EQUITY VALUATION · Q1 FY2027 PRINT THURSDAY OCTOBER 1, AFTER THE CLOSE

NIKE, Inc. NYSE: NKE

Is It Time to Buy?

At a twelve-year low, the stock is neither the bargain the 4.6% yield advertises nor the trap nine sell-side cuts in sixteen days imply. It is priced for an operating margin of about nine percent — halfway between what Nike earned last year and what it says it can earn. The short answer is conditional: the entry is a set of conditions rather than a price, and Thursday's print is the first of them.

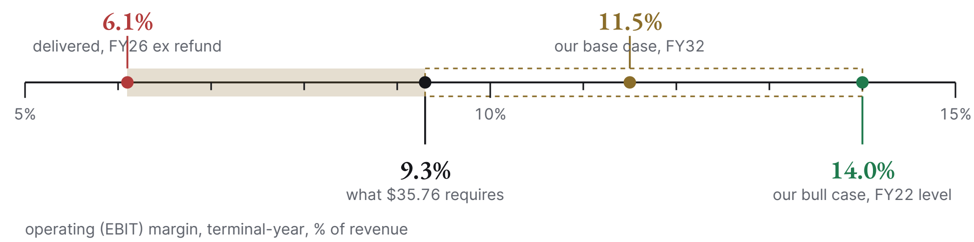
CLOSE 9/25	FAIR VALUE	52-WEEK RANGE
$35.76	$38 (bear $23 / base $38 / bull $56)	$35.21 – $76.97

MARKET CAP	DIVIDEND YIELD	PRINT
$53.0B · EV $51.9B	4.6%	Thu Oct 1, after the close

Download PDF   Download model   Prices and valuation as of the September 25, 2026 close; volatility, drawdown and positioning series run through the September 24 bar and the September 15 short-interest settlement · Version 1.0

Nike reports fiscal first-quarter 2027 results (the quarter ended August 31) on Thursday, October 1, 2026, after the close (company-verified). This note carries a frozen pre-event scorecard — Addendum 1 — locked before the print. A post-event note will score it afterward.

The halfway mark — where the price sits on the margin ruler



How to read it. One horizontal ruler measures the terminal-year operating (EBIT) margin, in percent of revenue, from 5% to 15%. Four dots mark four numbers: the margin Nike delivered in fiscal 2026 once the one-time tariff refund is removed (red, 6.1%); the margin the $35.76 price requires on our base revenue path (black, 9.3%); our base case for fiscal 2032 (gold, 11.5%); and our bull case, the fiscal 2022 level (green, 14.0%). The shaded segment runs from delivered to priced; the dashed segment from priced to bull. Read the distances: the price sits a little more than halfway from delivered to bull. Each point along the ruler is worth about $2.77 a share in the base model.

⟗ How a $179 stock became a $36 stock

In the week of November 1, 2021 the shares closed at $177.51 — 47 times the $3.75 Nike went on to earn in fiscal 2022. At $35.76 they are 22.6 times the $1.58 earned last year ex the refund, their lowest since April 2014 and down 44% this year. Earnings fell 58%; the multiple fell 52%; the two together reproduce the 80% decline to within a tenth of a point. Half of the fall is the business. Half is what the market pays for the business — and in the fall it went first: the multiple came in through 2022 while the business still grew, and earnings followed two years later.

The plan that built the peak. In June 2020 John Donahoe announced the Consumer Direct Acceleration: reorganize the company around its own stores and digital platforms, “divesting from undifferentiated retail” — Amazon had been dropped in late 2019, and nine more wholesale accounts including Zappos, Belk and Dillard’s followed, as reported at the time — and invest in the technology and supply chain to serve a direct business. A year later, on the June 24, 2021 call, the company put numbers on it: revenue growth “high single digit to low double digit” on average through fiscal 2025; NIKE Direct, then “approaching 40 percent” of the brand business, to reach “approximately 60 percent”; wholesale “roughly flat”; gross margin “reaching the high 40s”; EBIT margin “reaching high-teens by fiscal 25”; Greater China growing “low-to-mid-teens over the long-term." Digital had compounded at roughly 26% a year since fiscal 2019. Five months later the market paid 47 times earnings for that plan.

What the plan delivered. Every line missed, and in the same direction. Fiscal 2026 revenue was $46.4 billion against the roughly $63 billion the framework's growth range implied for fiscal 2025. NIKE Direct is 39% of revenue, not 60%, and it is the shrinking channel; wholesale, meant to be flat, is the growing one. Gross margin ex-refund is 40.8%, not high-40s. Operating margin is 6.1%, not high-teens. Greater China revenue is $5.8 billion, down 29% from the $8.3 billion of fiscal 2021, and its segment profit has fallen from $3.2 billion to $1.3 billion.

Why it missed — in the company's own words. Elliott Hill's first call as chief executive, December 19, 2024, is the most candid diagnosis on the record, and it names four self-inflicted causes. "We lost our obsession with sport." "The reliance on a handful of sportswear silhouette is not who we are" — the direct channel had been filled with Air Force 1, Dunk and Jordan 1 until, in the words of the June 2024 call that started the fall, "these franchises underperformed our overall digital business results." "We've shifted investments away from creating demand for our brand to capturing the brand demand through performance marketing for our digital business." And: "Prioritizing NIKE Digital revenue has impacted the health of our marketplaces ... we become far too promotional ... our digital platforms were delivering roughly a 50-50 split of full price to promotional sales ... Some partners and channels feel we've turned our back on them." Fifteen months later the chief financial officer added the fifth: "During the pandemic, we accelerated investments across supply chain and technology to support a larger digital and direct business. Those investments also resulted in a higher fixed cost base that weighed significantly on our EBIT margins as revenue came down." Selling and administrative expense is now 34.7% of revenue, against the "roughly 32 to 33 percent" the 2021 framework called pre-pandemic normal.

Two blows came from outside. In March 2021 a boycott over Xinjiang cotton turned Chinese consumers toward domestic brands, and Greater China never regained its fiscal 2021 level. From April 2025, U.S. tariffs added what the company estimated in September 2025 at $1.5 billion of annualized gross cost — about 120 basis points of fiscal 2026 gross margin, the cost the refund then partly returned and the cost that continues under new authority.

How the tape absorbed it. The stock halved from its peak by the autumn of 2022 as the multiple came in, then held roughly $85–130 for the better part of two years while the business still grew. On June 27, 2024 the company guided fiscal 2025 revenue “down mid-single-digits, with the first half down high single-digits,” and the shares fell 20% the next day — the largest reaction in the archived record. Donahoe’s retirement and Hill’s appointment were announced September 19, 2024 (the shares rose 6.8% the next session). Win Now followed in December 2024; the tariff shock took the shares to $52 in April 2025; a recovery to $77 by October 2025 gave way to the slide to $35 across the three prints since — the 50-day average has sat below the 200-day since November 14, 2025 — two of them sold hard (−10.5% in December, −15.5% in March) and the third bought (+4.9% in June) before the summer’s downgrades took the rest.

The arc: eight dates on one line

How to read it. One gold line is the weekly closing price of NKE in dollars from June 2019 to September 2026; the vertical axis runs from $0 to $190. Eight black dots mark the dates the text describes, each labelled with what happened and, at the peak and the end, the price and the price-to-earnings multiple (the peak on the earnings Nike went on to report for fiscal 2022, the end on fiscal 2026 earnings excluding the tariff refund). The boxed inset breaks the 80% decline into its two parts: how much of it is lower earnings and how much is a lower multiple; the two bars multiply to the whole. Read the line for the shape — one halving as the multiple came in, a two-year plateau, then the steps down from June 2024 — and the inset for the split.

That history is why three arguments are running at once about this stock, and they are not the same argument. The first is about the yield: at $35.76, Nike pays 4.6%, has raised its dividend for 23 consecutive years, and has a net-cash balance sheet — so is this the moment a great brand becomes an income stock? The second is about the turnaround: two years into Hill’s reset, revenue is flat, half the business is shrinking on purpose, and the company is guiding this quarter’s gross margin to expand for the first time in two years — so is the inflection real? The third is about the price itself: at seventeen times last year’s earnings the stock looks cheap against its own history, but lululemon trades at eight and Deckers at eleven — so cheap against what? This note answers the third question first, because it decides the other two.

The verdict

Fair, not cheap. No position into the print. Our probability-weighted fair value is **$38 per share** — the cash-flow model gives $42, the earnings-multiple method $33 — against a $35.76 close, a gap of 6.6% inside the noise of a print the options market prices at ±8%. Three scenarios carry it: $23 if the reset does not hold, $38 if the turnaround is slow and real, $56 if the Sport Offense compounds back to the margins of 2022. Reverse the price through our base case and it says one thing: **$35.76 requires Nike to reach a terminal operating margin of about 9.3%.** The company earned 6.1% last year once a one-time tariff refund is removed; it earned 12–14% from fiscal 2019 through 2024; management says there is "a clear path to double-digit margins." The market is pricing it to get a little more than halfway back. Each point of that terminal margin is worth about **$2.77** a share — so the whole "value trap or trough franchise" debate is a debate about three margin points, worth roughly eight dollars, a quarter of the market value. So, to the question in the title: not on the yield, not on the depth of the fall, and not yet on the evidence. The conditions that would change that answer are set out below as levels and dates.

Four numbers carry the argument; the first belongs to the company's case, the rest to the price's problem:

1st in 8	**First expansion in eight quarters** — gross margin is guided "slightly positive" year over year this quarter, after seven straight declines once the refund is stripped out. This is the strongest fact for the price and the first gauge on our scorecard.
40.8%	fiscal 2026 gross margin excluding the $986 million tariff-refund benefit. The reported 42.9% was headlined as "up 20 basis points"; the underlying number was down about 190.

$1.58 fiscal 2026 earnings per share excluding the refund (reported $2.10). The $1.64 dividend was covered 91% by free cash flow and 104% by those earnings.

85.7M short 85.7 million shares sold short, the highest in the FINRA series back to 2017, up 87% since March, 7.1% of the traded share class. The crowd is positioned for the reaction, not the number: Nike has beaten consensus twelve quarters running and the stock closed down after five of the last eight prints anyway.

⚖ The strongest case for the price *(steelman — stated in its own terms, before we test it)*

The case for owning Nike at $36 is not that next quarter is good. It is that the market is pricing a $46 billion global brand as a business in structural decline at the exact moment its own numbers say the decline stopped being structural and started being chosen. Revenue was flat in fiscal 2026 *after* the company deliberately pulled more than $2 billion of classic-franchise supply out of the market; the half of the business it is investing in — performance sport — grew mid-single digits, Running grew double digits for five straight quarters and took five points of share in statement footwear across North America and Western Europe, and the World Cup quarter opened with two and a half times the kit sales of 2022. Gross margin improved sequentially for four quarters and the fourth quarter beat its own guide on cleaner North American discounting; the company is now guiding the first year-over-year expansion in two years for the quarter about to print. The direct business is shrinking because Nike stopped discounting it — off-price digital in Europe down 50%, full-price realization up 15 points — which is a margin recovery being built one quarter before it shows up in the income statement. The supply-chain restructuring ($385 million of severance) was expensed last year and pays back this year; tariffs are a known 10–15% and are in the guide; China is 12.6% of revenue, the distributor exit is a chosen move to a direct model, and management says profitability there will bottom before sales. The balance sheet is net cash, and the board just reapproved $5.9 billion of buyback authority with no expiry — capacity to retire a tenth of the company at a twelve-year low. A new chief financial officer from Pfizer and Lowe's, an LVMH heir on the board, and an Investor Day in seven weeks are the setup for a re-rating, not a warning. And the reference class is on the proponents' side: Nike traded at 25–45 times earnings for most of the last decade because it earned 12–15% operating margins; at seventeen times a trough year, with a record short position and a sell side that has just capitulated in a straight line, the asymmetry has flipped. The print only has to be *not worse*.

The test. We enter the proponents' case through the margin path, because that is where it lives. Their claim, made numerical, is a return to the fiscal 2019–2024 operating margin. Our bull scenario runs exactly that: revenue down 1% this year then compounding 5–7% as Sportswear turns, operating margin climbing to 14.0% by fiscal 2032 and held there, 3.5% terminal growth, 22 times fiscal 2028 earnings. It is worth **$56** a share, 56% above the price, and it carries 25% of our probability. The proponents' strongest single fact — the gross-margin inflection guided for this very quarter — is the first gauge on our frozen scorecard and the number in this note's highlighted layer. What our frame cannot test: whether the brand's cultural position — the lifestyle half of revenue, Kylian Mbappé's move to On, Lamine Yamal's to adidas, adidas's 39% performance quarter — has been *permanently* reset. That is a decade question; no quarter answers it. Nor whether the multiple regime that paid thirty times for Nike returns, which is not an operating variable at all.

1st in 8

Gross margin is guided to expand year over year on Thursday for the first time in eight quarters — after declines of 98, 326, 442, 319, 302, 132 and 10 basis points once the tariff refund is stripped out. It is the company's best fact and the first gauge on our scorecard: 42.3% or better clears it.

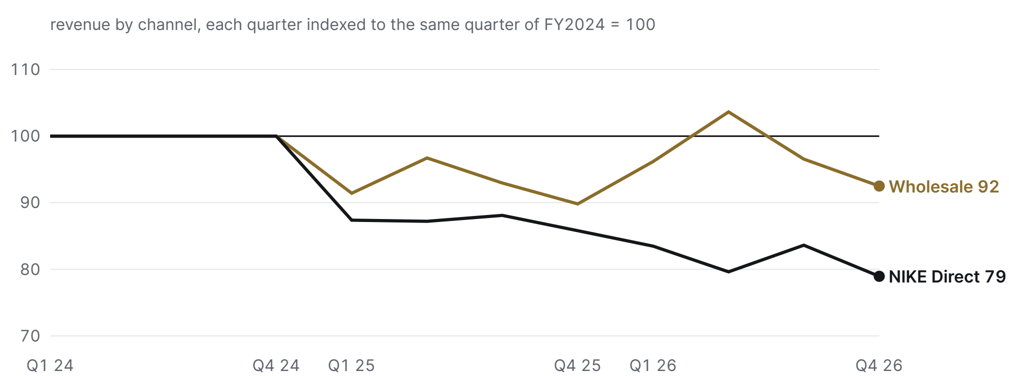
◑ Nike now, and what September did

NIKE, Inc. is the world's largest athletic footwear and apparel company: $46.4 billion of revenue in the fiscal year ended May 31, 2026, 988 owned stores, and

$15.5 billion of endorsement obligations. It sells through two channels it reports separately — **wholesale** (partners such as Dick's Sporting Goods, which now owns Foot Locker; JD Sports; and, in China, Topsports and Pou Sheng) and **NIKE Direct** (its own stores and digital platforms) — across four geographies plus Converse.

The fiscal 2026 channel numbers are the mechanism of the whole story. Wholesale revenue grew 4.9% to $28.1 billion and grew in every quarter of the year; NIKE Direct fell 6.6% to $18.2 billion and fell in every quarter, with NIKE Brand Digital down 12%. Direct is $4.2 billion smaller than it was two years ago. The company that spent 2017–2022 telling investors it would become a direct-to-consumer business is now, by its own numbers, a wholesale recovery with a direct business still shrinking. Management's framing on the June 30 call is that this is deliberate — "we're discounting less on NIKE Digital"; European off-price digital "down over 50%"; a "15-point improvement in full price realization" — and that a smaller, fuller-price direct business is the healthier one. It is a plausible reading. It is also one under which the direct line has to stop falling at some point, and it has not yet.

Two channels, two directions



How to read it. Two lines track NIKE, Inc. revenue by channel over twelve fiscal quarters, Q1 FY2024 to Q4 FY2026. Each quarter is indexed to the same quarter of fiscal 2024 (= 100), so seasonality cancels and the lines show only growth or shrinkage against the two-years-ago base. Gold is wholesale; black is NIKE Direct (owned stores plus digital). Compare the two end-points: wholesale ends about 8% below its fiscal-2024 quarter (the full year was 3% below) while Direct ends about a fifth below. Source data are the 10-Q and 10-K sales-channel disclosures; fourth quarters are the full year less nine months.

By geography, North America (+4.8% to $20.5 billion) is the recovery; EMEA (+2.6%) is flat with heavy promotion; Greater China (−11.2% to $5.8 billion, segment profit −20%) is the wound; Converse (−31%) went from a $240 million profit to break-even. Two product facts frame the rest: Sportswear and Jordan

Streetwear “together represent approximately half of our revenue” and will “continue to be negative this fiscal year with improvement expected in the back half”; performance sport — Running, football, training — is the growing half, and the reason the whole is flat rather than falling.

September brought three headlines, one of them wrong. Nike **left the S&P 100** on September 21 (announced September 4, along with Honeywell Aerospace, Simon Property and Colgate-Palmolive; Dell, Palo Alto Networks, Arista and Sandisk replaced them) after nearly eighteen years — but **it remains in the S&P 500**; a widely-shared piece that headlined an “S&P 500 removal” conflated the two indices. On September 18, **Mbappé signed with On**, which is entering football with Thierry Henry as its director of football; his Nike contract had expired in the summer. And the sell side turned in a line: nine actions in sixteen days, every one a cut or a negative initiation — BMO, Morgan Stanley ($31, reinstated at Underweight), Baird ($70 to $44), Citi ($39), Telsey ($44), UBS ($42), Stifel ($40), StoneX, and on September 25 BofA ($47 to $30, Underperform, “negative sales growth through fiscal 2027”). JPMorgan had gone to Underweight in August on the China distributor decision. The consensus that predates most of it — 12 buy, 26 hold, 6 sell — still carries a mean target of $45.78, 28% above the price. Targets are still catching down to the tape.

Inside the company: Alexandre Arnault joined the board on September 15 (Bill Ackman: “Nike needs help”); the corporate controller resigned effective September 4, three weeks after new CFO David Denton started on August 17 (both filings say no disagreement); and Denton’s $4 million performance award vests on **fiscal 2027 operating-margin growth over fiscal 2026** — the one number the new CFO is paid on is the one this note is about.

The numbers underneath

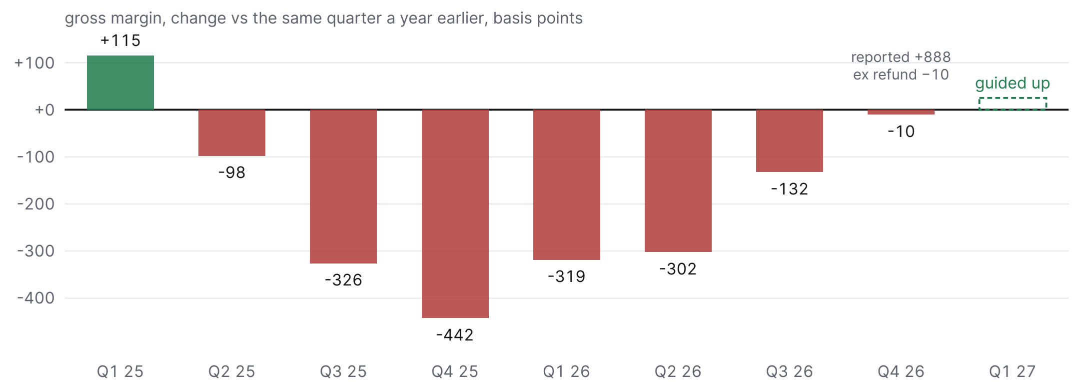
The skeptic’s case, in its own terms, is four claims: that unwinding direct-to-consumer hands margin back to retailers permanently; that the share going to adidas, On and HOKA does not come back; that the dividend now consumes the cash flow; and that the multiple is a peer premium a shrinking company has not earned. This section tests the third and fourth directly and the first through the margin path; the second is the decade question the frame cannot settle.

The refund, and why we strip it out. On February 20, 2026 the Supreme Court ruled the tariffs imposed under the International Emergency Economic Powers

Act unauthorized. In its fourth quarter Nike judged recovery of the tariffs it had paid to be probable and booked a **$986 million benefit** in cost of sales — worth 900 basis points of the quarter's gross margin, 210 of the year's, and $0.52 of the quarter's $0.72 of earnings per share. We remove it from every base number because the tariffs did not go away; the *authority* did. Management's own forecast assumes incremental tariffs "of 10% continuing through the end of July and then increasing to 15% thereafter" under other statutes — a recurring cost of the same order as the one refunded. That is the basis on which management guides ("earnings to be flattish … excluding the benefit from tariff recovery"), and it is ours: fiscal 2026 gross margin 40.8%, operating profit $2.8 billion (6.1%), EPS $1.58.

Seven declines, then the guide says up. The quarterly gross margin, year over year, on that basis: −98 basis points, −326, −442, −319, −302, −132, and −10 in the fourth quarter (40.2%, which beat the company's own "down 25 to 75" guide). Seven straight. The first quarter of fiscal 2027 is guided to "slightly positive" against a 42.2% base — the first expansion in eight quarters, if delivered. Revenue is guided "down low to mid-single digits" with no currency help; consensus is about $11.3 billion, down 3%, and $0.44 of EPS against $0.49 a year ago.

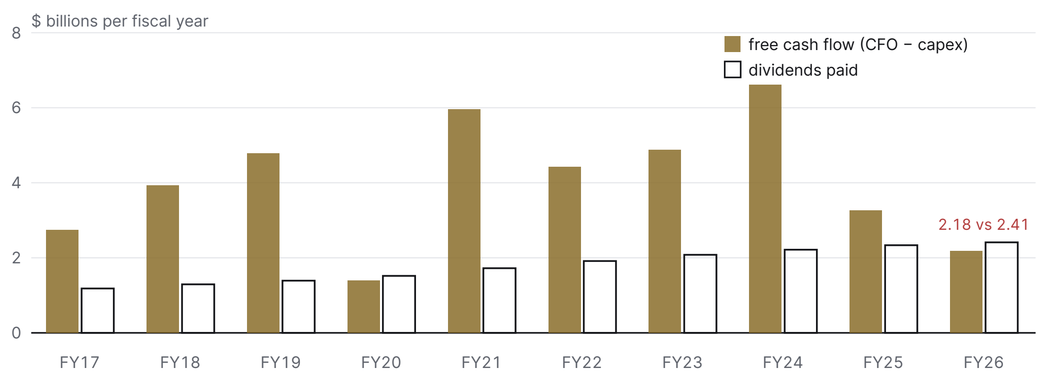
Seven declines, then the guide



How to read it. Each bar is one fiscal quarter, Q1 FY2025 through Q4 FY2026, and its height is the change in gross margin against the same quarter a year earlier, in basis points (100 = one percentage point); red bars are declines, green would be expansions. The Q4 FY2026 bar is drawn on the ex-refund basis (40.2% against 40.3%, −10) with the reported figure (+888, which includes the $986 million tariff refund) noted beside it. The dashed hollow bar at the right is not data: it marks the quarter about to print, guided "slightly positive," and its height is illustrative. The one thing the exhibit shows: seven consecutive declines, narrowing to nearly zero, ahead of a guided turn.

The dividend the yield-buyer is buying. Cash from operations fell to $2.9 billion (from $7.4 billion two years ago); free cash flow was $2.18 billion; dividends paid were $2.41 billion. The $1.64 annual dividend — $0.41 a quarter since November; the next payment lands on October 1, the day of the print — is 78% of reported earnings and **104% of earnings ex the refund**. The buyback is the shock absorber, and it has already absorbed: $146 million last year against $4.25 billion two years earlier, nothing at all for the last four quarters, with $5.9 billion of authority reapproved in June without an expiry. The balance sheet can pay the dividend for years — $9.0 billion of cash and short-term investments against $7.9 billion of debt — though $2.0 billion of that debt matures by March at a blended 2.6% coupon, refinanceable at roughly double the rate. Whether the *business* pays the dividend is the question: our base case has free cash flow to equity covering it 1.28 times this year (helped by the $684 million tariff collection) and 1.16 times next; the bear case 1.16 then 0.96. The rating agencies have said as much: S&P cut Nike to A+ from AA− in July 2025 and put it on negative outlook in April 2026, citing a turnaround "longer than expected"; Moody's cut to A2 from A1 in November 2025 and expects operating income to "remain below 2018–2019 levels in fiscal 2027."

What pays the dividend



How to read it. Each fiscal year, 2017 to 2026, has two bars in billions of dollars: the solid gold bar is free cash flow (cash from operations less capital expenditure, from the cash-flow statement) and the hollow black bar is dividends paid in cash. Compare the heights within each year: when the gold bar is taller the business funded the dividend with room to spare; in fiscal 2026 the hollow bar is taller for the first time in the decade (2.18 against 2.41). Buybacks are not drawn; they are what absorbed the difference in earlier years.

The competition. Nike's share of global sports footwear fell from about 29% in 2022 to about 23% in 2025 (Euromonitor, as reported); adidas grew 14% currency-neutral in its second quarter with North America up 17%, Greater China up 15% and its performance business up 39%, led by football and running; On grew 22%; Birkenstock 15%; HOKA is guided to low-double-digit growth. The category is not in recession; its stocks are — On, Deckers, lululemon and Dick's all set 52-week lows the week Nike did. The skeptic's best card is not that Nike is losing share (adidas's numbers are the proof). It is that **Nike is not cheap against the peers that are winning**: at 17 times reported and 22.6 times ex-refund earnings, a buyer of Nike pays more than a buyer of adidas (about 18x) for a company growing slower, and far more than lululemon (8x) or Deckers (11x).

Is the plan enough?

Management's answer to the fall has a name, five actions and a deadline. Win Now, launched December 2024: culture ("lead with sport and put the athlete at the center of every decision"); product (a complete portfolio, and the rightsizing of "3 very important franchises, Air Force 1, Dunk, and the AJ1"); marketing (brand and sports marketing over performance marketing); marketplace (NIKE Direct "a premium destination" again, wholesale partners re-engaged, Amazon back in the fall of 2025, Foot Locker positive for the first time in four years); and a "ground game" in key countries and cities. The Sport Offense, announced June 2025 and staffed with about 8,000 people by September, replaced the men's, women's and kids' structure with cross-functional teams by sport. The supply-chain and technology reset — $385 million of severance in fiscal 2026, distribution capacity cut, a network to become "more of a variable cost" — began only in the third quarter. Win Now sunsets at the end of calendar 2026; the Investor Day on November 16–17 is where management has said it will "share a more detailed long-term view of the business."

The test of a turnaround plan is whether it addresses the causes of the fall, with evidence. Cause by cause:

THE CAUSE	WHAT THE PLAN DOES	EVIDENCE SO FAR	WHAT OUR MODEL ASSUMES	TESTED BY
Over-reliance on three classic franchises	Rightsize Air Force 1, Dunk and Jordan 1; "return to the discipline of franchise management"	Over $4 billion of revenue removed from peak classic levels by the end of fiscal 2026; the Dunk still "managed aggressively down"; Sportswear and Jordan still about half of revenue	Base case: revenue −3% in fiscal 2027, growth resumes in fiscal 2028	Gauges 2 and 3 (the revenue frame)

		and negative into fiscal 2027		
A digital-first marketplace that partners felt "turned our back on them"	An integrated marketplace: partners re-engaged, 15,000 wholesale spaces refreshed, Amazon back, partners segmented by sport	Wholesale +4.9% in fiscal 2026 and North America wholesale +10% in the fourth quarter (with help from lower returns and reserves); "order books are growing, and we are taking back shelf space"	Base case: wholesale carries fiscal 2027–28 growth	Gauge 4
A "far too promotional" direct business	NIKE Direct back to full price; promotions "during traditional retail moments"; factory stores for excess	European off-price digital down over 50%, full-price realization up 15 points — but Direct −6.6% in fiscal 2026 and "digital is still too promotional" in March	Base case: gross margin back toward 44% by fiscal 2032	Gauges 1 and 5
Marketing shifted from brand-building to performance marketing	Reinvest in brand and sports marketing; demand creation up high single digits into the World Cup	Running +$1 billion over five quarters and five share points in statement footwear; World Cup kits at 2.5 times 2022	Demand creation held near 10% of revenue	Not a print variable
A fixed cost base built for a bigger direct business	Supply-chain and technology reset; distribution capacity cut; operating overhead declining	Q1 SG&A guided flat "with operating overhead declining, while demand creation grows high single digits"; but SG&A is 34.7% of revenue against 32–33% pre-pandemic, no target has been given, and leverage is promised only "as we return to organic growth"	Base margin of 11.5% by fiscal 2032 is consistent with roughly a 44% gross margin less a 32.5% cost ratio — the pre-pandemic ratio regained (the model runs the operating margin directly)	Not a print variable; the Investor Day
Greater China down 29% since fiscal 2021	A deeper reset: the online distributor exit from January 2027, locally created product from holiday 2027, a 100-door store pilot; "profitability will bottom before sales"	Revenue −11% and segment profit −20% in fiscal 2026; management: "a full recovery will take time"	Base case: China flat in fiscal 2028 after the exit; bear case: no offset	Gauge 6

Tariffs	Pricing and sourcing shifts; 10% then 15% assumed in the guide	About 120 basis points of fiscal 2026 gross margin before the refund	The ex-refund base	Gauge 1 (the net)
An innovation gap against On, HOKA and adidas	The Sport Offense; Mind, Aero-FIT, the Mercurial; a full 2027–28 innovation agenda reviewed; the first full pipeline in spring 2027	Performance up mid-single digits; football, training and basketball “expected to return to growth over the next few quarters”; but “sports dimensions currently represent less than half of our total portfolio”	Bull case only: the performance halo reaches Sportswear from fiscal 2028	Cannot be settled by this print

The marketing question. Nike’s glory was built on inspirational marketing, and the company’s own diagnosis is that it stopped doing it. Hill, December 2024: “we’ve shifted investments away from creating demand for our brand to capturing the brand demand through performance marketing for our digital business,” and “we’re not delivering inspiring stories.” The budget was never the problem — demand creation rose from $3.75 billion in fiscal 2019 to $4.75 billion in fiscal 2026, and at 10.2% of revenue it is the highest share since fiscal 2015 — the mix was. The plan is to shift dollars from performance to brand marketing (cutting paid media knowing digital traffic would fall double digits), to re-sign the platforms Hill calls “the creative fuel for our brand” (the NBA, WNBA, Brazil’s federation, Barcelona and the NFL), under a chief marketing officer who spent two decades at Nike, left to co-found an agency and returned in January 2024, with Wieden+Kennedy still making the work. The work is visible — “Winning Isn’t Comfortable” for running, “So Win” at the Super Bowl (the first in 27 years), the World Cup “Rip the Script” universe at 1.5 billion first-week views by management’s count — and so is the effect where sport moments were the play: Running’s $1 billion and five share points, kits at 2.5 times 2022. Three things are not yet answered. The roster: football’s two brightest young stars signed elsewhere — Yamal with adidas in February 2024, Mbappé with On this month. The budget: brand marketing expense fell in the first and fourth quarters of fiscal 2026, the CFO said in December “we feel good about where we’ve leveled our brand marketing investment,” and Nike sat out Super Bowl 60, as Adweek reported — so the bet is better stories on a budget guided up high single digits from a share of revenue already at its highest since fiscal 2015, against an adidas that added €212 million of World Cup marketing in a single quarter. And the measure: management cites “internal and external brand tracking” but discloses none, so the only scorecards a reader can hold it to are share — still falling in aggregate, rising where the campaigns ran — and Sportswear, which is still shrinking.

The ambition. Management has not said "back to $51 billion" or "back to high-teens margins." What it has said is specific and bounded: "double-digit margins are something that are achievable ... we look no further than our history"; "it starts with reigniting organic growth"; and only then "operating leverage on our supply chain costs, on our retail overhead and on our general operating overhead." Hill's frame is a decade, not a quarter — "we're building it for the decade to come." Our base case is a literal translation of that ambition: fiscal 2024's revenue regained by fiscal 2031, the fiscal 2023–24 operating margin by fiscal 2032 — a slower, lower version of the 2021 framework, whose every line missed. Our bull case is the version management has not promised: the fiscal 2022 margin and $61 billion of revenue by fiscal 2032. The market prices halfway between our base case and last year.

The reference class. adidas ran this playbook two years earlier. Bjørn Gulden arrived in January 2023 with a Yeezy hole and a wholesale-first, classics-scaled, football-led reset; operating profit went from €268 million in 2023 to €1.34 billion in 2024 to €2.06 billion in 2025 on record revenue of €24.8 billion — about 8% in year three, guided to around €2.3 billion in 2026. Nike's plan started in December 2024; its year three is fiscal 2028, where our base case has 8.2% — the adidas pace, not faster. Our bull case asks for 11.4% by fiscal 2029, well ahead of the reference class's pace, which is one reason it carries the smallest weight. Under Armour is the other end of the reference class: Kevin Plank returned in April 2024 ("we are simply doing too much stuff"), and two years on revenue is still shrinking and the company lost money over its latest fiscal year. Nike's advantages over that case are real — a performance business already growing, a scale four times adidas's in North America — and they are why the downside case carries 30% of our weight rather than half.

Verdict on the plan. It addresses the four self-inflicted causes, with evidence on three: the classics have been cut, the wholesale relationships rebuilt, the promotions reduced. It addresses the cost base late and without a number: the fixed-cost reset began in the third quarter of fiscal 2026, and management's stated path to double-digit margins runs through revenue first, which makes the margin target a growth bet. And it does not yet answer, with numbers, the two questions the fall actually turns on: what replaces the $4 billion of classics — the new Sportswear styles arrive in the second half of fiscal 2027 and are unproven — and what the company should cost to run at $46 billion of revenue. That is why the price sits at a 9.3% terminal margin: read through our model, the market credits the cleanup and withholds credit for the growth. Thursday's print cannot answer either question; it can only show whether the cleanup is still costing more than planned. The Investor Day is where the ambition gets numbers, and the reversal conditions below say which numbers would move us.

What $36 has to believe

Reverse-engineer the price through our base engine — revenue down 3% this year, then +1.5%, +4%, +4.5%, +4%, +3.5%; 3% terminal growth; a 9.37% cost of equity — and the market cap of $53 billion makes a specific claim:

> **A terminal operating margin of 9.3%** — against 6.1% delivered last year ex-refund, "double-digit" promised, and 12.2–14.3% earned in every year from fiscal 2019 to 2024 outside the pandemic.

Equivalently: a 1.6-point downward shift of our entire base margin path; or a 10.5% cost of equity on our base operations; or, at base margins, revenue shrinking 1.2% a year through fiscal 2032. On the multiple, $35.76 is 20.8 times the ~$1.72 fiscal 2027 consensus and 17.9 times our base-case fiscal 2028 EPS of $2.00 — a premium to every peer but On, on a company guided to shrink this year. A basis note for the reader who prefers the reported numbers: on the reported $2.10, the stock is 17.0 times; on the reported 8.2% margin the price requires no recovery at all. That is the flattering comparison, and it counts a one-time refund as recurring earnings.

Valuation

We value the equity two ways. The first is a multi-stage **FCFE** model (free cash flow to equity, discounted at the cost of equity): six explicit years, fiscal 2027–2032, then a terminal value; stock compensation left inside operating expense as the real cost it is; the diluted share count held flat at 1.48 billion (buybacks are the use of the cash we discount, so shrinking the count would count them twice; neither leg models a buyback — each $1 billion retired at $36 would lift fiscal 2028 EPS about 2%, and the board has not bought a share in four quarters); the $684 million tariff receivable collected this year added to this year's cash; net cash of $1.1 billion added. The cost of equity is 9.37%: the 5.18% ten-year Treasury (up from 4.96% in the two sessions before this note; a return to 4.7% is worth about $4 a share, a rate error rather than an operating one), a 0.93 beta (0.90 regressed over two years of daily returns, adjusted toward one), and a 4.5% equity risk premium. The second method applies a price-to-earnings multiple to **fiscal 2028** earnings — the first full year that carries the China online-distributor exit, effective January 2027 — discounted back one year. Three scenarios, weighted 30/45/25 — the downside carries more weight than the upside because both things it needs, Sportswear still shrinking and China losing the distributor revenue, are already in the reported run-rate, while the upside needs share to come back from competitors currently taking it:

SCENARIO (WEIGHT)	THE STORY	REVENUE FY27 → FY32	OPERATING MARGIN → TERMINAL	FCFE VALUE	FY28 EPS × P/E	BLEND (60/40)
Downside (30%)	The reset does not hold: Sportswear and Jordan keep shrinking, China loses the distributor revenue with no offset, gross margin stalls near 41%	−5.5% then +2% a year; $45.8B in FY32	5.6% → 8.5%	$25	$1.55 × 14	**$23**
Base (45%)	A slow, real turnaround: growth resumes modestly in FY28, gross margin climbs back toward 44%, margin reaches the FY23–24 level by FY32	−3% then +1.5–4.5%; $53.4B	6.6% → 11.5%	$42	$2.00 × 18	**$38**
Upside (25%)	The Sport Offense compounds; share recovers in North America and Europe; China stabilizes on the direct model; the FY22 margin returns	−1% then +5–7%; $61.2B	7.0% → 14.0%	$61	$2.42 × 22	**$56**
Probability-weighted				**$42**	**$33**	**$38**

Our base-case fiscal 2027 EPS of **$1.58** sits below the ~$1.72 consensus, alongside the skeptical end of the sell side (JPMorgan $1.55, UBS $1.30, Stifel $1.70); our fiscal 2028 EPS of $2.00 is below Stifel's $2.05. The multiples — 14, 18 and 22 times — bracket a peer band that runs from 8 (lululemon) to 20 (On); 18 is a modest premium to adidas for a Nike that has restored a double-digit margin, and none of the three assumes the thirty-times regime returns. The multiple method is the lower one, which is the honest reflection of the fact that on a two-year view Nike does not look cheap against its peers. Two caveats, stated plainly: the terminal value is 67–77% of the cash-flow value in every scenario — a turnaround valuation is necessarily a valuation of the far end — and the first-year revenue number, the one the print will headline, is worth only about $2.40 a share across its plausible range (−6% to 0%).

Sensitivities, base engine, cash-flow method: terminal margin held at last year's 6.1% (no recovery at all) → $27, 8.5% → $34, 10% → $38, 11.5% → $42, 13% → $46, 14% → $49. Cost of equity 8.5% → $49, 9.37% → $42, 10.5% → $36.

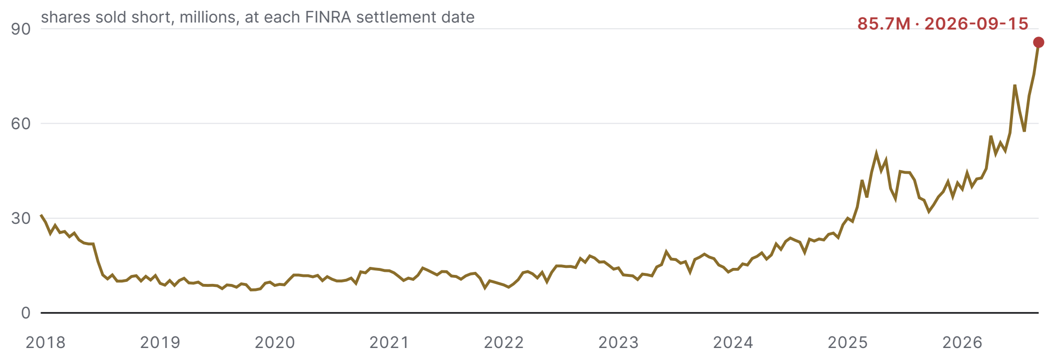
⚐ Risks — in both directions

Toward the downside. The print resets fiscal 2027: UBS's channel checks say sales "deteriorated over the last three months" and it models an implied second-quarter outlook of $0.31–0.43 against the Street's $0.53; BofA now expects negative sales growth through the year. Gross margin fails to expand against an easy comparison, and the seven-quarter streak becomes eight. China: JPMorgan estimates the distributor exit removes roughly $1 billion of revenue — a sixth of the segment by our arithmetic, "about 20%" in JPMorgan's — before the direct model replaces it; Nike has not put a number on it. The dividend: a cut would be the first in 23 years and would remove the only reason the yield-buyer owns the stock — we put a low probability on it, not zero. Governance churn — CFO, controller and a director out within three months — and an Investor Day that, like the 2021 one, sets targets the company then misses. And rates: the ten-year at 5.18% is the discount rate; each 50 basis points is about $3.60 of value.

Toward the upside. The short position is a record — 85.7 million shares at the September 15 settlement, up from 45.7 million on March 31 and 23 million two years ago, 7.1% of the Class B shares, 3.1 days to cover — and any print that is merely in line has mechanical buyers behind it. The squeeze case is real but bounded: at that size and three days to cover, this is a crowded short that can produce a violent two- or three-session cover rather than a lasting squeeze.

Short interest at the last five prints ran 36, 32, 37, 46 and 72 million shares; the largest reaction in the archive, +15.2% in June 2025, came with 36 million short, and the +4.9% of June 2026, with 72 million, was followed by 15 million shares of covering over the next month. Today's 85.7 million is 2.4 times the June 2025 base. A cover that exceeds the ±8% priced and then retraces once the buying is done is the June 2025 shape; the same move followed by a held 50-day and a shrinking short book through November is the re-rating. The bar is on the floor: management has already guided the quarter down, and the last eight prints beat consensus EPS by an average of 49%, twelve in a row — which is precisely why headline EPS is not one of our gauges. The World Cup sat inside the quarter (June 11–July 19); management described "a strong bounce back with the World Cup momentum" in June. The buyback can be switched back on at any time.

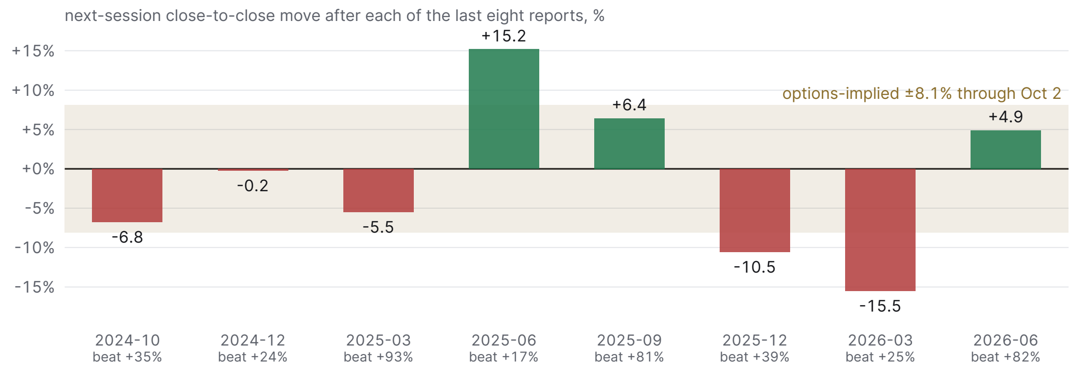
A record short position into the print



How to read it. One gold line traces the number of NKE shares sold short, in millions, at every FINRA settlement date from December 2017 to September 15, 2026 (two settlements a month). The red dot is the latest reading. Read the level against the whole history: the current 85.7 million is the highest point on the line, roughly four times the level of two years ago. As a share of the traded Class B stock it is 7.1% (5.8% of all shares); the chart shows shares, not percentages, because the share count barely moved over the period.

Insiders and the market's own read. Nobody inside has put money in at $36. The September 1 filings that a circulating piece called "insiders buying" are the annual equity grants (restricted stock and options, footnoted as such); there were no open-market purchases in six months and a handful of small sales in June and August. Options price a **±8.1% move** through the October 2 expiry (implied volatility 74%, puts bid) against a median realized move of ±6.6% over the last eight prints; the stock closed *up* after only three of the eight, and fell 15.5% and 10.5% after beats of 25% and 39%. Presented as information, not as a verdict.

What the stock did after its last eight reports, against what options price now



How to read it. Each bar is the close-to-close move of NKE in the first session after one of its last eight quarterly reports, in percent, oldest on the left; green is up, red is down, and the small label beneath each bar is the size of that quarter's EPS beat against consensus. The shaded gold band is the move the options market currently prices for this print (±8.1%, from the at-the-money straddle expiring October 2). Compare bar heights with the band: three of eight moves exceeded it, and five of the eight reactions were down despite every one being a beat.

Thursday night: what the print decides — and what it can't

The October 1 report is the first quarter under management's "flattish earnings, ex refund" frame, the first with the World Cup, the first reported by the new CFO, and — by the company's own guide — the first with gross-margin expansion in two years. It does not test the China distributor exit (January), the Investor Day framework (November), or Sportswear's promised second-half improvement. A beat on the $0.44 consensus is not information; our gauges are chosen so that none can be cleared by a headline beat alone.

We froze the scorecard before the print (Addendum 1 — thresholds immutable; each gauge carries a silence branch saying what not-given means, and a reading rule saying what the model does with the answer). The eight questions, stacked:

> **Does gross margin expand year over year for the first time in eight quarters?**
>
> Cleared at 42.3% or better against the 42.2% base; a flat print is not cleared. The largest channel in the model: each 100 basis points of fiscal 2027 gross margin is about $4 a share. The reading rules are mirrored: a clear by 50 basis points or more moves the model up through the same channel a miss moves it down, and the same holds for the Direct and China gauges.

Does the second-quarter revenue guide hold the "down low-to-mid single digits" frame?

Cleared if the midpoint is no worse than −6%. No guide at all is a posture change — the company guided the quarter in June — and scores as the negative branch.

Is the "flattish earnings through Q2 FY27, ex refund" frame reaffirmed, or replaced by a full-year frame?

Cleared if reaffirmed or if a new frame implies first-half EPS of $0.90 or more. Silence is the negative branch: a frame given twice and then dropped.

Is North America wholesale still growing?

Any positive currency-neutral number clears it; if the channel is not broken out, we grade on North America total revenue and say so.

Has NIKE Direct's decline narrowed?

Cleared at −5% or better, against last year's −6%. This is where the "smaller by choice" reading earns or loses its evidence.

Does Greater China hold the "in line with recent performance" frame?

Cleared at −12% or better, reported. Worse, and the bear China path becomes our base path before the distributor exit even lands.

Is inventory still being cleaned, not rebuilt?

Cleared at $8.0 billion or below (base $8.11 billion a year ago).

Did the board use the buyback at a twelve-year low?

Cleared at $100 million or more of repurchases in the quarter. A zero here is not silence; it is the answer — a company with $5.9 billion of authority not buying at $36 is telling you something.

What the print cannot settle — frozen in advance so no outcome gets over-read: whether the lifestyle half of the business returns to growth (second half at the earliest, by management's own account); what the China direct model earns after January; what the Investor Day names as the margin target; whether the brand's cultural position against adidas and On is cyclical or permanent; whether the multiple regime returns. Accordingly we pre-committed a bound at the freeze: **no single-print outcome moves our central fair value outside $34–$44.** The rule is symmetric: either tail rises to 45%, the base holds 40%, the other tail falls to 15%

— the bear tail at 45% gives $34.07, the bull tail at 45% gives $43.94. Scenario values themselves move only from an archived model rerun in the post-event note, and only if the release changes a model input — never from the tape.

The market's own posture into the print, briefly: options pay ±8.1% for a median ±6.6% event, with puts bid; a record short position has grown 87% into a quarter the company already guided down; nine sell-side cuts in sixteen days have left the mean target still 28% above the price — the revision cycle is *not* spent, which is the opposite of the setup we found on Palo Alto Networks in August; and the stock has closed down after five of the last eight prints, three of them beats. No prediction-market contract exists for this event. These are reads, not positions; each has a grader and settles on the ledger.

◑ What would change our view *(reversal)*

We move toward the upside case — and would say Nike is cheap, not fair — on any of: two consecutive quarters of gross-margin expansion of 100 basis points or more; an Investor Day framework that names a double-digit operating margin by fiscal 2028, or an SG&A ratio at or below 33% of revenue for that year, *with* a first-half print that has not lowered the earnings frame; NIKE Direct returning to growth while wholesale keeps growing; or a durable return of the ten-year Treasury toward 4.5%, in which case our discount rate, not the company, was the error — stated symmetrically. We harden toward the downside on: an eighth consecutive gross-margin decline; a second-quarter guide worse than mid-single digits down, or a withdrawn earnings frame; Greater China worse than −12% with the distributor exit still ahead; or a dividend cut, which would end the yield thesis and confirm the cash-flow one. One quarter is enough on the downside because it would be a broken guide; the upside needs two because the first expansion is the guide itself.

What buying would look like

"Fairly priced" is not an answer to the question in the title. At $35.76 the stock is priced for half a turnaround, and it becomes a buy in one of two ways, which are different trades: the price falls to where the downside case is what you are paying for, or the evidence arrives that moves the probability toward the upside case while the price has not moved yet. Both are observable. Neither is a beat, a dividend yield, or a cross of the 50-day average. Written as conditions and levels, not as a call:

CONFIGURATION	PRICE	FAIR VALUE THE EVIDENCE SUPPORTS	UPSIDE	WHAT HAS TO BE ON THE TABLE
Distress entry	About $30 or below	$38 — today's base case	About 27%	Nothing new has to go right. The print and the Investor Day must simply not break the base path: gross margin not an eighth decline, the second-quarter guide no worse than −6%, the earnings frame intact, no dividend cut. At $30 the price sits an ordinary print move below the frozen band's floor of $34; the downside scenario itself is worth $23, so the buyer is not paid for the downside case, only for the base case not breaking.
Evidence entry	$35–38	$44 — the top of the frozen band, the bull weight at 45%	16–26%	Two of the three margin gauges clear on October 1 (gross margin at or above 42.3%; NIKE Direct at or above −5%; Greater China at or above −12%), and the November Investor Day names either a double-digit operating margin by fiscal 2028 or an SG&A ratio at or below 33% of revenue for that year, with the earnings frame not lowered at the print — the reversal conditions above, met. The first moment the price sits below what the evidence supports by a margin worth acting on.
Confirmation entry	$40–45	$56 — the bull path	24–40%	Two consecutive quarters of gross-margin expansion of 100 basis points or more, NIKE Direct back to growth while wholesale keeps growing, and the second half of fiscal 2027 showing the new Sportswear styles

selling through. A higher price and far more certainty: the bull case is what is being bought, and it is still cheap if it is real.

The ladder is the point. The same stock is a buy at $30 on no news, at $36 on the Investor Day, and at $45 on two clean quarters. What is not a buy is the configuration in between: a print reaction on a headline beat with the margin lines mixed — the shape of the last eight prints, every one a beat, which the tape sold five times and bought three.

The tape confirms; it does not lead. A close above the 50-day average that holds for ten sessions — longer than the seven the best of the fifteen crosses managed since the 50-day fell below the 200-day in November 2025 — for the first time since November 2025, with short interest coming off its record at the next two settlements, is the market agreeing with the evidence entry. A cross that fails inside a week — thirteen of the fifteen so far did, and none lasted longer than seven sessions — is the market not agreeing, and short interest still building at those settlements says the same.

The dates that carry it: October 1 (the eight gauges); November 16–17 (the cost and margin numbers, the one thing management has withheld); mid-December (the second-quarter print, not yet company-confirmed, which tests the “flattish” frame and the second-quarter guide); January 2027 (the China distributor exit lands); spring 2027 (the first full Sport Offense pipeline reaches the market).

Recommendation

Rating: Hold. Fair value $38 against $35.76. The stock is fairly priced for a partial turnaround; it is neither cheap nor a trap.

Posture into the print: no position. A 6.6% gap to fair value is inside the ±8% the options market prices for Thursday, and a 0.9-beta consumer turnaround is not an alpha source for the Fund at this price.

Entry, by configuration (defined in the ladder above): distress, at or below about $30 with the base path unbroken; evidence, at $35–38 once the margin gauges clear and the Investor Day names a margin or cost number; confirmation, at $40–45 after two clean quarters. Earlier and higher only as a relative-value expression against the peers taking its share.

Exit or reverse: a dividend cut, an eighth gross-margin decline, a second-quarter guide worse than −6% or a withdrawn earnings frame, or a Greater China print worse than −12% before the distributor exit — the downside reversal conditions — remove the base case, and with it the ladder.

Review dates: October 1 (the print; the post-event note scores the eight gauges), November 16–17 (the Investor Day), mid-December (the second-quarter print). Any position taken is sized under house rules: small or not at all.

How we got here

This note distills an exhaustive working draft — statements, segments, channels, competitive position, governance, the model surfaces — archived unformatted and available as the annex on request. Every number here comes from a filing, a company transcript, exchange data, or the archived model; where a figure is an estimate (scenario paths and weights, the 4.5% equity risk premium, the beta adjustment, the peer multiples, the ~$1.72 consensus implied from published "below consensus" statements) it is labeled as one. The scorecard was frozen through the house event-pair standard before the print; the post-event note will score all eight gauges — none added, none dropped, misses first — and move the fair value only from the model, inside the pre-committed band.

Sources & Method

Filings (SEC EDGAR via edgartools). FY2026 10-K, filed 2026-07-15 (accession 0000320187-26-000088): consolidated statements; Note 1 (IEEPA benefit, $986M; $302M collected, $684M receivable collected after year-end); Note 6 (long-term debt schedule); Note 17 (leases: operating lease cost $693M, variable $453M); Note 18 (severance $385M); share repurchase program ($18B, $12.1B used, $5.9B remaining, reapproved June 2026 without expiry); endorsement obligations ($15.5B; $1.7B within 12 months); store counts; Class A 281,387,752 / Class B 1,202,110,951 shares (cover, 2026-07-08). 10-Qs FY2024–FY2026 (segment and sales-channel XBRL, three-month durations; fourth quarters derived as full year less nine months). 8-K 2026-06-30 (Q4 FY26 release, EX-99.1); 8-K 2026-06-23 (pre-announcement of the tariff benefit; CFO transition; Denton offer letter and performance cash award tied to FY27 EBIT-margin growth); 8-K 2025-09-30 (Q1 FY26 release — the year-ago bases: revenue $11.72B, gross margin 42.2%, NIKE Direct $4.5B, inventories $8,114M, repurchases $123M); 8-K 2026-08-10 (controller); 8-K 2026-09-16 (Arnault); 8-K 2020-06-25 (Q4 FY20 release), 8-K 2021-06-24 (Q4 FY21 release), 8-K 2024-06-27 (Q4 FY24 release), 8-K 2024-09-19 (CEO change: Hill appointed, Donahoe retired, effective 2024-10-14), 8-K 2024-12-19 (Q2 FY25 release), 8-K 2025-06-26 (Q4 FY25 release); annual segment and channel XBRL from each 10-K FY2019–FY2026; Form 4 filings 2026-03-28 to 2026-09-10 (parsed per trade; grant footnotes F1/F5). **Company transcripts (official, Nike IR).** Q4 FY21 (2021-06-24: the fiscal 2025 framework), Q4 FY24 (2024-06-27: the guide-down and the classic-franchise diagnosis), Q2 FY25 (2024-12-19: Hill's first call, Win Now), Q3 FY25 (2025-03-20), Q4 FY25 (2025-06-26: the Sport Offense, Amazon, tariffs), Q1 FY26 (2025-09-30: the $1.5 billion tariff estimate, the path to double-digit margins), Q2 FY26 (2025-12-18), Q3 FY26 (2026-03-31: the fixed-cost diagnosis, the $4 billion classics reduction, the Investor Day) and Q4 FY26 (2026-06-30) — every management quotation is from these transcripts; guidance for Q1 FY27 from the Q4 FY26 call (revenue down low-to-mid single digits reported, gross margin slightly positive YoY, SG&A flat, tax low-20s, tariffs 10% then 15%); Investor Day November 16–17. **Market data.** Robinhood: official closes (NKE $35.76, 2026-09-25), fundamentals (52-week range, market cap, dividend schedule), analyst ratings (updated 2026-09-05: 12/26/6, mean $45.78), verified earnings date, daily bars NKE and SPY 2024-09-03 to 2026-09-24 (moving averages, death cross 2025-11-14, the fifteen closes above the 50-day since it and their forward returns, RSI/MACD, realized volatility, beta 0.90 two-year daily), monthly bars 2013–2026 (the April 2014 low, the November 2021 high); weekly bars 2019–2026 (the arc exhibit; peak week 2021-11-01 close $177.51; the June 2024 and April 2025 lows). Schwab option chain via the house earnings-setup engine, 2026-09-25 (ATM straddle $2.90 on $35.75, IV 74%, 25-delta skew −3.8; reaction history from Alpha Vantage report dates joined to Schwab closes). FINRA short interest via Massive (settlements 2017-12-29 to 2026-09-15; percentile over the last 48 settlements; the traded-class denominator is Class B — the house tool's Class A default is corrected in the discrepancy log). FRED: DGS10 5.18%, DAAA 6.13%, DBAA 6.57% (2026-09-24). **Peers.** adidas Q2 2026 release (2026-07-30); On Q2 2026 release (2026-08-11); Deckers FQ1 FY27 release (2026-07-23); Birkenstock FQ3 FY26 release (2026-08-20); lululemon Q2 2026 (2026-09-03); trailing P/E and price/book from Robinhood fundamentals 2026-09-25; Euromonitor share figures as reported by Retail Dive; demand creation FY2019–FY2026 from XBRL (MarketingAndAdvertisingExpense, each 10-K); the CMO appointment as reported by Marketing Dive and Adweek (2024, 2025), the campaigns' agency as reported by Ad Age and Campaign, Nike's absence from Super Bowl 60 as reported by Adweek; adidas FY2025 results release (2026-03) and Q2 2026 release; Under Armour 8-K 2024-03-13 (Plank's return) and FQ1 FY27 results; the 2020 wholesale-account exits as reported by Marketing Dive (August 2020); the March 2021 Xinjiang boycott as reported by the South China Morning Post and Bloomberg. **Index, ratings, sell side.** S&P Dow Jones Indices press release 2026-09-04 (S&P 100 changes effective 2026-09-21; no S&P 500 change for NKE). S&P Global Ratings 2025-07-16 (AA− → A+) and 2026-04-17 (outlook negative), Moody's 2025-11-13 (A1 → A2), each as carried by SGB Media and Yahoo Finance (the agency pages are access-restricted). JPMorgan 2026-08-04, Morgan Stanley 2026-09-10, UBS 2026-09-17, Stifel 2026-09-20, BofA 2026-09-25 as carried by Yahoo Finance and Investing.com; On press release 2026-09-18 (Mbappé, Henry). **Model.** `model.py` → `model_results.json` and the downloadable workbook: FCFE with mid-year discounting from a 2026-09-25 valuation date (68% of FY27 unelapsed), D&A 1.65% and capex 1.8% of revenue, working capital 10% of the revenue change, tax 21%, share count 1.4816B held flat, net cash $1.085B; P/E on FY2028E discounted one year at the cost of equity; reverse DCF by bisection on the base engine. **Judgment inputs, labeled:** scenario paths and weights (30/45/25), ERP 4.5%, Blume beta adjustment, multiples 14/18/22x. **Known gaps, stated:** no premium consensus aggregate (revenue consensus from published previews; FY27 EPS consensus of ~$1.72 implied from JPMorgan's and BofA's stated distance below it); Nike gives no full-year guide; the China distributor revenue is JPMorgan's estimate and Pou Sheng's statement, not a Nike disclosure; borrow fee and utilization are unobserved. The exhaustive working draft this note distills is archived alongside. Standard disclosure block attaches at publication.

Addendum 1 (frozen pre-event stack): the immutable gauge table, module reads, sensitivity channels, what the print cannot settle, the $34–44 fair-value move cap, and the tells — locked before the print via the house event-pair standard. **Addendum 2 (post-event scorecard):** published as its own follow-up note after the October 1 print, scoring all eight frozen gauges — none added, none dropped, misses first. Once live it will be linked from this page and from the research library.

ADDENDUM 1 · THE PRE-EVENT STACK, FROZEN

The scorecard we froze before the print

RUBRIC FROZEN · 2026-09-25 · 18:21 PT · 8 GAUGES · PAIR PENDING

This addendum is the commitment half of the event pair: the scoring rubric, the market reads at freeze, and the bounds on how far the fair value may move on any single-print outcome — all fixed *before* the evidence exists. Addendum 2 (the post-event stack) scores it after the print as its own note. **Fair value at freeze:** $38 probability-weighted (bear $23.02 / base $38.30 / bull $55.92). **Spot at freeze:** $35.76 official September 25 close (the Schwab quote at freeze time read $35.79; both documented, the close is authoritative). **Pre-committed fair-value move cap:** no single-print outcome moves the central value outside **$34–$44**. Rule (symmetric): either tail to 45%, base 40%, other tail 15%. Bear tail: 0.45×23.02 + 0.40×38.30 + 0.15×55.92 = **$34.07**; bull tail: 0.45×55.92 + 0.40×38.30 + 0.15×23.02 = **$43.94**. Scenario *values* move only from an archived model rerun in Addendum 2, and only if the release changes a model input (a guide, a margin, the share count) — not from the tape's reaction.

1. The frozen gauge table (8 gauges; every one has a silence branch; the post scores all of them, none added, none dropped)

#	GAUGE ID	QUESTION THE PRINT ANSWERS	CLEARED IF	SILENCE BRANCH (WHAT NOT-GIVEN MEANS)	READING RULE (WHAT THE MODEL DOES)
1	`nq1-gm-inflect`	Does gross margin expand YoY for the first time in eight quarters?	Q1 FY27 gross margin ≥ 42.3% (base 42.2%); flat = not cleared	Always in the release; absence = delayed release → not-given, window extends	Missed → base FY27 EBIT margin −40bp, bear weight +5pts unless a disclosed one-time item explains it; cleared by ≥50bp (≥ 42.7%) → base gross-margin path +30bp, bull weight +5pts
2	`nq1-q2-rev-guide`	Does the Q2 revenue guide hold the frame?	Q2 FY27 revenue guided no worse than mid-single digits down (midpoint ≥ −6% reported)	No Q2 guide → not-given AND a posture change (Q2 was guided in June); scored as the negative branch	Worse than −6% → base FY27 revenue growth moves to the guide-implied rate (~$0.40/share per point)
3	`nq1-h1-frame`	Is the ‘flattish earnings through Q2, ex refund’ frame reaffirmed?	Reaffirmed as stated, or an explicit FY27 frame implying H1 EPS ≥ $0.90	Not mentioned → not-given; silence IS the negative branch (a frame given twice, then dropped)	Withdrawn or lowered → base FY27 EPS re-anchored to the new frame, stated in the post
4	`nq1-na-wholesale`	Is North America wholesale still growing?	NA wholesale revenue up YoY, currency-neutral (base NA +4%, wholesale +5% cc)	Not broken out → grade on NA total revenue ≥ 0% cc, note the basis switch	Negative → base NA growth FY27–28 lowered; the wholesale-recovery thesis downgraded to a claim

5	`nq1-direct-floor`	Has NIKE Direct's decline narrowed?	NIKE Direct revenue YoY (reported) ≥ −5.0% (FY26 −6%; base $4.5B)	Always in the release; absence = delayed release → not-given	Worse than −5% → base FY27 revenue −0.5pp; flat or growing → base FY27 revenue +0.5pp; no margin change either way
6	`nq1-china-floor`	Does Greater China hold 'in line with recent performance'?	Greater China revenue YoY (reported) ≥ −12.0% (base $1,512M)	Always in the release; absence = delayed release → not-given	Worse than −12% → the bear China path becomes base for FY27–28; better than −8% → the bull China path becomes base
7	`nq1-inventory`	Is inventory still being cleaned, not rebuilt?	Inventories ≤ $8.0B (base $8,114M)	Always on the balance sheet; absence = delayed release → not-given	> $8.0B → base FY27 gross-margin path −30bp; > $8.5B → bear weight +5pts
8	`nq1-buyback`	Did the board use the reapproved authorization?	Share repurchases in Q1 FY27 ≥ $100M (zero the last four quarters; $123M a year ago)	Line absent or zero → not cleared; silence IS the answer	Cleared → no model change (count held flat); posture upgraded in the risk register. Not cleared → the coverage question stays open

Gauges are registered as `triggers:` on the `nke-q1-fy27` house record, catalyst-dated 2026-10-01; year-ago bases from the Q1 FY26 release (8-K 2025-09-30).

2. Module reads at freeze (each read has its grader; probabilistic reads grade as ledger rows, never "missed")

Options (implied move). October 2 expiry (Schwab, 9/25): ATM straddle $2.90 on spot $35.75 → **implied move ±8.1%** through the reaction session (ATM IV 74%; 25-delta skew -3.8, put side bid). Realized history: median absolute reaction ±6.6% over the last 8 prints, mean ±8.1%, max ±20.0% (12q); up after 3 of the last 8. Every one of the last twelve prints beat consensus EPS (average surprise 49%); five of the last eight reactions were down. The module's rich/fair/cheap diagnostic (ratio 1.23, "fair") is a ledger entry, not a note claim. Grader: realized reaction vs the frozen numbers; options ledger row.

Risk-neutral density (the option market's own probability distribution). Breeden-Litzenberger on the same expiry: risk-neutral mean $35, sd 14.1%, **tilted to the downside**: P(close ≤ −10%) = 28.9% vs P(close ≥ +10%) = 15.8%; P(≤ −20%) = 13.6% vs P(≥ +20%) = 8.6%; P(below the $38 fair value) ≈ 77%. The fitted density is spiky at this strike spacing (a known extraction artifact on a $0.50 grid), so we carry the tails as color, not as a claim. Grader: the realized close's percentile inside this frozen density; across pairs, calibration.

Prediction markets. None. A search of Polymarket and Kalshi (401 contracts scanned) found no contract resolving on or moved by this print. Stated as an absence; nothing to grade.

Short interest / positioning (house gate: TRIPPED, level). 85.7M shares short at the 9/15 settlement = **7.1% of Class B** (5.8% of all shares), days-to-cover 3.1 (81st percentile); the level is the **100th percentile** of the tool's 48-settlement window and the highest in the FINRA series back to 2017; up 87% since March 31 and roughly four times the September-2024 level. Off-exchange short volume is at its baseline (z 0.08) — the position was built, not being pressed today. Read: the print meets a market with a **crowded short and nothing hedging it**; an in-line print has mechanical buyers, a miss has willing sellers already positioned. Tooling note: the house tool divided by the Class A count and reported 30%; corrected here and in the discrepancy log. Grader: `positioning.py --outcome` at the September 30 and October 15 settlements; gate ledger row logged.

Analyst revisions (author-supplied). Ten cuts or negative initiations, zero raises, in the seven weeks into the print — nine of them in the sixteen days to September 25 (Morgan Stanley $31 and BofA $30 the new floor). Consensus Q1 EPS $0.44 (Robinhood; UBS $0.39); revenue ~$11.3B; FY27 ~$1.72 implied. The mean target ($45.78, updated 9/5, before most of the cuts) sits 28% *above* spot: the revision cycle is not spent. Grader: actual vs consensus-at-freeze; target drift in the five sessions after.

Insider posture. 34 Form 4s in the 90 days pre-print, almost all the September 1 annual grants (RSUs and options for the CEO, CFO, executive chairman and six officers; footnoted as grants) and tax withholding. **Zero open-market purchases** in 180 days; sales small (17,398 shares at $46.18 in June; 4,867 at $42.05 and 2,463 at $41.60 in August; a handful under 1,000). A circulating piece read the grants as buying. Grader: Form 4s in the 30 days after.

Filing readiness. An automatic debt shelf (unlimited, filed 2025-07-17, expiring 2028-07-17) per the 10-K — the module's S-3 search did not resolve the S-

3ASR and reports none; no ATM; no lock-up mechanics; $2.0B of notes mature November 1 and March 27; recent 8-Ks are the results, CFO-transition, controller and director filings. Nothing on file converts a good print into immediate supply; a refinancing 8-K in the window would be the first tell. Grader: any capital-markets 8-K in the window.

Peer read-through (author-supplied). Latest reported quarters: adidas +14% cc (NA +17%, Greater China +15%, performance +39% led by football and running), On +21.6% cc, Birkenstock +15% cc, Deckers +5.7%, lululemon −4% (FY guide −5 to −7%), Under Armour −3%, VF −5%. Two tiers in the same summer; Nike's guide places it in the second. Frozen peer-implied range for Q1 reported revenue growth: −5% to +2%. Grader: NKE's Q1 print vs the range; the Q2 guide vs the peers' second-half frames.

3. Sensitivity — named channels, not a lookup table

Channel 1: the gross-margin line (gauges 1, 7). Each 100bp of FY27 gross margin ≈ $0.45B of EBIT ≈ $0.24 of EPS ≈ **$4 a share** at the base multiple — the largest channel and the one the quarter actually tests.
Channel 2: the revenue frame (gauges 2, 3, 5). Each point of FY27 revenue growth ≈ $0.40/share; the plausible range (−6% to 0%) is worth about $2.40.
Channel 3: China (gauge 6). A bear-path China in FY27–28 removes ~$0.5B of revenue and ~$0.12 of FY28 EPS — ~$2/share.
Channel 4: the multiple regime — explicitly NOT a model channel. A ±8% reaction with no change in gauges 1–8 changes nothing in the framework and will be written up that way.
Channel 5: the discount rate — not a print variable; recorded so the post cannot claim it.

4. What this print cannot settle (frozen verbatim)

Whether the lifestyle half of the business (Sportswear, Jordan) returns to growth — second half at the earliest; what the China direct model earns after January 2027; what the Investor Day frames as the margin target; whether the brand's cultural position against adidas and On is cyclical or permanent; whether the multiple regime returns. **Therefore:** no outcome Thursday validates or refutes the $38 central value — the print tests one quarter; the price is a claim about the terminal margin. FV moves, if any, stay inside $34–44 and must come from the archived model rerun.

5. Tells — what the market is paying to be wrong about (reads, not positions)

1. Options pay ±8.1% for a print whose median realized move is ±6.6%, with puts bid — and the last eight prints were all beats, five of them sold.
2. A record short position (7.1% of the float class, +87% since March) into a print the company already guided down: the crowd is positioned for a miss on a number beaten twelve times running.
3. Ten sell-side cuts and zero raises with the mean target still 28% above the price: targets are still catching down to the tape — the revision cycle is not spent.
4. The option-implied density leans down (29% for −10% vs 16% for +10%) while the short book is at a record — the two crowds agree, which is when the surprise, if any, is one-directional.
5. No prediction-market contract exists; the print will be judged by the tape alone.

6. Reversal (mirror of the note's)

We move toward the upside and would call Nike cheap on: two consecutive quarters of gross-margin expansion ≥100bp; an Investor Day frame naming a double-digit EBIT margin by FY28 with the H1 frame intact; NIKE Direct back to growth with wholesale still growing; or the ten-year durably toward 4.5% (a ke error, stated symmetrically). We harden toward the downside on: an eighth gross-margin decline; a Q2 guide worse than −6% or a withdrawn frame; Greater China worse than −12%; or a dividend cut.

ADDENDUM 2 — POST-EVENT STACK *(published as a separate follow-up note, only after the October 1 print; linked here and from the research library once live).* When run: the model rerun lands before prose; all 8 frozen gauges are scored (cleared / missed / not-given per the silence branches), none added, none dropped, misses first and in the highlighted layer; FV moves only inside $34–44 unless the post explicitly argues the framework changed against this addendum's own §4; module graders run per §2, with pending graders published as PENDING with resolution dates; the pair closes on the house ledger; and the scorecard is the receipt near the end, never the spine.

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