



# Nike Inc. (NKE)

Updated December 19<sup>th</sup>, 2025 by Aristofanis Papadatos

## Key Metrics

<b>Current Price:</b>	\$59	<b>5 Year CAGR Estimate:</b>	12.2%	<b>Market Cap:</b>	\$87 B
<b>Fair Value Price:</b>	\$43	<b>5 Year Growth Estimate:</b>	17.0%	<b>Ex-Dividend Date:</b>	12/1/25
<b>% Fair Value:</b>	137%	<b>5 Year Valuation Multiple Estimate:</b>	-6.0%	<b>Dividend Payment Date:</b>	1/2/26
<b>Dividend Yield:</b>	2.8%	<b>5 Year Price Target</b>	\$95	<b>Years Of Dividend Growth:</b>	24
<b>Dividend Risk Score:</b>	C	<b>Sector:</b>	Consumer Discretionary	<b>Rating:</b>	Hold

## Overview & Current Events

Founded in 1964 and based in Oregon, Nike is the world's largest athletic footwear, apparel and equipment maker, with a market cap of \$87 billion. The namesake is one of the most valuable brands in the world. Nike's offerings focus on six categories: running, basketball, the Jordan brand, football (soccer), training, and sportswear. Nike also owns Converse. In mid-December, Nike released (12/18/25) results for the second quarter of fiscal 2026 (Nike's fiscal year ends on May 31<sup>st</sup>). Sales edged up 1% but direct sales fell -8% over the prior year's quarter. Digital sales declined -14%. Gross margin contracted from 43.6% to 40.6% due to higher discounts and earnings-per-share declined -32%, from \$0.78 to \$0.53, due to the decrease in sales and thinner margins. Nike is severely hurt by the impact of inflation on consumer spending and intense competition and changed its CEO in September 2024 in an effort to turn around. The new CEO is trying to drive the company back to a full-priced model to enhance profit margins but he believes that great patience will be required throughout this process. He provided guidance for a low-single digit decrease in sales in the third quarter, a contraction of gross margin by 175-225 basis points and reiterated that he will be providing only quarterly guidance during the transition phase. Due to the highly disappointing earnings report, which did not include any sign of a recovery, the stock plunged -11% after the earnings release.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>EPS</b>	\$2.16	\$2.51	\$2.40	\$2.49	\$1.83	\$3.56	\$3.66	\$3.23	\$3.72	\$2.16	<b>\$1.80</b>	<b>\$3.95</b>
<b>DPS</b>	\$0.62	\$0.70	\$0.78	\$0.86	\$0.93	\$1.04	\$1.16	\$1.29	\$1.42	\$1.54	<b>\$1.64</b>	<b>\$2.36</b>
<b>Shares<sup>1</sup></b>	1,682	1,643	1,601	1,568	1,558	1,609	1,595	1,556	1,517	1,478	<b>1,460</b>	<b>1,380</b>

From 2007 through 2019, Nike had been able to grow earnings-per-share by an average annual compound rate of 10.9%. This was driven by a number of factors, including solid revenue growth, margin improvement and share repurchases. This growth streak came to a halt due to the COVID-19 pandemic in fiscal 2020.

Nike recovered strongly from the pandemic in 2021 but it is now facing a double hit from inflation; lower margins and lower demand from consumers. Sustained margin improvement may prove hard in the future, but there is still ample room for revenue gains and share buybacks. China is likely to be the backbone of Nike's growth story, as it posted gains even in 2020, despite the extremely adverse business environment. Moreover, the relatively recent direct-to-consumer push of Nike is likely to prove a significant growth driver thanks to the shift of consumers towards online shopping. Given the extremely low comparison base formed by strong headwinds this year, we expect 17% average annual growth of earnings-per-share over the next five years.

## Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
<b>Avg. P/E</b>	27.5	21.6	25.3	32.0	48.6	35.2	40.6	34.7	27.5	34.7	<b>32.8</b>	<b>24.0</b>
<b>Avg. Yld.</b>	1.0%	1.3%	1.3%	1.1%	1.0%	0.8%	0.8%	1.1%	1.4%	2.1%	<b>2.8%</b>	<b>2.5%</b>

<sup>1</sup> In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# Nike Inc. (NKE)

Updated December 19<sup>th</sup>, 2025 by Aristofanis Papadatos

Excluding 2020-2022, which were marked by abnormally high price-to-earnings ratios, Nike has traded at an average price-to-earnings ratio of 29.0 over the last decade. We believe that 24 times earnings is a fair multiple taking into consideration the security's past, the exceptional brand and growth prospects of the business weighed against the notion that high growth will ultimately be hard to sustain due to size limitations. The stock is currently trading at a price-to-earnings ratio of 32.8 due to depressed earnings. If it trades at our assumed fair valuation level in five years, it will incur a -6.0% annualized drag in its returns.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	29%	28%	33%	35%	51%	29%	32%	40%	38%	71%	91%	60%

Nike's competitive advantage stems from its exceptional brand name and image around the world. In addition, the company has developed distribution capabilities that are hard to replicate. With that said, China is an important unknown in Nike's growth equation. Trade concerns could weigh on this growth trajectory.

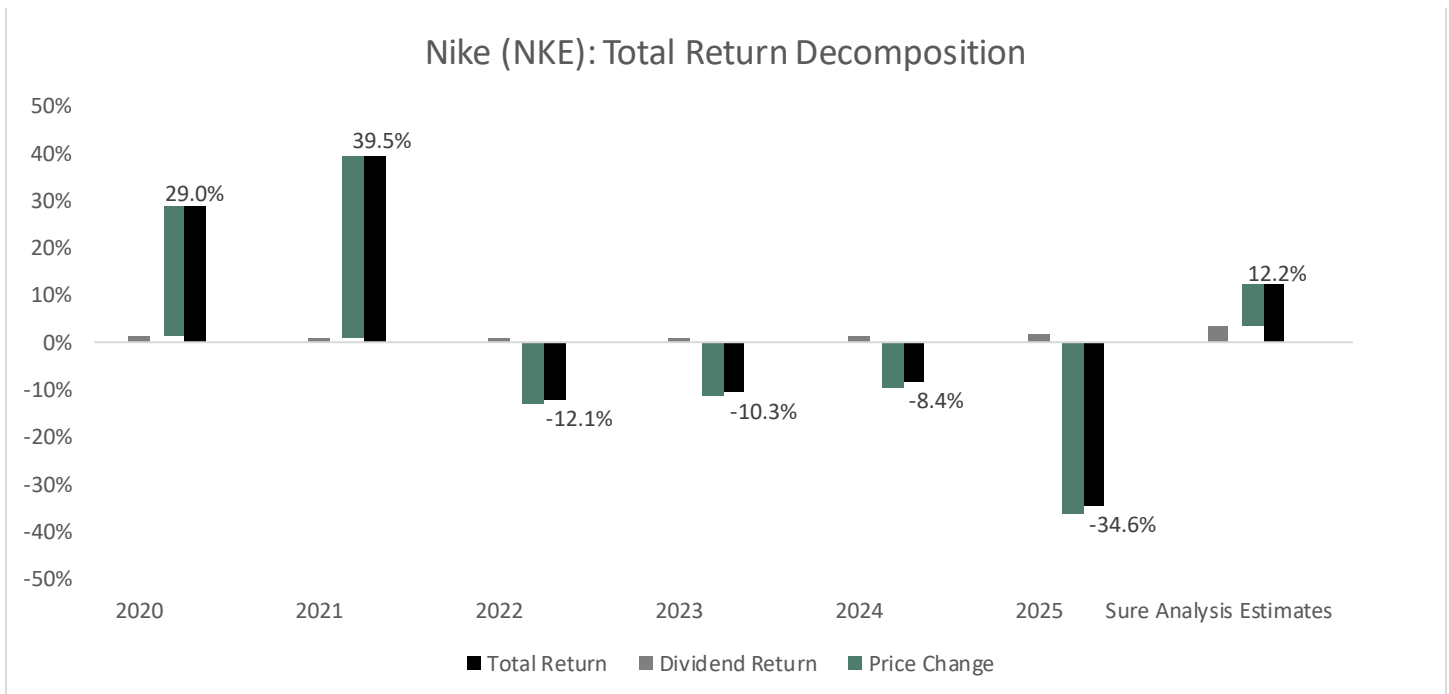
Nike held up quite well during the Great recession, posting earnings-per-share of \$0.72, \$0.86, \$0.88 and \$0.97 during the 2007 through 2010 stretch. Meanwhile, the dividend kept on rising during this period. As we expect Nike to recover from the ongoing downturn, we expect the dividend to continue rising, albeit modestly, for years.

## Final Thoughts & Recommendation

Nike is an incredible business with a conservative balance sheet and significant growth opportunities. The stock has shed -67% off its peak in 2021 due to strong business headwinds but we expect Nike to reignite growth in the long run. The stock can offer a 12.2% average annual return over the next five years thanks to 17% expected growth of earnings-per-share and a 2.8% dividend yield, partly offset by a -6.0% annualized valuation headwind. The ongoing downturn, which has been caused by the impact of inflation on consumer spending and preferences, may keep pressuring Nike for a considerable period but we remain optimistic about the long-term prospects of this high-quality stock. We rate it as a hold.

## Total Return Breakdown by Year

Nike (NKE): Total Return Decomposition



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# Nike Inc. (NKE)

Updated December 19<sup>th</sup>, 2025 by Aristofanis Papadatos

## Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenue</b>	32376	34350	36397	39117	37403	44540	46710	51217	51362	46402
<b>Gross Profit</b>	14971	15312	15956	17474	16241	19960	21479	22292	22887	19588
<b>Gross Margin</b>	46.2%	44.6%	43.8%	44.7%	43.4%	44.8%	46.0%	43.5%	44.6%	42.2%
<b>SG&amp;A Exp.</b>	10469	10563	11511	12702	13126	13020	14804	4060	4285	16088
<b>D&amp;A Exp.</b>	662	716	774	720	1119	797	840	859	844	775
<b>Operating Profit</b>	4502	4749	4445	4772	3115	6937	6675	5915	6311	3499
<b>Op. Margin</b>	13.9%	13.8%	12.2%	12.2%	8.3%	15.6%	14.3%	11.5%	12.3%	7.5%
<b>Net Profit</b>	3760	4240	1933	4029	2539	5727	6046	5070	5700	3219
<b>Net Margin</b>	11.6%	12.3%	5.3%	10.3%	6.8%	12.9%	12.9%	9.9%	11.1%	6.9%
<b>Free Cash Flow</b>	2256	2741	3927	4784	1399	5962	4430	4872	6617	3268
<b>Income Tax</b>	863	646	2392	772	348	934	605	1131	1000	666

## Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total Assets</b>	21379	23259	22536	23717	31342	37740	40321	37531	38110	36579
<b>Cash &amp; Equivalents</b>	3138	3808	4249	4466	8348	9889	8574	7441	9860	9151
<b>Acc. Receivable</b>	3241	3677	3498	4272	2749	4463	4667	4131	4427	4717
<b>Inventories</b>	4838	5055	5261	5622	7367	6854	8420	8454	7519	7489
<b>Goodwill &amp; Int.</b>	412	422	439	437	497	511	570	555	499	499
<b>Total Liabilities</b>	9121	10852	12724	14677	23287	24970	25040	23527	23680	23366
<b>Accounts Payable</b>	2191	2048	2279	2612	2248	2836	3358	2862	2851	3479
<b>Long-Term Debt</b>	2038	3802	3810	3479	9657	200	9430	8933	8909	10511
<b>Total Equity</b>	12258	12407	9812	9040	8055	12770	15281	14004	14430	13213
<b>D/E Ratio</b>	0.17	0.31	0.39	0.38	1.20	0.74	0.62	0.64	0.62	0.83

## Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Return on Assets</b>	17.5%	19.0%	8.4%	17.4%	9.2%	16.6%	15.5%	13.0%	15.1%	8.6%
<b>Return on Equity</b>	30.1%	34.4%	17.4%	42.7%	29.7%	55%	43.1%	34.6%	40.1%	23.3%
<b>ROIC</b>	26.6%	27.8%	13.0%	30.8%	16.8%	37.6%	25.8%	21.3%	24.6%	12.7%
<b>Shares Out.</b>	1,682	1,643	1,601	1,568	1,558	1,609	1,611	1,570	1,530	1,488
<b>Revenue/Share</b>	18.58	20.30	21.94	24.17	23.50	27.67	29.00	32.63	33.58	31.19
<b>FCF/Share</b>	1.29	1.62	2.37	2.96	0.879	3.70	2.75	3.10	4.33	2.20

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

### Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.