

EQUITY RESEARCH / TURNAROUND

NIKE, INC.

NKE | Consumer Discretionary | As of September 10, 2026

PRICE \$36.98 Live reference	MARKET CAP \$54.8B Approximate	LONGVOL SCORE 68 / 100 Qualified watch	STAGE 3 Stabilizing
SITUATION Global brand turnaround	THEESIS TREND MIXED	DISPOSITION HOLD / WATCH	HORIZON 12-24 months

LONGVOL VIEW

Decision summary

NIKE is stabilizing, but it has not reached a verified Stage 4 recovery. North America and wholesale are showing credible improvement, while NIKE Direct, Greater China, Converse, cash flow and underlying margins remain weak. At roughly \$37, the stock offers meaningful recovery upside, but it is not distressed on normalized earnings.

INVESTMENT THESIS

What the market may be missing

THE SETUP Elliott Hill is rebuilding NIKE around sport, product innovation and wholesale distribution. North American revenue grew 5%, while wholesale expanded 14%, providing the first credible evidence that the reset is gaining traction.	THE PROBLEM Reported results overstate underlying progress. The \$986M tariff recovery lifted Q4 gross margin by roughly 900 bps. Digital traffic, China and Converse remain significant drags, while FCF no longer fully covers the dividend.
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Bottom line: Keep NKE actively monitored. Hold existing exposure; do not upgrade to an aggressive add until price action and operating evidence confirm the move into Stage 4.

OPERATING EVIDENCE

The turnaround scorecard

COMPONENT	SCORE	ASSESSMENT
Operational inflection	12 / 20	Wholesale and North America improving; China and Direct contracting
Balance-sheet survivability	14 / 15	\$9.0B cash and investments; no liquidity concern
Free-cash-flow trajectory	8 / 15	FY2026 FCF fell to approximately \$2.18B
Valuation asymmetry	12 / 20	Recovery upside exists, but normalized multiple remains elevated
Catalyst quality	11 / 15	Q1 results and fall investor day can reset expectations
Management / execution	11 / 15	Correct strategic direction; pace remains slower than expected
TOTAL	68 / 100	Stage 3 stabilizing - qualified turnaround watch

FACTS

Key financial and operating data

METRIC	FY2026	SIGNAL
Revenue	\$46.4B / flat reported	Neutral
North America revenue	+5%	Positive
North America wholesale	+14%	Positive
NIKE Direct	-8% currency-neutral	Negative
NIKE Digital	-12%	Negative
Greater China	-13% currency-neutral	Negative
Converse	-32% currency-neutral	Negative
Inventory	\$7.5B / flat dollars	Units increased
Operating cash flow	\$2.87B	Down from \$3.70B
Free cash flow	~\$2.18B	Below ~\$2.4B dividends

VALUATION

Recovery is priced off a depressed earnings base

REPORTED P/E	NORMALIZED P/E	PRICE / FCF	PRICE / BOOK
17.6x	23-24x	~25x	3.7x
\$2.10 reported EPS	~\$1.57-\$1.60 EPS	~4% FCF yield	\$10.02 BVPS

Margin normalization: NIKE reported a 42.9% FY2026 gross margin, but the \$986M tariff recovery materially inflated the result. Removing the benefit implies an estimated underlying margin near **40.8%**, versus 42.7% in FY2025. The market needs evidence that product mix, full-price sell-through and wholesale growth can rebuild margins without one-time support.

SCENARIO ANALYSIS

12-24 month valuation range

SCENARIO	WHAT MUST BE TRUE	VALUE	RETURN
BEAR	China remains deeply negative; Direct traffic stays weak; EPS approximately \$1.50	\$27	-27%
BASE	Wholesale continues growing; Direct stabilizes; margins recover; EPS approximately \$2.40	\$48	+30%
BULL	Broad product recovery; China stabilizes; gross margin exceeds 44%; EPS approximately \$2.85	\$63	+70%

INTERPRETATION

The expectations gap

The market is discounting a prolonged brand and earnings reset, but the stock is **not priced for distress** on normalized earnings. The base case requires actual operating improvement; it cannot be reached through multiple expansion alone. The asymmetry becomes compelling only if earnings recover toward \$2.40-\$3.00 per share.

PATH TO STAGE 4

Catalysts and confirmation points

WINDOW	CATALYST	WHAT CONFIRMS THE THESIS
Late Sep. 2026*	Fiscal Q1 2027 results	Wholesale remains positive; underlying margin improves; Direct decline moderates
Fall 2026	Investor day	Credible long-term targets, category roadmap and margin recovery plan
Next two quarters	Tariff headwind laps	Cleaner year-over-year margin comparisons
FY2027	Digital / China stabilization	Traffic and sell-through improve; China approaches flat

*Expected window; company had not confirmed the reporting date as of this report.

RISK CONTROL

Risks and thesis invalidation

KEY RISKS • China weakness may represent structural share loss rather than a temporary reset. • Wholesale gains may reflect channel refill instead of durable consumer demand. • Flat dollar inventory masks an increase in units. • Digital traffic weakness impairs NIKE Direct economics. • The dividend exceeded FY2026 free cash flow.	INVALIDATION • North American wholesale growth returns toward zero. • NIKE Direct remains down high-single digits after marketplace cleanup. • Greater China stays down double digits through FY2027. • Underlying gross margin cannot recover above approximately 42%. • Free cash flow remains below the dividend requirement.
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EXECUTION

LongVol positioning

CURRENT ACTION	HOLD / WATCH	Maintain existing exposure. Under the established price-action plan, do not make an aggressive add below the prior \$47 confirmation level.
UPGRADE	STAGE 4	A reclaim of \$47 plus improving Direct trends, better underlying gross margin and continued wholesale growth would confirm Recovery.

SOURCE SET

NIKE FY2026 Form 10-K: [sec.gov/.../nke-20260531.htm](#)
NIKE FY2026 earnings release: [sec.gov/.../q4fy26exhibit991er.htm](#)

FACTS are drawn from company filings. INTERPRETATION, scenario values and score are LongVol analysis. UNCONFIRMED event timing is explicitly marked.