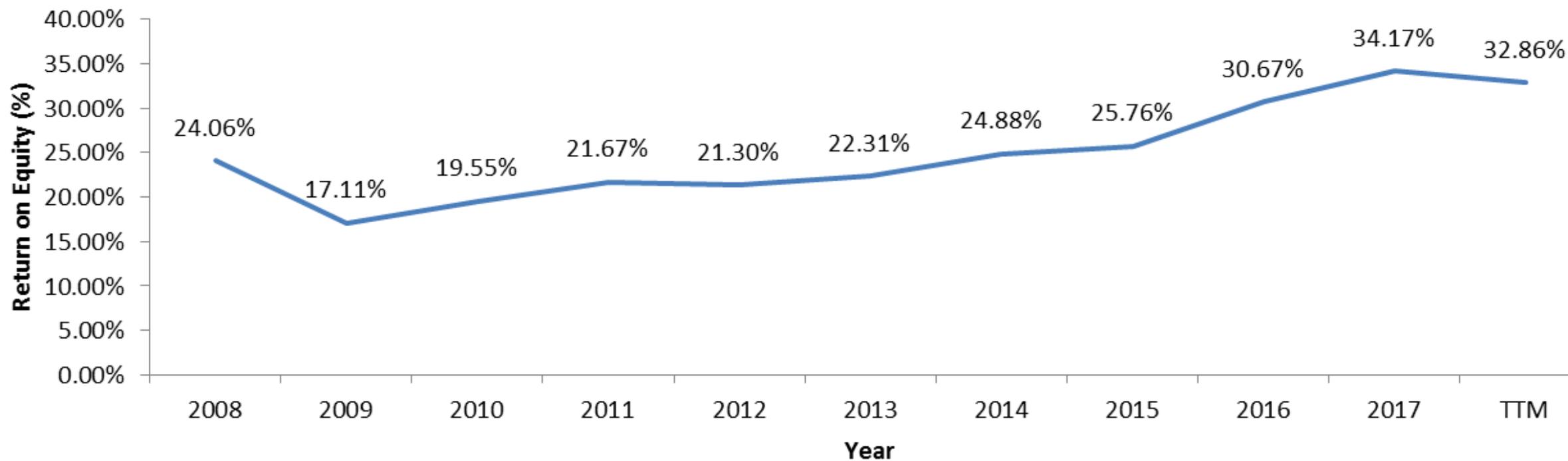


Net Profit Margin



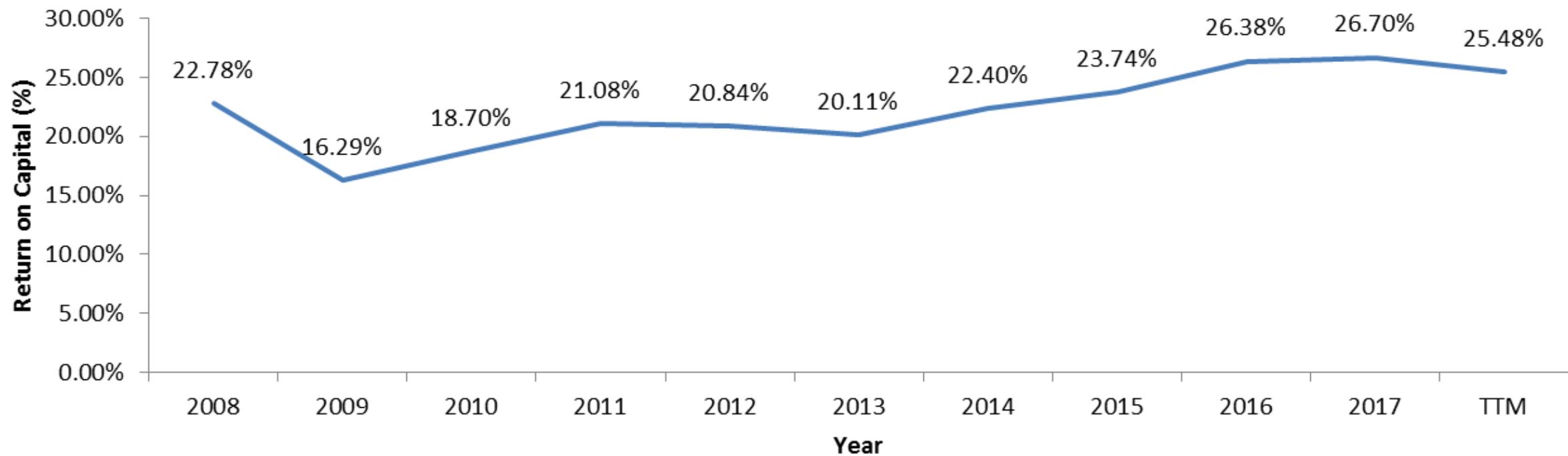


Return on Equity



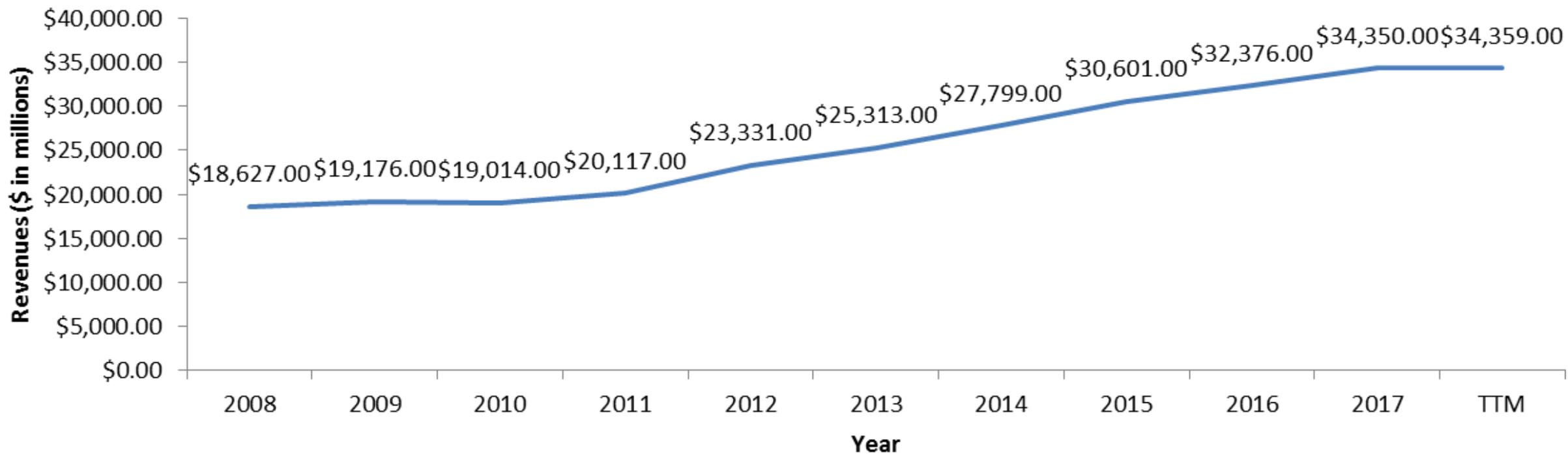


Return on Capital



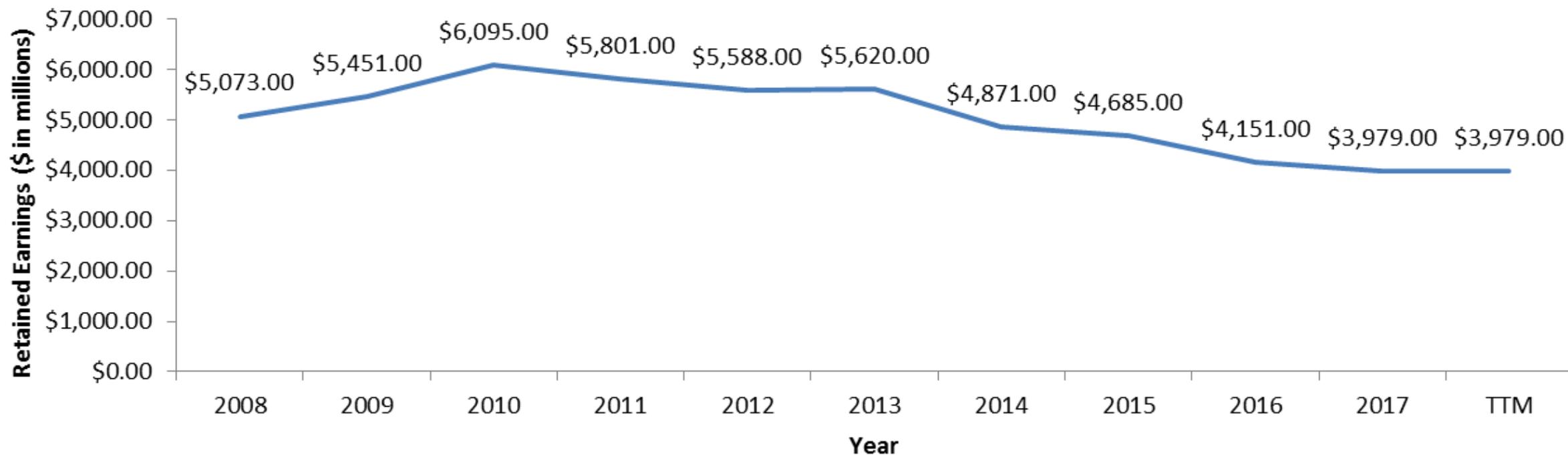


Revenues (10 year)



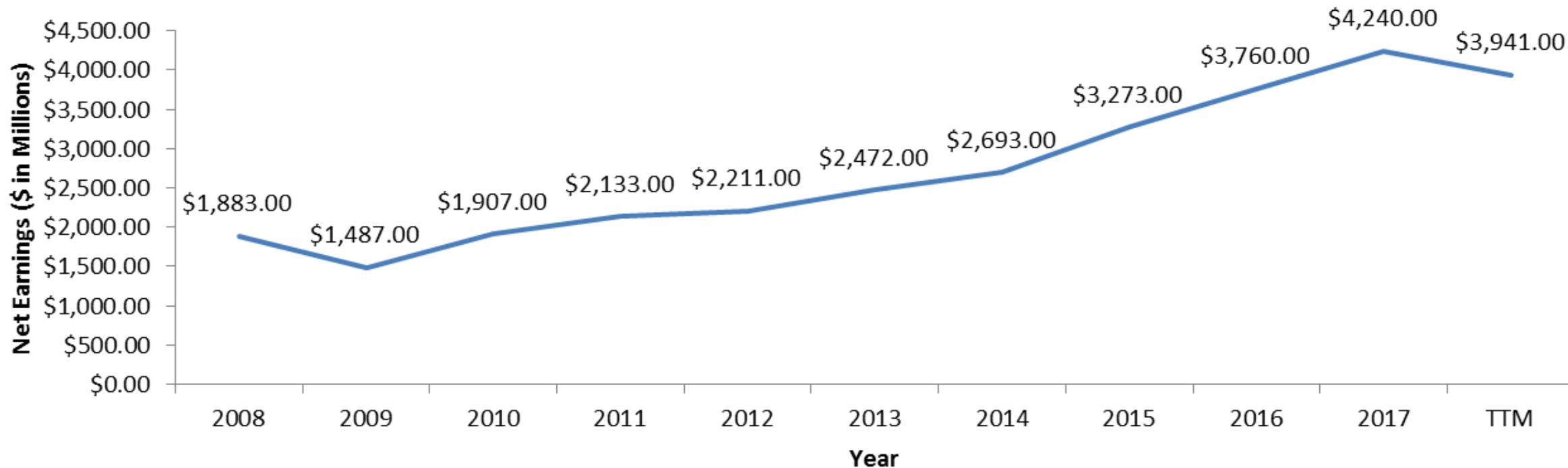


Retained Earnings



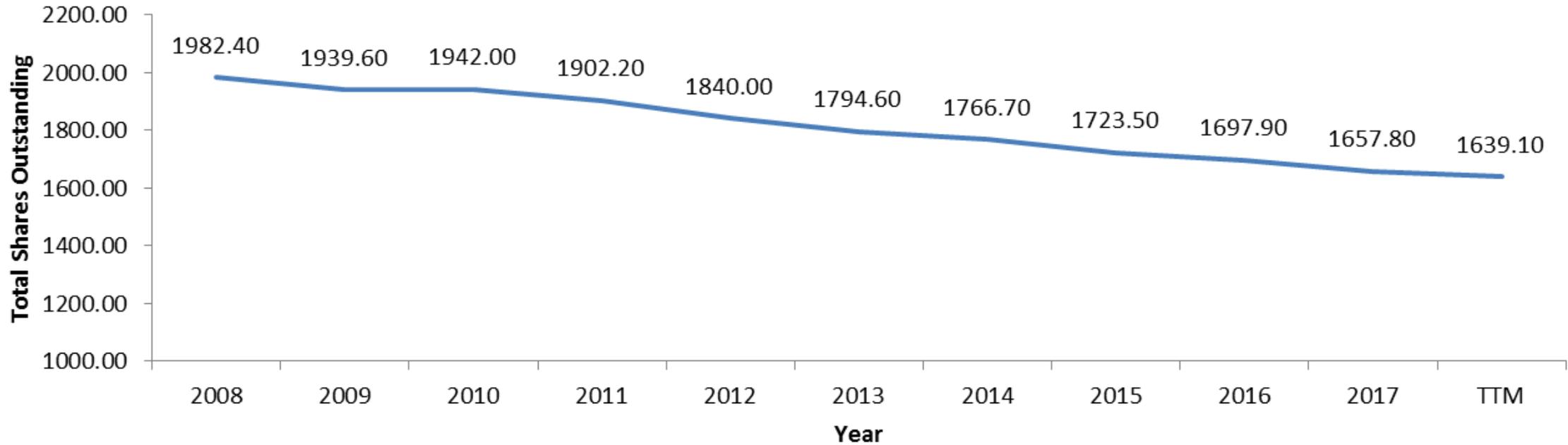


Net Earnings





Total Shares Outstanding



Nov. 2015 – announced \$12 billion share repurchase program

\$4.4 billion used @ \$55.63 per share average



Statistical Array Analysis	
Sales per Share	Increasing
Cash Flow per Share	Stable
Earnings per Share	Increasing
Dividends per Share	Increasing
Book Value per Share	Increasing
Revenues	Increasing
Operating Profit Margin	Stable
Net Profit Margin	Stable
Net Profit	Increasing
Shareholder's Equity	Increasing
Return on Assets	Increasing
Return on Equity	Increasing
Common Shares Outstanding	Decreasing
Long Term Debt	Increasing



DuPont Historical

	Total Asset Turnover	NPM	Financial Leverage Multiplier	Return on Equity
TTM	1.45	11.47%	1.97	32.76%
2017	1.47	12.34%	1.87	33.92%
2016	1.51	11.61%	1.74	30.50%
2015	1.42	10.70%	1.70	25.83%



Industry DuPont Analysis

Company	Total Asset Turnover	Net Profit Margin	Financial Leverage Multiplier	Return of Equity
Nike	1.45	11.47%	1.97	32.76%
Adidas	1.38	4.78%	2.39	15.77%
Under Armour	1.28	4.35%	1.92	10.69%
Lululemon	1.44	11.68%	1.21	20.35%



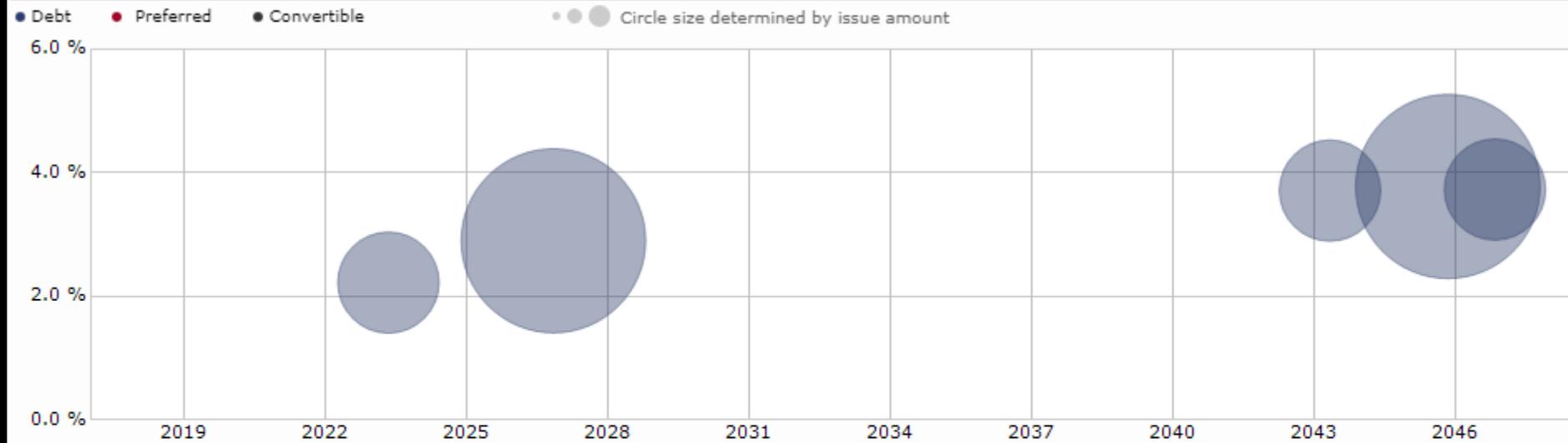
Industry Comparison

Industry Breakdown	Nike	Adidas	Under Armour	Lululemon
Market Cap	88.14B	45.18B	6.98B	8.03B
Revenue	34.35B	22.75B	4.98B	2.44B
P/E	21.39	38.07	34.30	28.31
P/S	2.65	1.81	1.48	3.32
P/B	7.15	6.09	3.58	5.85
EV/EBIT	18.06	21.63	14.66	17.94
ROA	19.00%	6.70%	5.95%	18.12%
ROE	32.76%	15.77%	10.69%	20.35%
Operating Margins	13.83%	8.35%	7.35%	16.85%
Net Margins	11.47%	4.78%	4.35%	11.68%



Debt

Yield to Maturity



Name	Maturity Date	Amount \$(Mil)	Credit Quality	Price	Coupon %	Coupon Type (Fixed/Floating)	Callable	Rule 144A	Yield to Maturity %
Nike 3.875%	11/01/2045	1,000.0	---	101.8	3.875	Fixed	No	No	3.77
Nike 2.375%	11/01/2026	1,000.0	---	95.9	2.375	Fixed	No	No	2.89
Nike 3.375%	11/01/2046	500.0	---	93.9	3.375	Fixed	No	No	3.72
Nike 3.625%	05/01/2043	500.0	---	98.7	3.625	Fixed	No	No	3.70
Nike 2.25%	05/01/2023	500.0	---	100.2	2.250	Fixed	No	No	2.22



Valuebands



Price/Sales



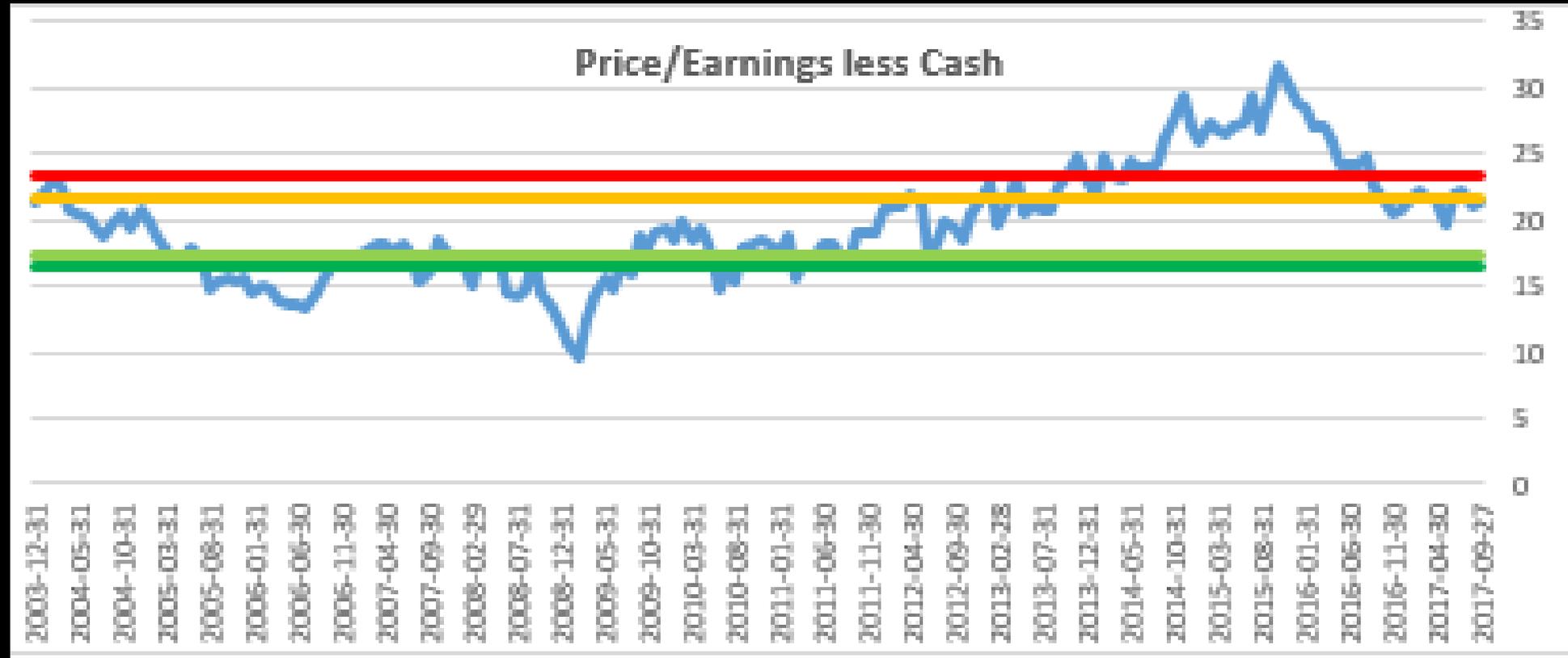


Price to Earnings





Price to Earnings Less Cash





Price to Owner's Earnings



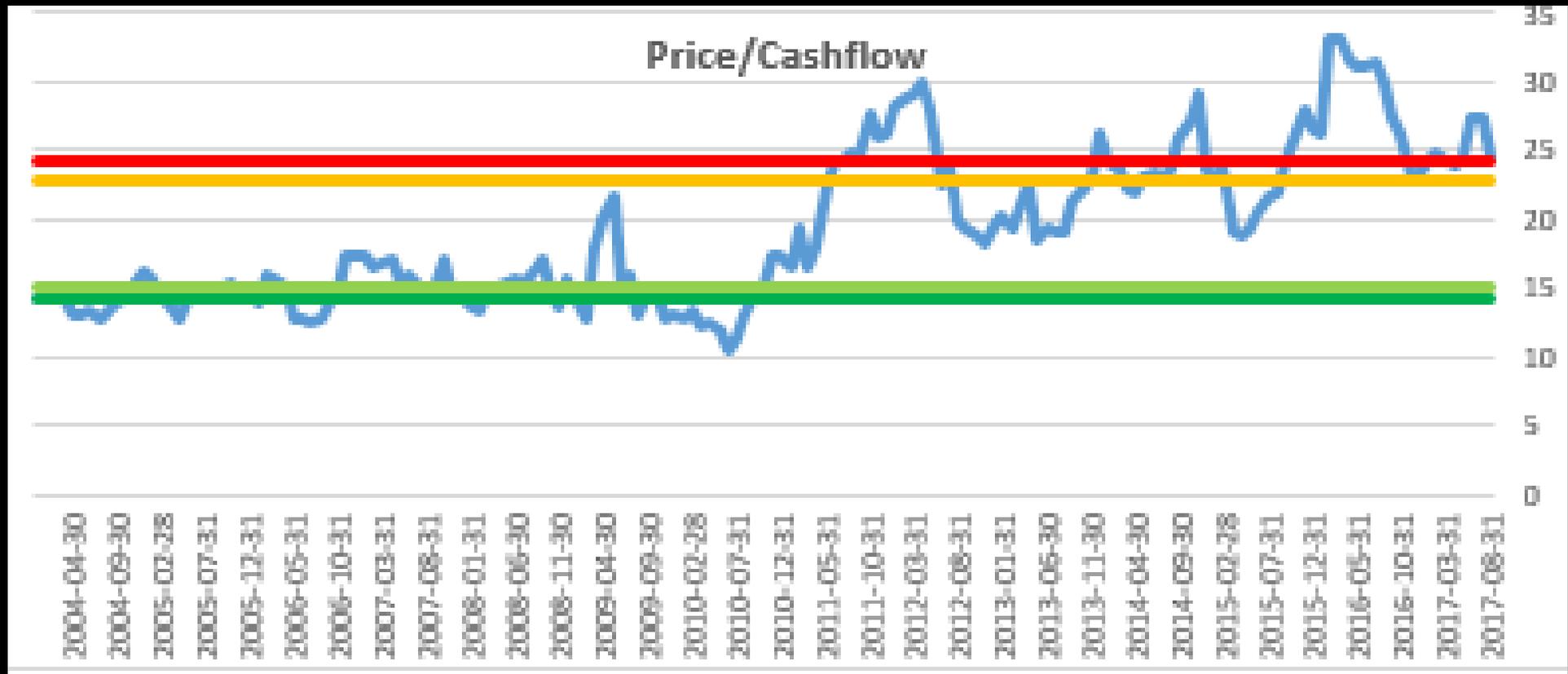


Price to Book



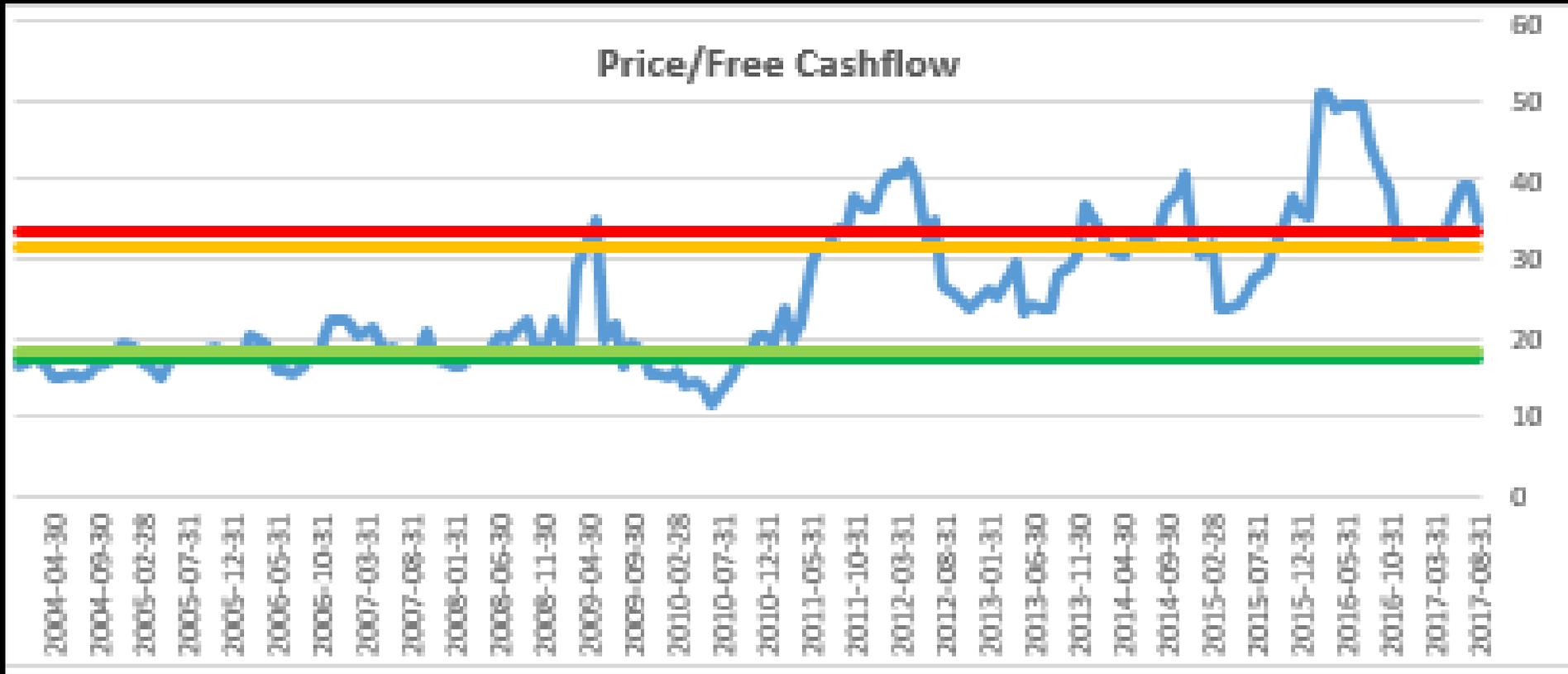


Price to Cashflow



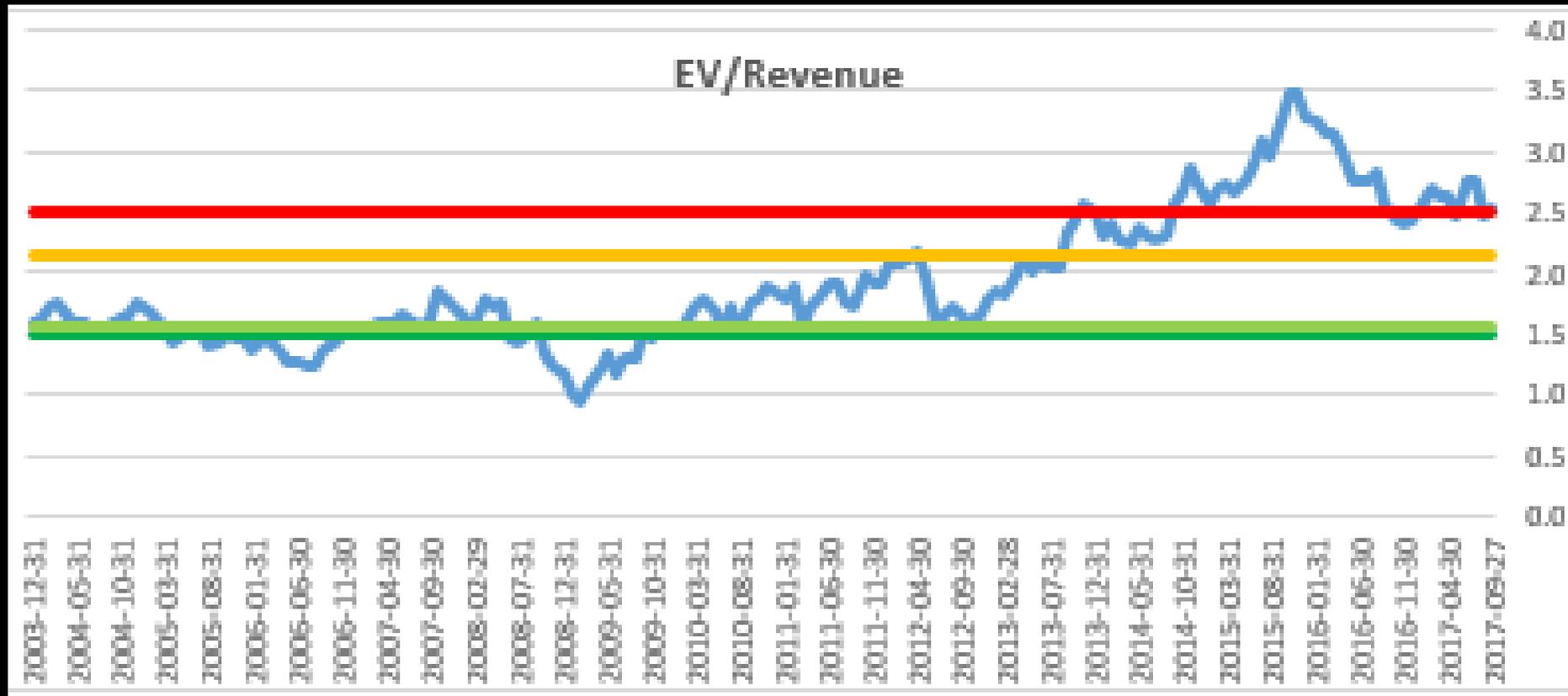


Price to Free Cashflow



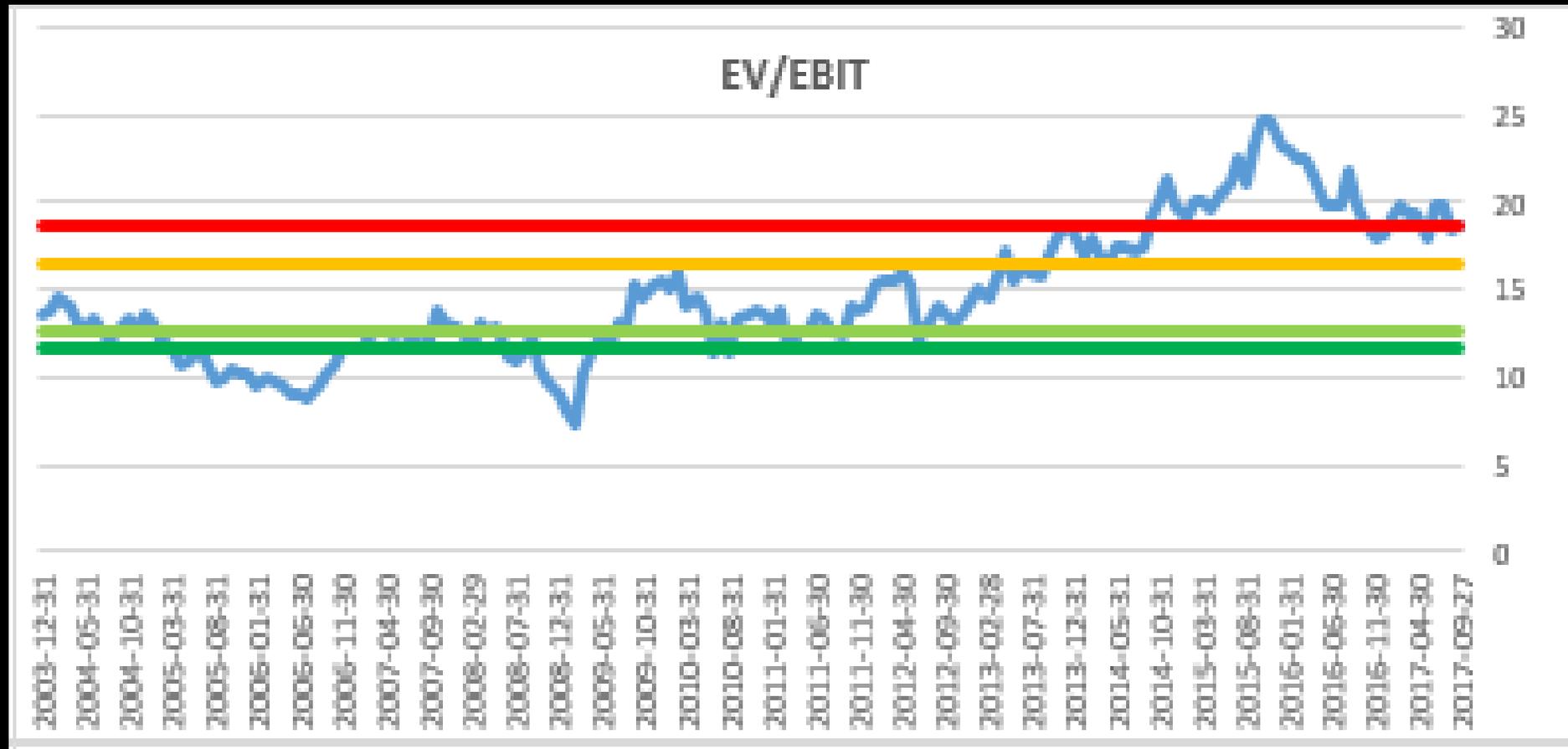


EV/Revenue



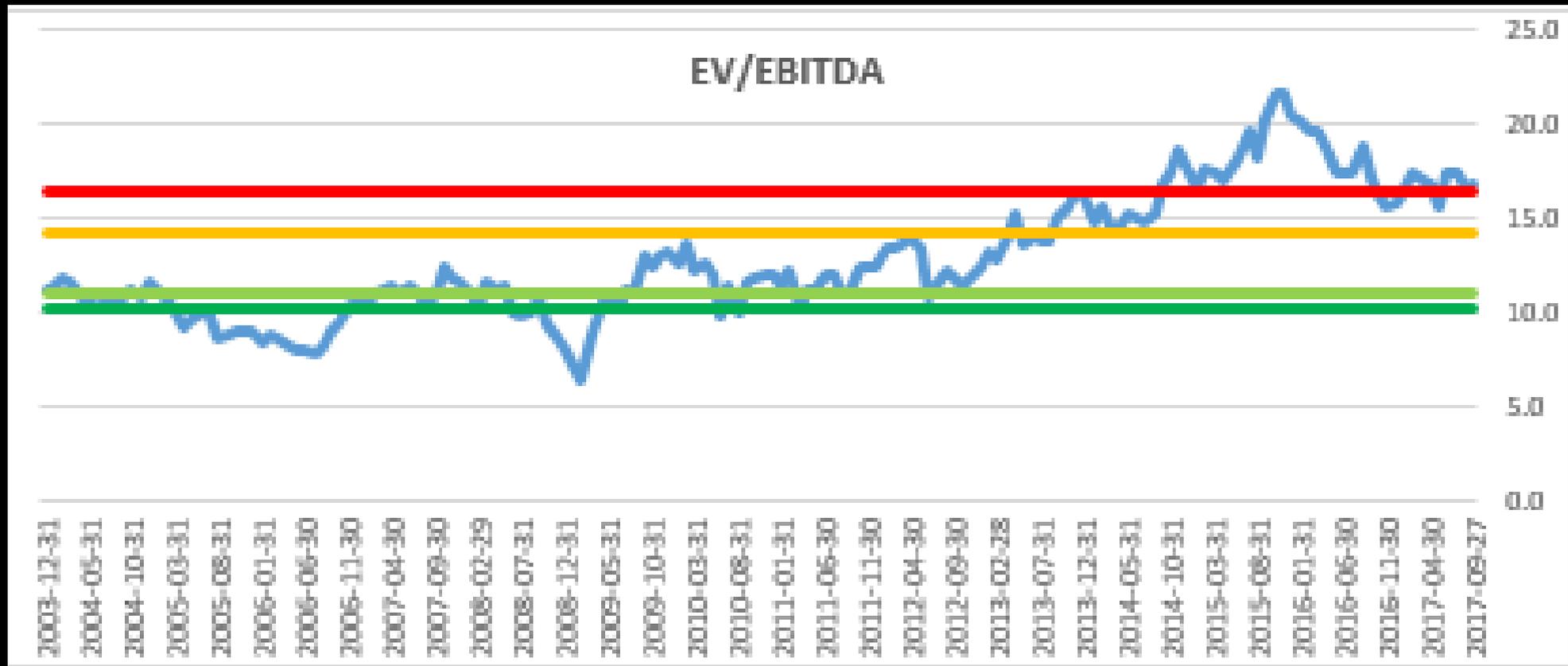


EV/EBIT



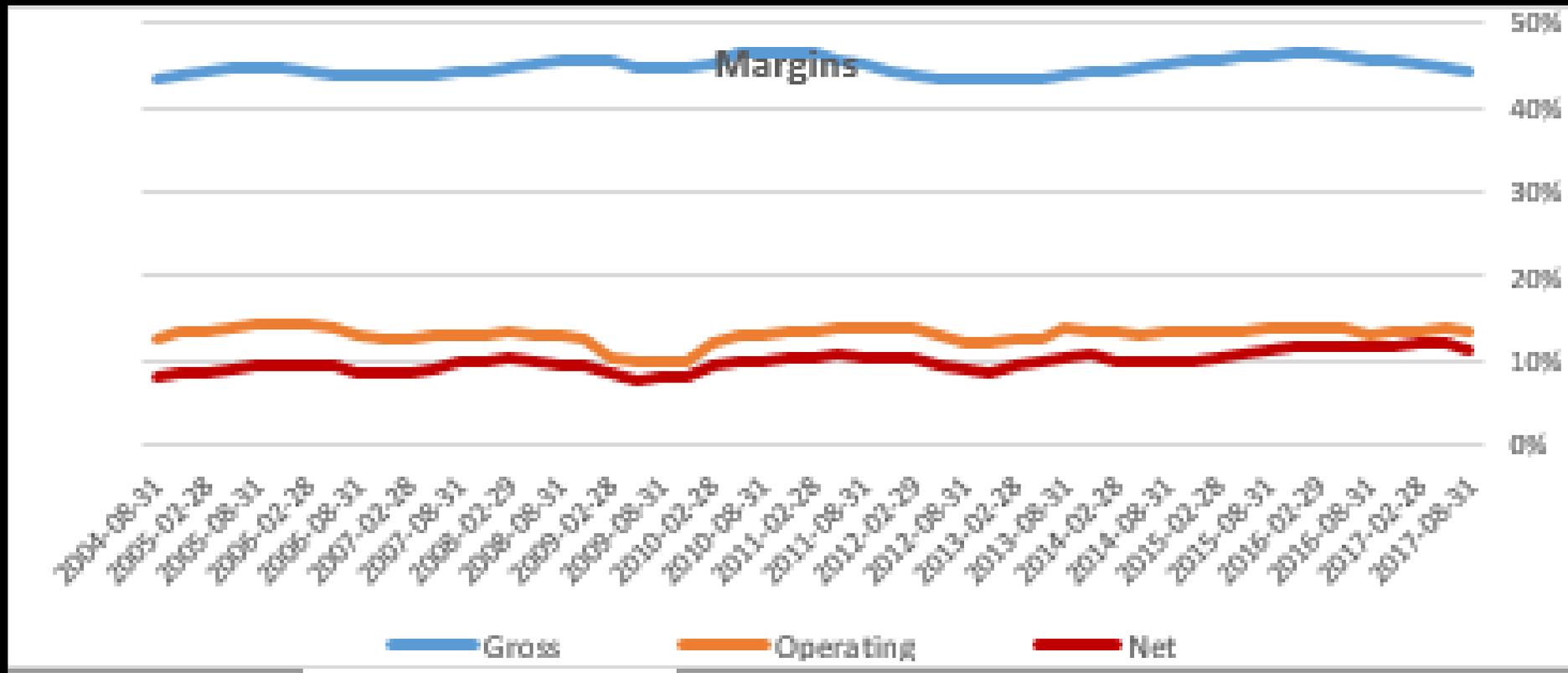


EV/EBITDA



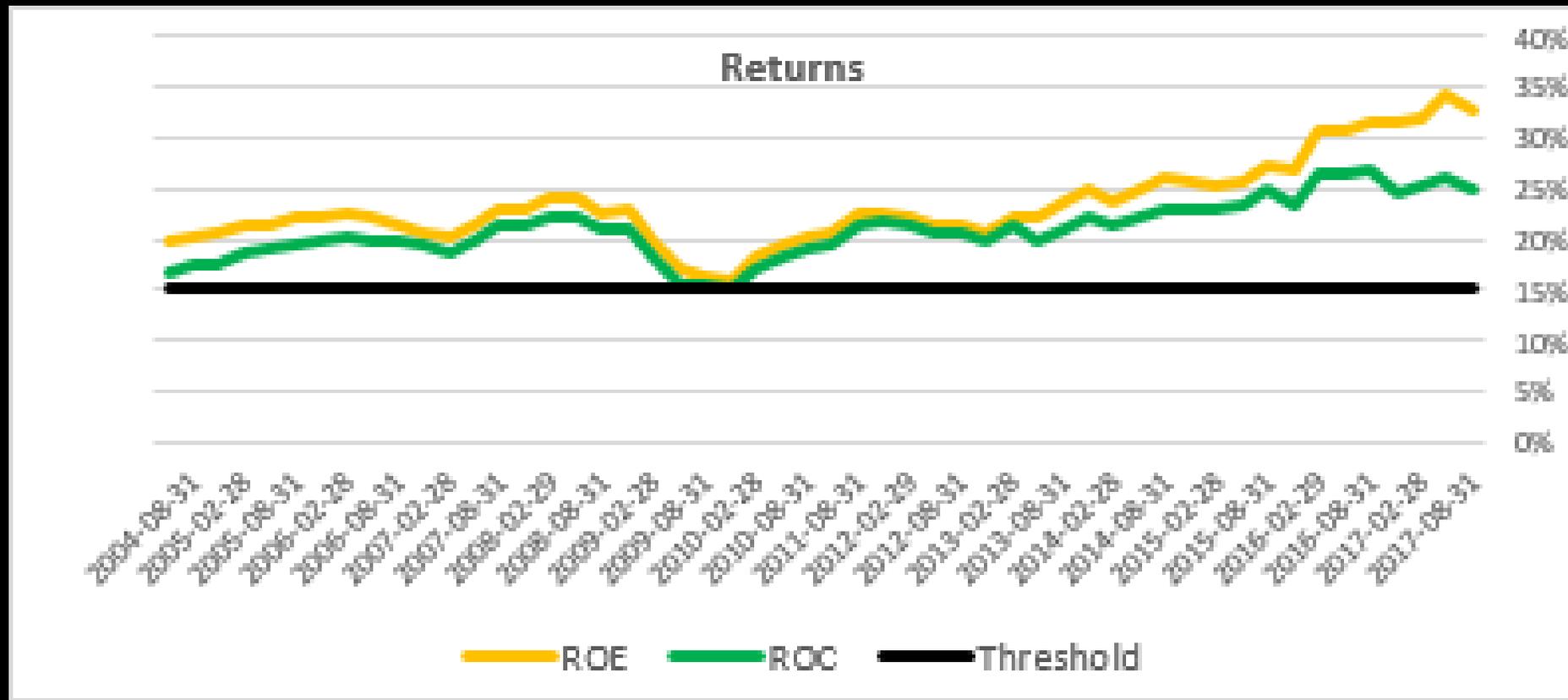


Margins





Returns





DCF - Default

Earnings Per Share ? : \$ 2.51

Growth Rate In the Next ? : 10 Years: 12.8 %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 12 %

Business Predictability ? : ★★★★★ ?

DCF Reverse DCF NEW

Fair Value ? : \$ 44.45

Tangible Book Value ? : \$ 7.26
 Add to Fair Value

Growth Value ? : \$ 26.11

Terminal Value ? : \$ 18.34

Stock Price: \$ 52.67

Margin Of Safety: -18%

Financial Data of Nike Inc

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	9.90	10.40	9.30
EBITDA Growth (%)	11.50	12.30	9.00
EBIT Growth (%)	11.40	12.10	8.60
EPS without NRI Growth (%)	12.80	16.50	16.20
Free Cash Flow Growth (%)	8.30	12.40	33.60
Book Value Growth (%)	7.90	6.10	3.10



DCF – Discount Rate

DCF Reverse DCF NEW

Fair Value : \$ 58.01

Tangible Book Value : \$ 7.26
 Add to Fair Value

Growth Value : \$ 30.45

Terminal Value : \$ 27.56

Stock Price: \$ 52.67

Margin Of Safety: **9%**

Earnings Per Share : \$ 2.51

Growth Rate In the Next : 10 Years: **12.8** %

Terminal Growth Rate : 4 %

Years of Terminal Growth : 10

Discount Rate : **9** %

Business Predictability : ★★★★★

Financial Data of Nike Inc

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	9.90	10.40	9.30
EBITDA Growth (%)	11.50	12.30	9.00
EBIT Growth (%)	11.40	12.10	8.60
EPS without NRI Growth (%)	12.80	16.50	16.20
Free Cash Flow Growth (%)	8.30	12.40	33.60
Book Value Growth (%)	7.90	6.10	3.10



Management Discussion & Analysis

Through execution of this strategy, our long-term financial goals through fiscal 2020, on average per year, are as follows:

- High single-digit to low double-digit revenue growth;
- Mid-teens earnings per share growth;
- High-twenties to low-thirties percentage rate of return on invested capital;
- Free cash flow growing faster than net income; and
- Sustainable, profitable, long-term growth through effective management of our diversified portfolio of businesses.



DCF – Management

DCF Reverse DCF ^{NEW}

Earnings Per Share ? : \$ 2.51

Growth Rate In the Next ? : 10 Years: **15.0** %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : **12** %

Business Predictability ? : ★★★★★ ?

Fair Value ? : \$ 51.36

Tangible Book Value ? : \$ 7.26
 Add to Fair Value

Growth Value ? : \$ 29.11

Terminal Value ? : \$ 22.25

Stock Price: \$ 52.67

Margin Of Safety: **-3%**

Financial Data of Nike Inc

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	9.90	10.40	9.30
EBITDA Growth (%)	11.50	12.30	9.00
EBIT Growth (%)	11.40	12.10	8.60
EPS without NRI Growth (%)	12.80	16.50	16.20
Free Cash Flow Growth (%)	8.30	12.40	33.60
Book Value Growth (%)	7.90	6.10	3.10



DCF – Management

Earnings Per Share ? : \$ 2.51

Growth Rate In the Next ? : 10 Years: **15.0** %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : **9** %

Business Predictability ? : ★★★★★

DCF Reverse DCF **NEW** ←

Fair Value ? : \$ 67.54

Tangible Book Value ? : \$ 7.26
 Add to Fair Value

Growth Value ? : \$ 34.1

Terminal Value ? : \$ 33.43

Stock Price: \$ 52.67

Margin Of Safety: **22%**

Financial Data of Nike Inc

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	9.90	10.40	9.30
EBITDA Growth (%)	11.50	12.30	9.00
EBIT Growth (%)	11.40	12.10	8.60
EPS without NRI Growth (%)	12.80	16.50	16.20
Free Cash Flow Growth (%)	8.30	12.40	33.60
Book Value Growth (%)	7.90	6.10	3.10



Conscious Investor



10 Year

	5/08	5/09	5/10	5/11	5/12	5/13	5/14	5/15	5/16	5/17	EPSttm	Years
EPS (\$)	0.935	0.758	0.965	1.098	1.183	1.355	1.485	1.850	2.160	2.510	\$2.510	10
SPS (\$)	9.482	9.874	9.821	11.144	13.170	14.157	15.976	17.854	19.249	20.907		10

HGROWTH	STAEGR[®]
13.43%	90.92%
10.19%	96.69%



10 Year

	Price	EP Sttm	P/E Ratio	HGrowth	Payout	STRETD [®]
Default	53.70	\$2.510	24.29	13.43%	29.0%	16.25%
Safety	53.70	\$2.510	17.56	9.41%	28.0%	8.98%

Cut P/E by 27.7%
Cut Growth by 29.9%



6 Year

	5/08	5/09	5/10	5/11	5/12	5/13	5/14	5/15	5/16	5/17	EPSttm	Years
EPS (\$)	0.935	0.758	0.965	1.098	1.183	1.355	1.485	1.850	2.160	2.510	\$2.510	6
SPS (\$)	9.482	9.874	9.821	11.144	13.170	14.157	15.976	17.854	19.249	20.907		6

HGROWTH	STAEGR[®]
16.62%	98.65%
9.98%	99.13%



6 Year

	Price	EP Sttm	P/E Ratio	HGrowth	Payout	STRETD [®]
Default	53.70	\$2.510	24.29	16.62%	29.0%	19.52%
Safety	53.70	\$2.510	17.56	10.01%	28.0%	9.58%

Cut P/E by 27.7%
Cut Growth by 39.8%



3 Year

	5/08	5/09	5/10	5/11	5/12	5/13	5/14	5/15	5/16	5/17	EPSttm	Years
EPS (\$)	0.935	0.758	0.965	1.098	1.183	1.355	1.485	1.850	2.160	2.510	\$2.510	3
SPS (\$)	9.482	9.874	9.821	11.144	13.170	14.157	15.976	17.854	19.249	20.907		3

HGROWTH	STAEGR[®]
16.48%	99.96%
8.21%	99.93%



3 Year

	Price	EP Sttm	P/E Ratio	HGrowth	Payout	STRETD [®]
Default	53.70	\$2.510	24.29	16.48%	29.0%	19.38%
Safety	53.70	\$2.510	17.56	8.72%	28.0%	8.29%

Cut P/E by 27.7%
Cut Growth by 47.1%



Kill It

	Price	EP Sttm	P/E Ratio	HGrowth	Payout	STRETD [®]
Default	53.70	\$2.510	24.29	13.43%	29.0%	16.25%
Safety	53.70	\$2.510	17.56	9.41%	28.0%	8.98%
Saved 2017-08-25	38.00	\$2.220	11.00	4.50%	0.0%	-0.02%

Cut P/E by 54.7%
Cut Growth by 66.5%
Cut Payout by 100%



Intraportfolio



Symbol	PS Ratio
MCK	0.17
WMT	0.50
CHRW	0.77
DG	0.96
TSCO	1.17
AIG	1.22
PII	1.32
IBM	1.75
BRK.B	1.88
UHAL	2.10
PEP	2.54
NKE	2.60
NSRGY	2.80
QCOM	3.44
UNP	4.58
ORCL	5.30
MSFT	6.45



Symbol	PE Ratio
MCK	7.03
IBM	12.12
DG	18.11
WMT	18.98
TSCO	19.02
UHAL	19.18
QCOM	19.81
BRK.B	20.71
ORCL	21.00
UNP	21.01
CHRW	22.20
NKE x	22.41
PEP	23.70
NSRGY	26.99
MSFT	27.27
PII	43.33
AIG	1524.25



Symbol	Price-to-Free-Cash-Flow
AIG	0.00
UHAL	0.00
MCK	10.99
IBM	11.87
WMT	13.78
BRK.B	14.17
ORCL	16.22
MSFT	18.45
QCOM	20.42
PII	21.13
TSCO	21.64
DG	22.34
NSRGY	22.95
UNP	24.04
PEP	24.67
CHRW	30.52
NKE	35.08



Symbol	EV-to-EBIT
MCK	5.66
UHAL	10.85
DG	12.14
TSCO	12.19
WMT	12.79
BRK.B	12.80
IBM	13.32
UNP	13.55
ORCL	13.76
CHRW	15.05
QCOM	15.65
PEP	17.67
NKE	18.14
MSFT	20.60
NSRGY	20.70
PII	29.84
AIG	38.36



Symbol	ROE %
AIG	-0.33
BRK.B	7.74
QCOM	12.46
UHAL	14.43
NSRGY	15.37
WMT	16.66
PII	17.47
ORCL	18.95
DG	22.33
UNP	22.58
MSFT	30.01
TSCO	30.21
NKE	31.98
CHRW	37.59
MCK	49.57
PEP	56.67
IBM	65.17



Symbol	ROIC %
AIG	0.29
BRK.B	7.07
NSRGY	11.48
QCOM	11.83
WMT	12.97
UNP	14.40
DG	15.34
UHAL	15.41
CHRW	22.34
PII	22.64
PEP	22.97
IBM	23.23
ORCL	25.05
TSCO	25.11
MCK	35.33
NKE	39.21
MSFT	97.69



Conclusion

Brand Recognition

- Nike is the No. 1 apparel brand overall

Celebrity Endorsement

Growth

Long-Term Value

Cost Advantages





Cost Advantages

\$35 Billion annual Revenue

- (Adidas \$20B and Under Armour \$5.5B)

Highest margins with 14% operating

- (Adidas 8% and Under Armour 9%)

Marketing costs 3.4 Billion, 9.7% of sales

- (Adidas \$2B, 10.3% of sales & Under Armour \$480M & 10.3% of sales)



JUST DO IT



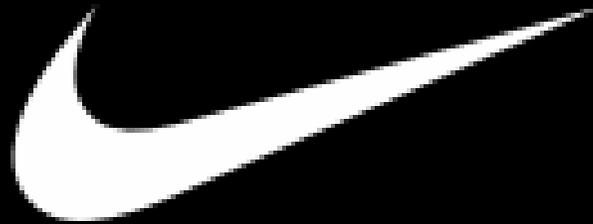
Recommendation

Market order at \$51.87





Questions?





Discount Rate

If we thought we were getting a stream of cash over the thirty years that we felt extremely certain about, we'd use a discount rate that would be somewhat less than if it were one where we expected surprises or where we thought there were a greater possibility of surprises."

Nike is a cash cow, has a good business with a fairly wide moat and not expected to go bankrupt, I used a 9% rate

10 year US Treasury rates are currently around 1-2%