NKE — EQUITY RESEARCH

NIKE, Inc. · Consumer Cyclical / Footwear & Apparel · 11 November 2026 Price $38.32 · Market cap $56.9B · Enterprise value $59.7B

EXECUTIVE SUMMARY

SELL with a **$33** price target (**-13.9%**) over 12 months. Nike is three years into a turnaround that has not yet appeared in the profit and loss. FY2026 revenue was $46.40B, essentially flat on FY2025 and 9.7% below FY2024; operating margin is 8.2% against 12.3% two years ago; free cash flow has fallen from $6.62B to $2.18B. The stock is 76% below its five-year high and still trades at 24.8x forward earnings, which means the market is already paying for a recovery that the numbers do not yet show. Worse, the 4.28% dividend yield is not covered by free cash flow: roughly $2.44B of dividends against $2.18B of FCF. Consensus agrees with us — the mean target of $36.46 is below the current price across 38 analysts. This is a broken growth story trading on a dividend yield and a hope.

FUNDAMENTAL ANALYSIS

Recent financial metrics. FY2026 (May year-end) revenue $46.40B, +0.2% year on year; gross margin 42.9% against 42.7%; operating income $3.80B (8.2% margin) against $6.31B (12.3%) in FY2024; net income $3.11B (6.7% margin) against $5.70B. EBITDA $4.59B, operating cash flow $2.87B, capex $0.68B, free cash flow $2.18B. Return on equity 21.6% is flattered by a small equity base ($14.9B) rather than by returns on capital.

Metric	FY2023	FY2024	FY2025	FY2026
Revenue ($B)	51.22	51.36	46.31	46.40
Gross margin	43.5%	44.6%	42.7%	42.9%
Operating income ($B)	5.92	6.31	3.70	3.80
Net income ($B)	5.07	5.70	3.22	3.11
Free cash flow ($B)	4.87	6.62	3.27	2.18

Peer comparison. Nike trades at 18.4x trailing but 24.8x forward earnings — the multiple rises because earnings are expected to fall — and 1.30x EV/sales, 12.2x EV/EBITDA. Lululemon is at 8.8x/12.5x, Deckers 11.7x/10.8x and Adidas 18.3x/15.2x. Nike is the most expensive forward multiple in its peer group while growing slower than all of them. That is the core valuation problem.

Forward outlook. The forward P/E of 24.8x implies roughly $1.55 of EPS against $2.09 trailing, so consensus expects another year of earnings decline. There is no scenario in which a mid-single-digit revenue decline plus a 20%+ forward multiple produces a good 12-month return unless margins inflect hard and early.

CATALYST ANALYSIS

Near-term (0-6 months). Fiscal Q2-2027 results in December. The market will focus on North America wholesale reorders and gross margin, which has been stuck at 42-43% for two years. A margin guide below 43% would take the stock to the low $30s.

Medium-term (6-24 months). The wholesale reset. Nike spent three years clearing inventory and reducing discounting; the payoff should appear as gross margin, and it has not. The 2026 World Cup cycle is a revenue catalyst but historically a low-margin one. A credible new product cycle in running or basketball is the only durable fix.

Event-driven. Dividend policy. With the payout at roughly 112% of free cash flow, a cut or a pause is a live possibility and would be read as an admission that the turnaround needs more time. Conversely, any divestiture (Converse has been speculated about for years) would be accretive to the multiple.

VALUATION & PRICE TARGETS

Current price $38.32. Consensus mean $36.46 (range $19-$60, 38 analysts) — below spot, which is unusual and informative.

Scenario	EPS	Multiple	Target	Change	Probability
Bull — margin inflects, World Cup lift	$2.00	25.0x	$50	+30%	20%
Base — slow stabilisation, multiple compresses	$1.55	21.0x	$33	-14%	50%
Bear — dividend cut, earnings roll over	$1.20	17.0x	$20	-48%	30%

Probability-weighted target: **$32.5** (-15%). We publish $33, the base case, because the bull scenario requires a gross-margin inflection that management has now promised for six consecutive quarters without delivering. Cross-check on EV/EBITDA: 11.0x on $4.59B of EBITDA gives $50.5B of enterprise value, $47.9B of equity value and $32.4 per share — almost exactly the base case. The dividend is not a floor; it is the risk.

RISK ASSESSMENT

Company risks. Gross margin is the thesis: 42.9% versus 44.6% two years ago, with discounting and a wholesale mix shift both working against it. Revenue is flat at a time when the running category is growing, which is a share-loss signal. The dividend is under-covered.

Macro risks. Beta of 1.03, so no defensive offset. Consumer discretionary spending is exposed to tariffs on Asian sourcing (Vietnam, China, Indonesia), which hit gross margin directly and are not fully hedgeable. A stronger dollar reduces reported international revenue.

Position sizing. 0-1%; a short position of 0.5-1% with a 15% stop. The 52-week range is $33.87-$66.04, so a 15% move is unremarkable and a tight stop would be run.

ESG and governance. Labour practices in the supply chain remain a headline risk; governance is not currently the issue.

TECHNICAL CONTEXT & OPTIONS INTELLIGENCE

Price $38.32 against a 52-week range of $33.87-$66.04, below both the 50-day ($36.91 — marginally above spot) and the 200-day ($44.42). The stock is in a downtrend with the 200-day falling. Resistance is $44 (200-day) and then $52; support is the 52-week low at $33.87, and below that there is little chart structure until $30. One-year return -37.3%, three-year -62.4%, five-year -76.1%, with -42.2 points of excess return versus the S&P 500 over one year. **Options data (put/call, implied volatility, skew) was not verified in this dataset.**

MARKET POSITIONING

Consumer discretionary (XLY) has been carried by the largest index weights, not by apparel. Nike has underperformed its own sector by a wide margin for three years. There is no rotation case here: the stock is losing share in a growing category, which is a fundamental problem that sector flows cannot fix.

INSIDER SIGNALS

Insider transaction data was **not verified** for this note. The observable signal is capital allocation: share count has been roughly flat, buybacks have slowed, and the dividend now exceeds free cash flow. Management is prioritising the payout over reinvestment at exactly the point where the brand needs reinvestment.

RECOMMENDATION SUMMARY

Metric	Value
Rating	SELL
Conviction	Medium-High
Price target	$33
Timeframe	12 months
Downside	-13.9%
Position size	0-1% short
What would prove this wrong	Two consecutive quarters of gross margin above 44% with North America revenue growth turning positive. That is the only evidence that would make the bull case investable.

DATA APPENDIX

Source: Yahoo Finance statements and market data pulled 11 November 2026 (see `equity_research/NKE.json`). Balance sheet FY2026: cash $7.56B, debt $11.03B, equity $14.87B. Shares outstanding approximately 1.49B. Dividend yield 4.28% (about $1.64 per share, $2.44B in total, against $2.18B of free cash flow).

DISCLAIMER

This analysis is for educational and research purposes only. Not financial advice. Past performance does not guarantee future results. Consult a qualified financial professional before making investment decisions. All investments carry risk of loss, and short positions carry unlimited loss potential.