



Nike

NKE

EQUITY RESEARCH REPORT

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Nike Stock Analysis 2026: 7 Reasons to Wait Before Buying NKE

Key takeaways

- Nike's operating margins have compressed to 7.3% — roughly half the 13–15% range sustained from FY2019 through FY2023 — and the turnaround under CEO Elliott Hill remains unproven.
 - WP Score: 56/100 — marginal; the stock fails two absolute requirements under the Wealth Preservation framework, including a negative bear-case total return.
 - Base case fair value of \$58 implies 34% upside from \$43.34, but margin of safety turns negative if operating margins settle below 10%.
 - The 3.7% dividend yield sits on a 74% payout ratio against trough earnings, creating real cut risk if revenue declines persist beyond FY2026.
 - Verdict: Hold / Watchlist — a wide-moat brand worth owning at \$35–\$38, not at \$43 with this much execution uncertainty.
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Executive summary

Nike (NKE) trades near multi-year lows at \$43.34 after a 75% drawdown from its 2021 peak, offering a 3.7% dividend yield and a base-case fair value of \$58 — yet the Wealth Preservation Score of 56/100 reflects compressed margins, ROIC below the cost of capital, and a dividend payout ratio that leaves zero room for further earnings deterioration. This Nike stock analysis places the probability-weighted expected return at 7.8% CAGR, barely clearing the hurdle rate, with the bear case producing a negative total return — squarely Hold / Watchlist territory until the price reaches \$35–\$38 or operating margins recover above 9%.

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Nike Stock Analysis: Business Quality and Moat Assessment

Nike designs, markets, and distributes athletic footwear, apparel, and equipment under the Nike, Jordan, and Converse brands. The company outsources nearly all manufacturing to independent contractors across Vietnam (~50% of footwear), Indonesia (~25%), and China (~20%), concentrating internal resources on R&D, brand management, and distribution. Revenue splits roughly 65% footwear, 30% apparel, and 5% equipment across North America (~44%), EMEA (~27%), Greater China (~15%), and Asia Pacific/Latin America (~14%).

The direct-to-consumer channel grew from 35% of sales in 2016 to 63% by 2021. That aggressive shift damaged wholesale relationships and has since been partially reversed. Digital sales declined 26% year-over-year in the most recent quarter, confirming the DTC strategy overreached. CEO Elliott Hill's "Win Now" initiative aims to rebuild wholesale partnerships while maintaining digital capabilities — a balancing act that will define the next three years of this Nike stock analysis thesis.

Moat Assessment

Brand power remains Nike's primary competitive advantage. The Swoosh and "Just Do It" carry global recognition, and the Jordan brand retains cultural relevance across demographics. Scale advantages support \$3.8B+ in annual marketing spend, athlete endorsement deals, and R&D investment that smaller competitors cannot replicate. Distribution spans 175 territories with access to 23,000+ U.S. wholesale accounts historically.

The moat is wide but narrowing at the edges. Domestic Chinese brands Anta and Li Ning have captured meaningful share in the world's second-largest athletic market through nationalistic consumer sentiment and improved product quality. On Running and Hoka have demonstrated that newcomers can innovate in performance running — a category Nike once dominated. Classic franchise saturation (Air Force 1, Dunk) has eroded premium positioning. Moat preservation confidence sits at medium, a factor that weighs on the overall Nike stock analysis score.

Financial Fortress: Solvency and Earnings Quality

Nike's balance sheet qualifies as adequate — not fortress-grade. The debt-to-equity ratio of 0.80x passes the 1.0x threshold but exceeds the preferred 0.5x level for wealth preservation candidates. Interest coverage of approximately 5.5x (based on \$3.4B operating income against ~\$600M in interest expense) clears the 5.0x minimum but falls short of the 8.0x preferred standard. The current ratio of 2.06x provides comfortable short-term liquidity.

A stress test reveals the vulnerability. If revenue dropped 30% to ~\$32B for two years at the current 7.3% operating margin, operating income would fall to ~\$2.3B. Interest coverage would compress to ~3.8x — below the 4.0x automatic removal threshold in the Wealth Preservation methodology. The \$1.60/share annualized dividend (~\$2.3B total) would consume virtually all operating income, making a dividend cut probable under severe stress.

Cash conversion has been a historical strength, with operating cash flow exceeding 80% of net income. The primary concern is inventory. Elevated stock levels have driven promotional activity and margin compression throughout FY2025. Management targets inventory normalization by H1 FY2026. No financial restatements or unusual one-time gains distort the earnings picture. Nike has been a consistent net share repurchaser over the past decade, and CEO Hill, Tim Cook (board member), and director John W. Rogers Jr. all purchased shares near 52-week lows — a pattern that historically correlates with management confidence in recovery, per SEC Form 4 filings.

Nike Stock Analysis: Dividend Sustainability Under Stress

Nike's 3.7% dividend yield is the highest in the company's modern history — a direct consequence of the stock's 75%+ decline from its 2021 highs near \$175, not dividend growth. The company has paid and grown its dividend for over two decades, a track record that includes maintenance through both the 2008 financial crisis and the 2020 pandemic.

The safety margin has eroded. The current payout ratio of approximately 74% (\$1.60/share against \$2.16 EPS) leaves minimal room for error. If FY2026 EPS comes in below \$2.00 — plausible given management's guidance for a mid-single-digit revenue decline — the payout ratio would exceed 80%, entering the danger zone. A 40% earnings decline from current trough levels (EPS to ~\$1.30) would leave the dividend uncovered entirely. For wealth preservation purposes, the dividend is a positive factor but not a reliable anchor. Dividend sustainability assessment: at risk.

Nike Stock Analysis Valuation: Fair Value Scenarios

On trailing earnings, the 33x P/E looks expensive — you pay 33 times a business earning well below its potential. On normalized earnings, if Nike returns to \$3.50 EPS (roughly FY2023 levels), the stock trades at ~12.4x normalized earnings — cheap by any historical standard. The EV/EBITDA of 17.2x sits 23% below the 10-year median of 23.8x, according to Macrotrends data.

Margin Scenario Matrix

The core valuation question in any Nike stock analysis: will operating margins return to 12%+ or settle at 8–10%? Three scenarios illustrate the range:

- 12% operating margins on \$50B revenue: ~\$6B operating income → ~\$2.80 EPS → at 25x P/E = \$70 fair value
- 10% operating margins on \$48B revenue: ~\$4.8B operating income → ~\$2.20 EPS → at 22x P/E = \$48 fair value
- 8% operating margins on \$46B revenue: ~\$3.7B operating income → ~\$1.70 EPS → at 20x P/E = \$34 fair value

The base case fair value of \$58 assumes a partial margin recovery to 10–11% over 3–4 years, implying 34% upside from \$43.34. If margins settle permanently at 8–9%, the stock is overvalued at current levels. The forward P/E of 29.5x sits near the 10-year average of ~30x, suggesting the market prices in a partial recovery but not a full reversion. For context, Birkenstock and other consumer brand peers trade at premium multiples with stronger margin profiles.

Scenario Modeling and Total Return Projections

Bear Case (25% Probability)

The turnaround stalls. Greater China revenue continues declining as domestic brands entrench their position. Tariffs add \$1.5B in annual costs that Nike cannot fully pass through. Operating margins settle at 8–9%. Management cuts the dividend by 25% in FY2027. Revenue contracts at -1% CAGR to ~\$42B by FY2036, producing \$1.80 EPS at an 18x terminal multiple. Ten-year price target: \$32.40. Total return CAGR: -2.0%.

Base Case (50% Probability)

CEO Hill's turnaround succeeds over 3–4 years. Operating margins recover to 10–11% by FY2029. Revenue grows at 3% CAGR as wholesale relationships rebuild and the 2026 FIFA World Cup provides a near-term catalyst. The dividend grows 4% annually. Revenue reaches ~\$62B by FY2036, producing \$3.80 EPS at a 22x terminal multiple. Ten-year price target:\$83.60. Total return CAGR:8.5%.

Bull Case (25% Probability)

Full margin recovery to 13%+. Revenue accelerates to 5% CAGR driven by the innovation pipeline, DTC optimization, and emerging market growth. The dividend grows 8% annually. Share buybacks accelerate at depressed prices. Revenue reaches ~\$75B by FY2036, producing \$5.50 EPS at a 26x terminal multiple. Ten-year price target:\$143.00. Total return CAGR:16.0%.

Weighting the three scenarios produces a probability-weighted expected return of~7.8% CAGR. This barely clears the hurdle rate due to the drag from the negative bear-case outcome. For comparison,Meta PlatformsandAmazonoffer higher probability-weighted returns with stronger margin profiles in ourequities research library.

Risk Assessment: Tariffs, China, and Competitive Erosion

Nike outsources manufacturing primarily to Vietnam (~50% of footwear), Indonesia (~25%), and China (~20%). Current and potential tariff regimes create direct cost pressure estimated at up to \$1.5B annually, perNike's SEC filings. Price increases risk volume loss. Supply chain shifts take years. Margin absorption on already-compressed margins compounds the profitability problem. Each lever has limits, and this Nike stock analysis assigns tariff risk as the highest-probability near-term headwind.

Greater China revenue fell 17% in the most recent quarter. Domestic brands have gained meaningful share through nationalistic consumer sentiment, competitive pricing, and improved product quality. The risk is that China becomes a permanently lower-margin, lower-growth geography, removing ~15% of revenue at what were historically the highest margins in the business. On Running and Hoka (owned byDeckers Outdoor) have captured the performance running segment with superior product innovation. Nike's Pegasus Premium line shows promise, but competitive pressure at the margins is real and accelerating.

Peer Comparison: Nike vs. Adidas, On Holding, and Deckers

Dimension	Nike (NKE)	Adidas (ADS.DE)	On Holding (ONON)	Deckers/Hoka (DECK)
Revenue	\$46.3B	~\$24B	~\$2.5B	~\$4.5B
Operating Margin	7.3%	~8%	~15%	~20%
D/E	0.80x	~0.50x	~0.10x	~0.15x
Dividend Yield	3.7%	~0.8%	0%	0%
ROIC	7.4%	~10%	~20%	~30%
Forward P/E	29.5x	~30x	~45x	~25x

Nike offers the highest dividend yield and the largest scale advantage in the peer group, but its margins and ROIC are the weakest. Deckers delivers superior capital efficiency at a lower forward P/E, though without dividend income. Adidas occupies a similar turnaround phase but with a stronger balance sheet at 0.50x D/E. For

wealth preservation, Nike's 3.7% yield is attractive, but the margin deterioration makes it the weakest quality holding among these peers. Similar dynamics apply in our analysis of Ferrari, where brand power commands premium multiples backed by superior margins, and in the Logitech consumer hardware thesis.

Moschovakis Capital — Quantitative Division

Automated FX Execution: A Separate Return Stream

While this Nike equity thesis requires patience over a multi-year turnaround horizon — with a probability-weighted return of just 7.8% CAGR — our Quantitative Execution System operates on an entirely different time horizon. With a 2-year audited track record and fully automated 24/7 execution requiring zero manual intervention, the FX system provides an uncorrelated return stream that complements equity exposure regardless of whether Nike's margin recovery materializes on schedule.

[Explore the Quantitative System →](#)

Nike Stock Analysis: Wealth Preservation Score Breakdown

The composite Wealth Preservation Score of 56/100 reflects three component scores weighted according to the Moschovakis Capital methodology:

- **Downside Protection Score: 52/100**— The bear case produces a -2% CAGR total return. The 0.80x D/E ratio and 5.5x interest coverage provide adequate but not fortress-grade protection. The current 74% payout ratio on trough earnings and 25% bear-case price decline offset the 20+ year dividend track record.
- **Return Adequacy Score: 70/100**— The base case 8.5% CAGR clears the 7% minimum threshold. The probability-weighted 7.8% return provides a thin margin above the hurdle rate.
- **Quality Score: 62/100**— Balance sheet strength (30/40), income reliability (22/30), capital efficiency (4/15 — ROIC of 7.4% sits below the cost of capital), and valuation (10/15 — trading near 5-year lows).

Two absolute requirements fail under strict framework application. The bear case total return of -2% CAGR falls below the 0% minimum. Dividend sustainability rates as “at risk” rather than “sustainable.” These failures prevent a buy recommendation under the wealth preservation mandate, though both are marginal rather than catastrophic — a distinction that keeps Nike on the watchlist rather than in the avoid category. This Nike stock analysis outcome mirrors the caution applied to other turnaround situations in the equities research library.

Final Recommendation and Entry Triggers

Nike is a wide-moat global brand with \$46B in revenue, a 2.06x current ratio, 20+ years of dividend history, and multiple insiders buying at current levels. The EV/EBITDA of 17.2x sits 23% below the 10-year median. If margins recover to even 10%, the stock is worth \$48–\$55 — 10–27% above current levels before dividends.

At \$43.34, the stock prices in a recovery that has not materialized. Operating margins at 7.3% reflect structural pressures from promotional activity, tariff exposure, and competitive erosion. ROIC at 7.4% sits below the estimated 8.5% cost of capital, meaning the business destroys value on an incremental capital basis. The dividend payout ratio of 74% on trough earnings leaves zero cushion. An upgrade to buy requires either a price decline to \$35–\$38, operating margins recovering above 9% for two consecutive quarters, or Greater China revenue stabilizing better than -5% year-over-year. A dividend cut or D/E ratio exceeding 1.2x would trigger a sell.

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For the full Nike stock analysis methodology and our complete research framework, explore the equities library moschovakiscapital.com/equities/.

Frequently Asked Questions

Is Nike stock a good investment in 2026?

Nike stock offers a base-case fair value of \$58 with 34% upside from \$43.34, but the turnaround under CEO Elliott Hill remains unproven. The Wealth Preservation Score of 56/100 reflects elevated risk from compressed margins and a 74% dividend payout ratio on trough earnings. The stock becomes more attractive at \$35–\$38.

What is Nike's dividend yield and is it safe?

Nike's current dividend yield is approximately 3.7%, the highest in the company's modern history. The 74% payout ratio on trough EPS of \$2.16 leaves minimal safety margin. If earnings decline further, the payout ratio would exceed 80%, placing the dividend at risk of a cut.

What is Nike's fair value based on this Nike stock analysis?

The base case fair value is \$58, assuming operating margins recover to 10–11% over 3–4 years. The normalized fair value reaches \$72 if margins revert to the 5-year average. In the bear case, where margins settle at 8–9% permanently, fair value drops to \$34 — below the current price.

How do tariffs affect Nike's profitability?

Nike outsources manufacturing to Vietnam, Indonesia, and China. Current and potential tariff regimes create estimated cost pressure of up to \$1.5B annually. Each offset lever — price increases, supply chain shifts, margin absorption — has limits when operating margins are already compressed to 7.3%.

Is Nike stock worth buying at \$43 per share?

At \$43, Nike prices in a turnaround that has not materialized. The probability-weighted expected return of 7.8% CAGR barely clears the hurdle rate. Our Nike stock analysis identifies \$35–\$38 as the preferred entry range, where the margin of safety increases and the dividend yield rises to 4.2–4.6%.

Execution Infrastructure

For the execution of positions discussed in our research, we utilize the following institutional-grade platforms due to their regulatory compliance, liquidity, and reliability.

Platform	Purpose
eToro	Equity execution — regulated, social trading infrastructure
Revolut	Multi-currency banking and FX

Platform	Purpose
Interactive Brokers	Institutional-grade brokerage
Vantage	MT4/MT5 execution
Binance	Digital asset infrastructure
Hostinger	Web infrastructure

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