**Instructions:**

1. After deriving the intrinsic share price based on our model, the next step is to focus on putting together a report with an investment recommendation.
2. You are required to fill in the report template below using the sample report attached and your readings on the company’s guidance in terms of key segments and products.
   1. Identify two to three key products that are vital for the company’s growth and you can discuss about the trends and expectations. But remember to keep them all short cause and effect sentences.
3. You can take up to two days for this task and feel free to reach out to me if you have any questions.

|  |  |
| --- | --- |
| P/E 2024 Actual | P/E 2025 Expected |
| 42.94 | 45.91 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Gross Margin 2024 | 2023 | 2022 | 2021 | 2020 |
| 44.60% | 44.56% | 43.52% | 45.98% | 44.82% |

**Point 1:** Total grouprevenue is expected to grow by 29% at the end of 2025, with Greater China and the EMEA regions expected to grow at the highest rates at 49% and 65% respectively. Based on average historical growth rates, apparel revenue in EMEA is expected to be a key driver in revenue growth with apparel revenue forecasted to nearly treble in this region. This is partially due to falling product costs, logistics costs and lower freight rates. This is supported by Nike’s ability to control rising costs, which is reflected in Nike maintaining annual gross margins in excess of 40%. Whilst demand creation, marketing and advertising expenses are expected to rise in this region, it will arguably contribute towards significant growth in revenue. This is possibly part of Nike’s strategy to further increase its presence in Europe, in which its main rival Adidas has a large presence.

**Point 2:** Whilst EBITDA is expected to rise by 25%, the margin of the group EBITDA is projected to fall by 1.2 percentage points. Whilst some may view this as Nike being operationally less efficient, a significant growth in EBITDA with a fall in its margin suggests there is further growth potential. Its margin is also 9.6 percentage points higher than Adidas’ and Nike’s revenue is 2.5 times circa than that of Adidas, making it a meaningful comparison. Therefore, Nike is outperforming its main competitor.

Nike

NKE

Current Share Price $71.20

Forecasted Share Price $113.12. 58% Upside to current share price.

**Investment thesis:**

I have forecasted a 25% rise in net income by the end of 2025 coupled with a forward P/E of 45.91 higher than the P/E of 42.94 at the end of 2024. This along with continued share buyback plans, will offset the impact of an expected lower EPS than in the previous year, leading to a target share price of $113.12 at the end of 2025.

**Point 3:** EPS is expected to fall partially due to an expected 20% increase in DPS, which may potentially hamper growth of the share price. However, a growth in DPS and continued share buybacks will create more demand for Nike’s shares, leading to significant rise in the share price. This is supported by an anticipated increase in Nike’s FCFF of 70%, 35 percentage points greater than the growth in 2024. This in turn will enable Nike to increase its CAPEX, which is forecasted to rise over 4 times. This is justified by a stronger dollar to which Nike is largely exposed and continuation of this will significantly reduce Nike’s costs of further expanding its brand globally. A key part of Nike’s strategy is investing in its links to global sports and adding global athletes to its roster.