Moschovakis Capital

NIKE, Inc.

NKE

EQUITY RESEARCH REPORT

September 25, 2026

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NIKE, Inc. (NKE)

Report Date: 2026-09-25

Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric	Value
Recommendation	**BUY**
Current Price	**$35.99 USD (€31.58 EUR)**
Fair Value (Base Case)	$54.00 USD (€47.37 EUR)
Margin of Safety	33.3%
Target Entry (if HOLD)	Not applicable

Return Profile	Value
Dividend Yield	4.56%
Expected Dividend Growth	4.0% annualized base case
Expected Price Appreciation	6.4% annualized base case
Total Expected Return (Base)	9.3% CAGR
Bear Case Total Return	1.5% CAGR
Bull Case Total Return	17.0% CAGR
Probability-Weighted Return	9.3% CAGR

Risk Assessment	Value
Wealth Preservation Score	67 / 100
Downside Protection Score	60 / 100
Quality Score	75 / 100
Risk Level	MODERATE
Probability of >50% Loss	<10%
Recession Profile	SENSITIVE

One-Line Thesis:

Nike offers a 4.56 percent dividend yield and a wide brand moat at the lowest valuation in its recent history, with a cash-rich balance sheet that supports positive bear-case returns if the Elliott Hill turnaround stabilizes revenue

and margin.

INVESTMENT THESIS

Nike trades at $35.99, down 50.7 percent over 52 weeks and 42.1 percent year to date. The stock now prices a business that generated $46.4 billion of revenue and $3.1 billion of net income in fiscal 2026 but has lost earnings power and share to competitors. The wealth preservation case rests on three pillars. First, the balance sheet provides a floor: $7.6 billion cash against $5.9 billion long-term debt, a 0.74 debt-to-equity ratio, and a 1.96 current ratio. That solvency profile lets Nike fund a $1.64 annual dividend, equal to a 4.56 percent yield, while the turnaround runs. Second, the brand moat remains real. Morningstar rates the economic moat Wide and reports adjusted returns on invested capital averaging 30 to 34 percent over five years against an 8 to 9 percent cost of capital. The Nike and Jordan franchises still command premium pricing. Third, valuation has compressed to roughly 17.6 times trailing earnings, the lowest reading in the provided Macrotrends series and 38 percent below the five-year observation average around 28.6. You are not paying for a flawless recovery.

The return case clears the hurdle. Our base scenario assumes revenue stays near $46.4 billion for two years, then grows 3 percent, and the net margin rebuilds from 6.7 percent toward 9 percent over the decade. That produces earnings per share around $3.73 in year ten and a terminal price near $67.70 at an 18 multiple. Adding cumulative dividends near $19.70 gives a 9.3 percent total return CAGR. The bear case, weighted at 25 percent, assumes revenue declines and the stock falls to $25.20. Even there, with the dividend held flat, the total return is positive at 1.5 percent annualized. The bull case, also 25 percent, assumes 5 percent revenue compounding and 11.5 percent net margins, producing a 17.0 percent CAGR. The probability-weighted return is 9.3 percent, above the 7 percent hurdle.

The main risk is not insolvency but persistence. Nike has lost the initiative to On and Hoka in performance running, Adidas has taken share, and Greater China went through a reset. If the company cannot restore growth, the earnings multiple could compress further and the dividend payout ratio, already 78 percent of trailing EPS and over 100 percent of depressed free cash flow, becomes a source of downside. We address this by sizing the position modestly and treating the dividend as a return cushion, not an unbreakable contract. A 50 percent permanent loss from the current price would require Nike to fall below $18, which we assess as a low-probability outcome given the cash balance and global franchise value. The bear case still preserves capital.

Against alternatives, Nike offers a rare combination of a 4.5 percent yield, a wide moat, and a valuation at the low end of its own history. The trade-off is execution risk in a maturing market. We rate it a BUY at standard position size under the wealth preservation framework, with a WP Score of 67.

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1. BUSINESS QUALITY ASSESSMENT

Nike designs, develops, markets, and sells athletic footwear, apparel, equipment, and accessories. It reports through two channels: wholesale partners such as Foot Locker and Dick's Sporting Goods, and a direct-to-consumer segment that includes company stores, Nike.com, and the SNKRS app. Fiscal 2026 revenue was about $46.4 billion. Footwear contributed roughly $30.5 billion, apparel $15.7 billion, and other product and service revenue $143 million, although these segment figures come from a Bullfincher table that does not fully reconcile with the consolidated total and must be treated as approximate. Geographic revenue for 2026, also approximate, shows North America at $20.5 billion, EMEA at $12.6 billion, Greater China at $5.9 billion, and

APLA at $6.2 billion.

The customer base ranges from professional athletes to everyday consumers across North America, Europe, Greater China, and Asia Pacific. Nike relies on independent Asian manufacturing partners, which creates cost flexibility but also exposes the company to supply-chain concentration. This is not a capital-intensive heavy industrial business, but it is consumer cyclical and sensitive to discretionary demand.

The moat is brand recognition and global scale. Morningstar assigns a Wide economic moat and reports adjusted returns on invested capital averaging 30 to 34 percent over the past five years, well above an 8 to 9 percent cost of capital estimate. Free cash flow has averaged roughly 9 percent of sales over five years per Morningstar. The Nike and Jordan brands command premium pricing and customer loyalty. That is the kind of intangible asset that can survive a few years of strategic mistakes, but it is not invulnerable. The direct-to-consumer push that began around 2020 pulled inventory from wholesale partners and was partially reversed under the new leadership team led by Elliott Hill. That reversal is a self-inflicted channel disruption, not a permanent loss of brand value.

Durability concerns center on product mix and competition. Simply Wall St frames the bull case around a shift toward sport performance products and away from aging classic franchises, which implies the current reliance on classic franchises is a risk. On Running signed Kylian Mbappé after he left Nike and plans football products for 2027, while Lamine Yamal left for Adidas in 2024. Hoka has taken share in performance running. These moves show competitive erosion at the margin, but they do not eliminate Nike's scale advantage in distribution, marketing, and athlete pipeline.

Morningstar rates capital allocation Exemplary as of December 2024. Revenue grew from $46.7 billion in fiscal 2022 to $51.4 billion in fiscal 2024 before falling to $46.3 billion in fiscal 2025 and $46.4 billion in fiscal 2026. The challenge is that the company grew into a demand peak and then reset. The current management team is cleaning up inventory, reinvesting in wholesale doors, and simplifying assortments. That execution program is the single most important driver of whether the moat translates back into earnings.

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2. FINANCIAL FORTRESS ANALYSIS

The solvency gate is the first test. Nike holds $7.6 billion of cash against $5.9 billion of long-term debt as of the quarter labeled Q4 2026. The current ratio is 1.96 and the quick ratio is 1.19. Debt-to-equity is 0.74, below the 1.0 threshold and well below the 2.0 allowed for regulated utilities. Debt-to-EBITDA is 1.82. These metrics support an ADEQUATE solvency rating and approach FORTRESS. The one inconsistency is the stockanalysis.com interest coverage entry of 1, which appears truncated or mislabeled, because long-term debt of $5.9 billion and EBIT of roughly $2.8 to $4.2 billion would imply coverage above 8 times even with conservative interest expense. We assign a FORTRESS-ADEQUATE border rating and treat the reported interest coverage figure as unreliable.

Earnings quality is acceptable but not pristine. Operating cash flow historically exceeded 80 percent of net income based on the MarketScreener free cash flow to net income ratios of 73 to 116 percent across fiscal 2022 through 2025. Free cash flow margins ran 9.5, 9.5, 12.9, and 7.1 percent of sales in those years, implying dollar figures near $4.4, $4.9, $6.6, and $3.3 billion. The more recent StockTitan figure of $1.5 billion free cash flow is a quarterly number, not annual, and the summary's +312.9 percent change restates a quarterly comparison. We reconcile the current annual run-rate at roughly $2.1 to $2.5 billion based on net income of $3.1 billion, depreciation, and capital expenditures around 3 percent of sales. This is a depressed but positive free cash flow

level.

The severe recession stress test matters. If revenue fell 30 percent for two years, Nike would still cover interest and likely remain solvent because net debt is negative after cash. The dividend would face pressure, and management might pause buybacks, but the company would not need a dilutive equity raise. Dilution history is favorable: shares outstanding changed only -0.44 percent year over year and +0.09 percent quarter over quarter, at 1.48 billion shares. Nike has not issued equity to fund operations. Insider and institutional ownership are 20.1 percent and 66.0 percent respectively.

The earnings compression is real but not an accounting problem. Net income fell from $5.7 billion in fiscal 2024 to $3.1 billion in fiscal 2026. Net margin declined from 11.1 percent to 6.7 percent. The drivers are revenue decline, higher promotions, inventory costs, and restructuring, not aggressive revenue recognition. The SEC filings show no auditor warnings, no going concern issues, and no material risk factor changes in the search summary. Please note the provided packet contains no full 10-K risk factor text, so this conclusion relies on the summary statement rather than direct filing language. The balance sheet is the strongest element of the Nike thesis, and it is the main reason the bear case still produces a positive total return.

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3. DIVIDEND ANALYSIS

Nike pays a quarterly dividend of $0.41, up 2.5 percent year over year with a five-year compound growth rate of 8.3 percent. At the current price of $35.99, the annualized dividend of $1.64 yields 4.56 percent. This is above the 2 to 4 percent sweet spot and above the 3 percent income cushion threshold in the wealth preservation framework.

The payout ratio is the central concern. Trailing EPS is approximately $2.10, computed from fiscal 2026 net income of $3.108 billion divided by 1.48 billion shares. That puts the EPS payout ratio at 78 percent, above the 75 percent warning threshold for a mature company. On free cash flow, the picture is worse: using a depressed FCF run-rate of $2.1 to $2.5 billion against a total dividend obligation near $2.4 billion, the FCF payout ratio exceeds 100 percent. Nike is currently funding part of the dividend from cash on hand. The $7.6 billion cash balance makes this sustainable for several years, but it is not ROCK SOLID.

Offsetting factors matter. Morningstar forecasts continued dividend increases and models 14 percent annual growth, though we apply a more conservative 4 percent base-case growth. Nike has a long track record of dividend payments and has not cut in recent recessions. The most recent quarterly EPS of $0.72, if annualized to $2.88, would imply a 57 percent payout, showing the power of a single quarter normalization. Our rating is SUSTAINABLE with a monitor flag, not ROCK SOLID.

Stress test: if earnings dropped 40 percent, EPS fell to $1.26, and the EPS payout would be 130 percent. Nike could maintain the dividend for a year or two using cash, but a multiyear earnings trough would force a cut. We assume no cut in the bear case because of the cash buffer, but we acknowledge the risk. You should require a sustained gross margin recovery and a return to positive free cash flow coverage before treating the dividend as guaranteed.

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4. VALUATION ANALYSIS

At $35.99, Nike trades at 17.6 times trailing earnings based on the stockanalysis.com figure and a $2.10 EPS. Macrotrends records a P/E of 17.79 at a $37.35 price on September 9, 2026. The five-year observation average in the provided series is roughly 28.6. The current multiple is the lowest in that series and 38 percent below the average. Forward P/E is 21.68, reflecting the expected near-term earnings decline. PEG is 2.07, which is high for a company with negative near-term growth. EV/EBITDA is 11.56, EV/Sales is 1.23, P/B is 3.70, and P/FCF is 25.17.

The P/FCF is the least flattering metric because free cash flow is depressed. The P/B of 3.70 sits above book value after years of buybacks. The P/S of 1.2 is near the industry average according to Portfoliolab, which states NKE's P/E of 16.9 is in line with the Footwear and Accessories industry. We read that as fair value rather than a deep discount on a relative basis, but the discount to Nike's own history is the more relevant margin of safety.

Fair value calculation: we apply a normalized earnings framework. We set normalized net margin at 9 percent on current revenue of $46.4 billion, producing $4.18 billion of net income. Dividing by 1.48 billion shares gives normalized EPS of roughly $2.82. Applying a 19 multiple, which is conservative versus the 28.6 historical average but above the current depressed 17.6, yields a fair value around $53.60. Our base case fair value is $54.00 per share. The margin of safety at $35.99 is 33.3 percent. This does not require a full multiple re-rating; it only requires the market to continue applying a mid-teen to high-teens multiple as earnings recover.

Analyst targets support the range. The average 12-month target is $47.52 from Finspry, TECHi's median is $49.87, Yahoo's average is $47.32, and VCP's base case is $54. The spread from Yahoo low $23 to high $94 is 4.1 times, indicating low conviction. Oppenheimer on September 23, 2026 maintained Outperform while lowering its target from $60 to $52. Stockoscope's blended DCF, peer, and history model puts the price 20 percent below its estimate.

The valuation conclusion: the stock is not statistically cheap on forward earnings because earnings are falling, but it is cheap on normalized earnings and on its own history. For a wealth preservation mandate, this is an acceptable entry with a large margin of safety, provided you can tolerate the earnings trough.

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5. SCENARIO ANALYSIS

Scenario	Terminal Price	Cumulative Dividends	Total Value	Total Return CAGR	Weight	Contribution
Bear	$25.20	$16.40 flat	$41.60	1.5%	25%	0.4%
Base	$67.70	$19.70 at 4% growth	$87.40	9.3%	50%	4.7%
Bull	$149.00	$23.80 at 8% growth	$172.80	17.0%	25%	4.3%
Expected				**9.3%**		**9.3%**

The bear case assumes Nike cannot recover revenue momentum. We model revenue declining about 1 percent annually for the first three years and then flattening near $42 billion, with the net margin falling to 6.5 percent. Earnings per share drop to $1.80, and the market applies a trough multiple of 14. The terminal price of $25.20 would be a further 30 percent decline from today. We assume Nike holds the dividend flat at $1.64 per year, drawing on its $7.6 billion cash position. Cumulative dividends total $16.40. The total value of $41.60 produces a 1.5 percent annualized return. If Nike instead cut the dividend by half, the bear case total return would flip to roughly -0.7 percent annualized. That is the key downside vector, and it explains why the dividend is the hinge of the bear scenario.

The base case assumes two years of near-flat revenue at $46.4 billion, then 3 percent annual growth. The net margin rebuilds from 6.7 percent to 9 percent over the decade as inventory cleans up, promotions normalize, and the DTC-wholesale mix stabilizes. Earnings per share reach $3.73 in year ten, and the terminal multiple is 18, roughly in line with today. Terminal price is $67.70. Dividends grow 4 percent annually, accumulating $19.70. Total base case return is 9.3 percent annualized, which clears the inflation-plus-4 percent hurdle.

The bull case assumes Nike returns to revenue growth of 5 percent annually, reaching $75.6 billion by year ten. Net margin recovers to 11.5 percent, within the company's historical range. Earnings per share reach $6.21, and the market pays 24 times, consistent with the historical premium. Terminal price is $149.00, and dividends grow 8 percent annually. Total return is 17.0 percent annualized. This scenario requires success in China, a product pipeline reset, and competitive stabilization against On and Hoka.

The probability-weighted return is 9.3 percent. The bear case is positive but thin, so any investor in this name must accept that the margin of safety depends on the dividend and the balance sheet rather than on a guaranteed operational recovery.

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6. RISK ASSESSMENT

The dominant risk is business model vulnerability, not financial leverage. Nike relies on outsourced manufacturing in Asia, which exposes it to supply chain disruptions and concentrated production. The Yahoo Finance SWOT piece flags this as a structural weakness, and the cost of sales figure of $6.3 billion shows the exposure. Tariffs appear as an unspecific macro risk in the data, with no rate or jurisdiction given, but they matter for a company moving goods through Asia.

Market saturation is a second risk. Nike already is the largest athletic footwear and apparel company, so incremental growth must come from product innovation or share recapture. The decline in revenue from the fiscal 2024 peak to fiscal 2026 suggests the company is competing in a mature market. Simply Wall St frames the forward opportunity around shifting away from aging classic franchises, which confirms that parts of the current product portfolio are losing relevance.

Channel mix risk is the key structural swing factor. The direct-to-consumer push that began in 2020 pulled inventory from wholesale partners, and the new leadership team under Elliott Hill has partially reversed that strategy. A self-inflicted channel disruption has reduced near-term visibility. The BNP Paribas note via Simply Wall St links $300 million in organizational change charges to a possible Converse exit or disposal, which adds portfolio complexity.

Competition is real and dated. On Running signed Kylian Mbappé and hired Thierry Henry as director of football, planning football products for 2027. Lamine Yamal left for Adidas in 2024. Hoka continues to take running share. These are not existential threats to Nike, but they compress the growth multiple and raise execution risk.

China is the most important regional risk. Management described a comprehensive reset in Greater China, including a return to sport and innovation, local product creation, and a territory-level offense. BNP Paribas reiterated an Underperform rating with a $35 target on China concerns and a profit warning from retailer Pou Sheng. Softness in Greater China and North America offset moderate growth in EMEA and APLA.

Foreign currency is the most documented macro risk. Nike's international operations expose it to FX translation and transaction risk, and cash flow hedges create earnings volatility. Tariffs and China macro weakness add to the list. We found no litigation, no accounting irregularities, no going concern warnings, and no material risk

factor changes in the provided research, but the source packet lacks the full 10-K risk factor text. The most important risk for a wealth preservation investor is that Nike's earnings multiple stays depressed for years because the market no longer pays a premium for a brand undergoing a turnaround.

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7. MANAGEMENT & GOVERNANCE

Morningstar rates Nike's capital allocation Exemplary as of December 2024. The company has returned capital to shareholders consistently, increased the dividend 13 to 17 percent annually over the past five years, and generated average annual total returns of 13 percent including dividends through October 2024. The new leadership team under Elliott Hill is executing a turnaround that includes inventory cleanup, investment in must-win wholesale doors, and a China reset. Management said in the Q4 2026 call that when it invests in those doors, it sees high single-digit sales increases.

The governance structure is a known negative. Nike has a dual-class share structure. Public investors hold Class B shares with limited voting power, while founder-related Class A holders retain enhanced voting influence. This concentrates control and reduces shareholder accountability. We flag it as a governance risk but not a disqualifying one.

Insider activity is mostly plan-driven. Mark Parker sold 86,078 Class B shares at $64.80 on November 14, 2025, under a Rule 10b5-1 plan adopted in November 2024. A director purchased 16,150 shares at $62.09 on November 7, 2025. Travis Knight received 2,850,717 shares from a GRAT transfer on July 30, 2026. COO Alagirisamy Venkatesh sold 3,671 shares at $37.59 on September 9, 2026, also under a 10b5-1 plan. These transactions span different dates and prices, so they do not form a single valuation signal. The September 8, 2026 8-K disclosed an amended Employee Stock Purchase Plan, which is routine.

We see no accounting red flags, no restatement, no auditor warning, and no going concern disclosure in the summary. The Converse strategy sharpened in Q4 2026, with the company naming Sheay Gilgis Alexander to the Nike basketball family, allowing Converse to focus on lifestyle lines like Chuck Taylor and Jack Purcell. The main management question is execution speed. Nike has the right balance sheet and brand, but the turnaround has not yet shown up in sustained earnings growth.

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8. PEER COMPARISON

Company	Ticker	Balance Sheet Strength	Dividend	Brand / Moat	Valuation vs. Own History	Growth Position	Wealth Preser
Nike	NKE	Strong ($7.6B cash, 4.56% yield, Trading	Wide moat, Jordan brand,	38% below	Elevated,	China reset, competitive ero	1
Adidas	ADDYY	Adequate	Dividend, but less consistent	Strong global brand	Fair, sponsor scale	Gaining share, Yamal win	2
On Holding	ONON	Strong cash, no debt	No dividend	Fast-growing performance brand	Expensive	Mbappé and Henry football push	3
Deckers (Hoka)	DECK	Strong, no debt	No dividend	Hoka momentum	Full	Fastest running share gain	3
Lululemon	LULU	Strong, no debt	No dividend	Premium apparel	Full, not expensive	Growth but competitive	4
Puma	PUM	Adequate	Modest dividend	Legacy brand	Fair	Slower, share pressure	5

Nike wins the wealth preservation ranking on dividend yield and valuation against its own history. Adidas has a broader sports licensing base but less consistent income protection. On Holding and Deckers have stronger growth but no income cushion and richer valuations. Lululemon has a narrower category. We do not have exact peer debt-to-equity or EV/EBITDA figures in the provided packet, so this ranking is qualitative. The key point for capital preservation is that Nike is the only name in the cohort offering a 4.5 percent yield plus a wide moat at a cycle-low multiple.

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9. KEY METRICS SUMMARY

Metric	Value	Source / Period
Price	$35.99 USD (€31.58)	Live, 2026-09-25
Market Cap	~$53B	price × 1.48B shares
Shares Outstanding	1.48B	stockanalysis.com
Revenue FY2025	$46,309M	Filing-aligned
Revenue FY2026	$46,398M	Filing-aligned
Net Income FY2025	$3,219M	Investing.com
Net Income FY2026	$3,108M	MarketScreener / Investing.com
Gross Margin FY2026	43.25%	computed, vendor data
Net Margin FY2025	6.95%	computed
Net Margin FY2026	6.70%	computed
Trailing P/E	17.6x	stockanalysis.com
Forward P/E	21.68x	stockanalysis.com
PEG	2.07	stockanalysis.com
EV/EBITDA	11.56x	stockanalysis.com
P/S	1.18x	stockanalysis.com
P/B	3.70x	stockanalysis.com
P/FCF	25.17x	stockanalysis.com
Dividend Yield	4.56%	$1.64 / $35.99
EPS Payout Ratio	78%	$1.64 / $2.10
FCF Payout Ratio	>100%	using $2.1-2.5B FCF
Debt/Equity	0.74	stockanalysis.com
Current Ratio	1.96	Q4 2026
Cash	$7.6B	Q4 2026

Metric	Value	Source / Period
LT Debt	$5.9B	Q4 2026
52-Week Range	$36.55 - $76.97	Finspry
52-Week Change	-50.68%	Finspry
YTD Change	-42.13%	Finspry
ROE	7.2%	Q4 2026
Analyst Avg Target	$47.52	Finspry
Yahoo Target Range	$23 - $94	Yahoo Finance

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10. MONITORING CHECKLIST

Item	Threshold to Monitor	Frequency
Gross margin	Sustain above 43%, ideally 45%+	Quarterly
Greater China revenue	Stop declining, then return positive	Quarterly
North America revenue	Stabilize or positive	Quarterly
DTC vs. wholesale mix	Rebalance without inventory bloat	Quarterly
Inventory levels	Decline year over year	Quarterly
FCF	Recover above $2.5B and cover dividend	Annual
Dividend payout on EPS	Stay below 80%	Quarterly
Debt/Equity	Stay below 1.0x	Annual
Insider selling	No material open-market selling outside 10b5-1 plans	Ongoing
Competitive share	Watch On, Hoka, Adidas athlete signings	Ongoing
China macro	Tariff or demand deterioration	Quarterly
Analyst estimates	Track EPS revision trend (currently mixed)	Quarterly

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11. MARKET EXPECTATIONS & CONSENSUS

The most recent quoted price in the search results was $36.10 on September 22, 2026, but the live price for this report is $35.99. The search summary states the current stock price implies a next-year EPS growth rate of +17.1 percent, but we could not reconcile that derivation from the underlying tables. VCP's own FY+1 EPS is $2.00 while the same page cites analyst consensus FY+1 EPS of $1.49. Treat the +17.1 percent headline with caution.

The consensus distribution is low conviction. Perplexity Finance reports 34.6 percent bullish, 57.7 percent neutral, and 7.7 percent bearish among 26 analysts. TECHi shows a consensus Buy with a rating score of 3.54, while Finspry shows a consensus Hold with only 2 analysts. Yahoo's target range of $23 to $94 is a 4.1x spread. VCP's scenario projections are Bear $34, Base $54, and Bull $71. Oppenheimer lowered its target from $60 to $52 on September 23, 2026 while maintaining Outperform. The Street is not confident about the timing of the recovery.

Metric	Value	Assessment
Fwd P/E	21.68x	Higher than trailing; earnings decline expected
PEG	2.07	High for negative near-term growth
EV/EBITDA	11.56x	Moderate for a brand leader
Beta	Not provided	Price action suggests high beta
ROE	7.2%	Depressed, must recover
Short Interest	Not provided	Days to cover not available
Analyst Target	$47.52 avg	31.6% above current

Validation of the consensus would require EPS inflecting from $2.00 to $2.61 to $3.63 to $3.92 over the next four fiscal years, with the bull path requiring $3.18 in fiscal year two. The Street's current fiscal-year EPS estimate is $1.82 on $45.21 billion revenue, which sits below VCP's base model. Disappointment would come from a revenue miss, margin compression from tariffs or promotions, or a guidance cut tied to China. Nike has topped revenue estimates three of the last four quarters and beat the Q4 consensus EPS by $0.02 on $11.1 billion revenue, but the estimate revision trend ahead of that print was mixed.

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12. KEY BUSINESS DRIVERS

Driver 1: Gross margin recovery

Why it matters: Gross margin is the direct measure of whether Nike is clearing inventory at full price or discounting. Current level: 43.25 percent computed for FY2026, with Q4 2026 at 49.1 percent, up 8.9 points year over year. Bull threshold: sustained 45 percent or higher. Bear threshold: below 42 percent. Next data point: October 1, 2026 earnings after market close.

Driver 2: Greater China revenue growth

Why it matters: China was a $5.9 billion region in fiscal 2026 and has been the most troubled major geography. Current level: management described a comprehensive reset; BNP highlighted a Pou Sheng profit warning. Bull threshold: positive year-over-year growth within two quarters. Bear threshold: renewed decline or tariff-driven margin pressure. Next data point: quarterly segment disclosure.

Driver 3: DTC-wholesale rebalancing

Why it matters: The direct-to-consumer pullback and partial reversal disrupted channel economics. Current level: management says it is cleaning up inventory and investing in must-win doors, with high single-digit sales increases when investing. Bull threshold: wholesale sell-in improves without promotional discounting. Bear threshold: wholesale partner tension returns. Next data point: quarterly channel mix comments.

Driver 4: Free cash flow and dividend coverage

Why it matters: The dividend is the bear-case cushion. Current level: depressed FCF run-rate around $2.1 to $2.5 billion against a $2.4 billion dividend obligation. Bull threshold: FCF exceeds dividend plus buybacks sustainably. Bear threshold: FCF remains below dividend for two more years, raising cut risk. Next data point: annual cash flow statement and quarterly FCF margin.

Driver 5: Product pipeline and competitive share

Why it matters: Nike must restore performance credibility against On and Hoka. Current level: management is shifting toward sport performance and away from aging classic franchises. Bull threshold: a new performance franchise shows visible full-price sell-through. Bear threshold: another key athlete or franchise defect to a competitor. Next data point: product launch milestones and early sales data.

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13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker/Symbol	Relationship	Signal
On Holding	ONON	Leading competitor	Bullish for Nike if ONON momentum stalls
Deckers Outdoor	DECK	Hoka parent	Bearish for Nike if DECK continues to gai
Adidas	ADDYY	Direct competitor	Bearish for Nike if Adidas extends footbal
Consumer Discretionary Select	XLY	Sector demand proxy	Bullish for Nike if XLY stabilizes; bearish i

Monitoring rule: If ONON and DECK continue to outperform NKE by more than 15 percentage points over a quarter, re-examine the competitive share thesis within five trading days.

EXIT TRIGGERS

- Dividend cut or suspension: Immediate re-review and likely sell, because the bear case return depends on the dividend.
- Gross margin below 42 percent for two consecutive quarters: Re-evaluate the margin recovery thesis.
- China revenue declines for two more quarters with no credible local reset: Re-evaluate the regional turnaround.
- FCF remains below the dividend for two consecutive full fiscal years: Re-evaluate dividend sustainability and position size.
- Competitive losses worsen, such as another flagship athlete defection: Re-evaluate brand moat durability.
- Stock price rallies above $54 without a corresponding EPS recovery: Consider trimming, because the margin of safety narrows.

FINAL RECOMMENDATION

RECOMMENDATION: BUY

Nike passes the absolute wealth preservation requirements. The bear case total return is positive at 1.5 percent annualized, the base case total return is 9.3 percent, solvency is ADEQUATE with a FORTRESS-adjacent balance sheet, the dividend is SUSTAINABLE with a monitor flag, and the probability of a permanent loss over 50 percent is under 10 percent. The WP Score is 67 of 100, which supports a standard position size of approximately €75 on the framework's €100 unit scale.

ANALYST NOTES

Key Assumptions:

- Trailing EPS of $2.10 based on fiscal 2026 net income of $3.108 billion and 1.48 billion shares.
- Dividend held at $1.64 annually in the bear case, growing 4 percent in the base case and 8 percent in the bull case.
- Normalized net margin of 9 percent on $46.4 billion revenue for fair value.
- Terminal multiple of 18 in the base case and 24 in the bull case.

Limitations:

- The provided data contains material conflicts on fiscal year labels, EBITDA, EBIT, FCF levels, and net income growth rates. We used the filing-aligned fiscal 2025 and fiscal 2026 revenue and net income figures.
- No annual EPS series for fiscal 2022 through 2025 was provided; we derived EPS from net income and share count.
- No full 10-K risk factor text, MD&A excerpts, or auditor opinion was included in the packet. Conclusions on those items rely on the search summary.
- Short interest, beta, and sector peer exact metrics were not provided.

Confidence Level: MEDIUM

The balance sheet and valuation support the thesis with high confidence. The operational recovery and dividend coverage are less certain given the data conflicts and the unresolved China and competitive challenges.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

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