

Date: 2/22/13

Analyst Name: Khalid Surur

## CIF Stock Recommendation Report (Fall 2012)

Company Name and Ticker: Nike (NKE)

### Section (A) Summary

<b>Recommendation Buy:</b> Yes		<b>Target Price: \$60</b>	<b>Stop-Loss Price: \$50</b>
<b>Sector:</b> Consumer Discretionary	<b>Industry:</b> Footwear & Accessories	<b>Market Cap (in Billions):</b> 49.15	<b># of Shrs. O/S (in Millions):</b> 593.90
<b>Current Price:</b> \$55.09	<b>52 WK Hi:</b> \$57.40	<b>52 WK Low:</b> \$42.55	<b>EBO Valuation:</b>
<b>Morningstar (MS) Fair Value Est.:</b> \$50.00	<b>MS FV Uncertainty:</b> Medium	<b>MS Consider Buying:</b> \$35.00	<b>MS Consider Selling:</b> \$67.50
<b>EPS (TTM):</b> .91	<b>EPS (FY1):</b> 2.63	<b>EPS (FY2):</b> 3.01	<b>MS Star Rating:</b>
<b>Next Fiscal Yr. End "Year":</b> 2013 <b>"Month":</b> May 31st	<b>Last Fiscal Qtr. End:</b> <b>Less Than 8 WK:</b> No	<b>If Less Than 8 WK, next Earnings Ann. Date:</b>	<b>Analyst Consensus Recommendation:</b> Hold
<b>Forward P/E:</b> 18.18	<b>Mean LT Growth:</b> 10.37	<b>PEG:</b> 1.97	<b>Beta:</b> .85
<b>% Inst. Ownership:</b> 81.26%	<b>Inst. Ownership- Net Buy:</b> Y	<b>Short Interest Ratio:</b> 1.7	<b>Short as % of Float:</b> 1.0%
<b><u>Ratio Analysis</u></b>	<b><u>Company</u></b>	<b><u>Industry</u></b>	<b><u>Sector</u></b>
<b>P/E (TTM)</b>	22.61	6.91	14.51
<b>P/S (TTM)</b>	1.97	.44	1.40
<b>P/B (MRQ)</b>	4.83	1.01	1.46
<b>P/CF (TTM)</b>	18.45	4.90	8.55
<b>Dividend Yield</b>	1.55	.79	.86
<b>Total Debt/Equity (MRQ)</b>	3.28	2.12	53.55
<b>Net Profit Margin (TTM)</b>	8.95	2.33	7.90
<b>ROA (TTM)</b>	14.90	2.53	8.31
<b>ROE (TTM)</b>	22.31	3.88	14.01

<p><b><u>Investment Thesis</u></b> I think Nike is a great stock for the Cougar Investment Fund. They bring diversification to our portfolio and with a low beta and their continuous growth I think they will continue to bring in solid returns. They are their industry leader and with their superior innovation and technology, compared to that of competitors, they will continue to grow. The fundamental valuation was kind of a bearish indicator for Nike but when changing the discount rate by only a few points you can see how big a reaction the implied price had. When changing the discount rate down to 5% the implied price was almost where Nike is currently trading. When comparing Nike to their competitors it was pretty easy to tell that they are much more fit for a portfolio unlike their counterparts. They have outperformed all of their competitors in recent months and seem to be trading at a decently fair price when compared. Analysts have recommended, primarily to hold but a number of them say to buy. Their mean rating is 2.33 which is neither bullish nor bearish. Nike has investor confidence with institutions having an 82% stake in the company. Only one institution has larger than a 5% stake in the company and I think this is good because not a single entity can move the stock price too much in one direction or the other. The Short</p>	<p><b><u>Summary</u></b> Provide brief summary of your analysis in each section that follows</p> <p><b><u>Company Profile:</u></b> Nike is the leader in athletic footwear and apparel. Their products are used for a variety sports for a variety of ages. They have several successful subsidiaries.</p> <p><b><u>Fundamental Valuation:</u></b> The fundamental valuation assuming an above average growth rate for four years gave us an implied price of \$36.41. The sensitivity analysis showed how large a difference in discount rate can change the implied prices if slightly altered.</p> <p><b><u>Relative Valuation:</u></b> When doing the Relative Valuation I found Nike to be relatively fairly priced. The implied prices from competitors were both below and above the current price.</p> <p><b><u>Revenue and Earnings Estimates:</u></b> Nike beat its revenue and earnings estimates most of the time. Nike has done well in every quarter and is not as cyclical as other companies within this sector.</p> <p><b><u>Analyst Recommendations:</u></b> Analyst recommendations generally say you should hold this stock. A good amount of other analysts disagree and recommend a buy.</p> <p><b><u>Institutional Ownership:</u></b> There is only one institution with greater than a 5% percent stake in Nike and that is the Vanguard group. More positions opened than closed which is a bullish indicator.</p> <p><b><u>Short Interest:</u></b> Short interest for Nike is pretty low when comparing to the market and extremely low when comparing to their competitors. Their days to cover has stayed low consistently, the same cannot be said for competitors.</p> <p><b><u>Stock Price Chart:</u></b> The Nike stock price chart shows how Nike has been steadily improving since their drastic drop last June. They are currently trading almost at the same relative value as they were before they tanked last June.</p>
---	--

interest is low and their days to cover are low is well which is a bullish indicator. Their stock price charts show their continuous growth and how they have dominated their sector as well as competitors. With Nike having their subsidiaries not fully tapped out and new innovations like the flyknit shoe, I think they will keep their increasing stock price trend going.	
---	--

## **Section (B) Company Profile (two pages maximum)**

### **Company Summary**

Nike sells footwear, apparel, equipment, accessories and services. Nike sells athletic footwear and apparel worldwide. Nike is sold in approximately 190 countries. The company sells products focused in seven different categories which consist of running, basketball, soccer, men's training, women's training, Nike sportswear and action sports. Nike is also involved in sales in other athletic and recreational uses that include baseball, cricket, golf, football and the list continues. Nike also markets apparel with licensed college and professional teams.

Nike has wholly owned subsidiaries that consist of Converse, Hurley, Jordan and Nike Golf as well as a couple more. Nike's mission is to bring inspiration and innovation to every athlete in the world. They believe if you have a body, you are an athlete.

With a solid second quarter fundamentals and encouraging full year guidance, right now things look good for Nike. The rough patch they hit last summer seems to be over. Demand in China finally seems to be stabilizing and current market trends in the states are continuing to stay strong.

Nike is expected to maintain its market leadership built on superior products, a globally recognized brand, economies of scale, athlete and team sponsorship, and a foundation in several prosperous emerging markets.

### **Business Model, Competition, Environment and Strategy**

Nike is the world's largest wholesaler and designer of athletic footwear. Nike is trying to stay atop the highly competitive sports apparel market. Their wholly-owned affiliates play a significant role in future growth plans. Converse was established in 1908 and has built the reputation as 'America's Original Sports Company'. Converse reported \$1.1 billion in revenue in fiscal 2011. Hurley is headquartered in Costa Mesa, California. They design and distribute a line of action sports apparel for surfing, skateboarding and youth lifestyle. Hurley reported \$252 million in fiscal 2011. Jordan is a premium brand of footwear and apparel inspired by the epic career and dynasty of Michael Jordan. Jordan has grown into a complete collection of performance and lifestyle products. Nike Golf designs everything golf. They passionately develop groundbreaking innovations that inspire athletes to be the best they can be. Nike Golf reported \$623 million in fiscal 2011. The growth of these subsidiaries is essential to the growth of Nike. The untapped potential of these subsidiaries are endless.

They compete directly with Adidas, Puma, and Under Armour. There is also the possibility of new entrants from developing nations such as China. Adidas and Puma currently do not trade on the NYSE. Under Armour currently has a market cap of 4.94B and is trading at \$47.25. None of their competitors have market share close to Nike. Nike is involved in way more areas than their competitors.

North American sales are projected to account for 36% of revenue for this fiscal year. Western Europe is supposed to account for 18%, and then they are expecting 14% from emerging markets, and a solid 10% from China. Other business, such as Converse, Umbro, and Hurley should represent 13% of revenues as well.

Nike recently signed Rory McIlroy, who is the number 1 rated golfer in the world. Although specific terms were not disclosed, media reports say that the agreement is worth \$250 million over 10 years. McIlroy said that switching to Nike will improve his game and he really enjoys his new equipment.

Oscar Pistorius, also known as Blade Runner, had his Nike deal suspended. Pistorius going through trial for the alleged killing of his girlfriend on Valentine's Day. Nike said they will monitor the situation closely but Pistorius will not be receiving any payments from them nor will he be in any of their promotions.

On February 1, Nike reported that it had completed the sale of Cole Haan to Apax Partners LLP.

Their new shoe, Flyknit, has created some buzz. They have reengineered knitting and have formed a performance enhancing shoe. They have been given amazing feedback from their athletes. The shoe released on February 14.

Their product innovation, marketing, and distribution strategies are unmatched by their competitors and are the cornerstone of Nike’s success. Consumers love the performance of the products the brand has as well as the style. Also with some of the world’s most recognizable athletes being endorsed by Nike gives them instant credibility. Even though there are cyclical pressures associated with this sector, Nike’s new product launches continue to outperform their competitors on a regular basis. Nike is the largest and most dominant player in the athletic footwear and apparel category.

**Revenue and Earnings History**

This information is available in *Reuters.com*, “*Financials*” tab. Copy/paste the quarterly revenue and earnings per share numbers for the most recent three years. Add the numbers over four fiscal quarters to get annual revenue and earnings. For the current fiscal year, go ahead add up as many quarters as are available. **NOTE:** revenue numbers are “*in millions*”.

**Discuss any pattern in revenue and earnings (e.g., increasing year over year; seasonal; etc.)**

**Revenues**

<b>Periods</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
August	5,175	6,081	6,669
November	4,842	5,731	5,955
February	5,079	5,846	
May	5,766	6,470	

With Nike being in the footwear and accessories industry you would expect them to have their best revenues around the holiday. That does not always seem to be the case here. Nike’s most important consumers are athletes, so whenever a sport is in season, expect the athletes to get their gear and make purchases regardless of the time of year. This makes Nike not as cyclical or volatile as other companies in the sector. All revenues have increased from year to year which is a good sign for Nike and their continuing growth.

**Section (C) Fundamental Valuation (EBO)**

**Include the following here:**

**Copy/paste completed Fundamental Valuation (EBO) Spreadsheet**

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
1	<b>NKE</b>			<b>PARAMETERS</b>	<b>FY1</b>	<b>FY2</b>	<b>Ltg</b>									
2				<b>EPS Forecasts</b>	2.63	3.01	10.37%	<b>Model 1: 12-year forecasting horizon (T=12). and a 7-year growth period.</b>								
3				<b>Book value/share (last fye)</b>	11.31											
4				<b>Discount Rate</b>	8.92%			<b>Please download and save this template to your own storage device You only need to input values to cells highlighted in "yellow" The rest of the spreadsheet is calculated automatically Please read "Guidelines for Fundamental Valuation ProfLee Spreadsheet" file carefully</b>								
5				<b>Dividend Payout Ratio (P0)</b>	30.72%											
6				<b>Next Fisc Year end</b>	2013											
7				<b>Current Fisc Mth (1 to 12)</b>	9											
8				<b>Target ROE (industry avg.)</b>	24.09%											
10				<b>Year</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
11				Long-term EPS Growth Rate (Ltg)			0.1037	0.1037	0.1037	0.1037	0.1037					
12				Forecasted EPS	2.63	3.01	3.32	3.67	4.05	4.47	4.93					
13				Beg. of year BV/Share	11.308	13.130	15.216	17.517	20.057	22.861	25.956					
14				Implied ROE		0.229	0.218	0.209	0.202	0.195	0.190					
16	ROE			(Beg. ROE, from EPS forecasts)	0.233	0.229	0.218	0.209	0.202	0.195	0.190	0.200	0.210	0.221	0.231	0.241
17	Abnormal ROE			(ROE-k)	0.143	0.140	0.129	0.120	0.113	0.106	0.101	0.111	0.121	0.131	0.142	0.152
18	growth rate for B			(1-POR)*(ROE-1)	0.000	0.161	0.159	0.151	0.145	0.140	0.135	0.132	0.139	0.146	0.153	0.160
19	Compounded growth				1.000	1.161	1.346	1.549	1.774	2.022	2.295	2.597	2.957	3.388	3.906	4.530
20	<b>growth*AROE</b>				<b>0.143</b>	<b>0.163</b>	<b>0.174</b>	<b>0.186</b>	<b>0.200</b>	<b>0.215</b>	<b>0.231</b>	<b>0.288</b>	<b>0.358</b>	<b>0.445</b>	<b>0.553</b>	<b>0.687</b>
21	required rate (k)			0.089	0.089	0.089	0.089	0.089	0.089	0.089	0.089	0.089	0.089	0.089	0.089	0.089
22	Compound discount rate			1.089	1.186	1.292	1.407	1.533	1.670	1.819	1.981	2.158	2.350	2.560	2.788	
23	div. payout rate (k)			0.307												
24	Add to P/B			FV(growth*AROE)	0.13	0.14	0.13	0.13	0.13	0.13	0.13	0.15	0.17	0.19	0.22	0.25
25	Cum P/B				1.13	1.27	1.40	1.54	1.67	1.79	1.92	2.07	2.23	2.42	2.64	2.88
26	Add: Perpetuity															
27	beyond current yr			(Assume this yr's AROE forever)	1.48	1.54	1.51	1.48	1.46	1.44	1.43	1.63	1.86	2.12	2.42	2.76
28	Total P/B			(P/B if we stop est. this period)	2.61	2.81	2.91	3.02	3.13	3.24	3.35	3.70	4.09	4.54	5.06	5.65
29	<b>Implied price</b>				<b>31.46</b>	<b>33.84</b>	<b>35.12</b>	<b>36.41</b>	<b>37.71</b>	<b>39.03</b>	<b>40.37</b>	<b>44.61</b>	<b>49.39</b>	<b>54.83</b>	<b>61.03</b>	<b>68.14</b>
31	<b>Check:</b>															
32	Beg. BV/Share				11.31	13.13	15.22	17.52	20.06	22.86	25.96	29.37	33.44	38.32	44.17	51.23
33	Implied EPS				2.63	3.01	3.32	3.67	4.05	4.47	4.93	5.88	7.03	8.45	10.19	12.34
34	Implied EPS growth					0.144	0.104	0.104	0.104	0.104	0.104	0.192	0.197	0.201	0.206	0.211

### Inputs (provide below input values used in your analysis)

EPS forecasts (FY1 & FY2): FY1: 2.63 FY2: 3.01

Long-term growth rate: 10.37%

Book value /share (along with book value and number of shares outstanding):

Book value: 10,381

# of shares outstanding: 918

Book value / share: 11.31

Dividend payout ratio: 30.72%

Next fiscal year end: 2013

Current fiscal month: 9

Target ROE: 24.09

## **Output**

Above normal growth period chosen: 2016

EBO valuation (Implied price from the spreadsheet): \$36.41

## **Sensitivity Analysis**

EBO valuation would be (you can include more than one scenario in each of the following):

- \$34.87 if changing above normal growth period to 2015
- \$31.24 if changing growth rate from mean (consensus) to the highest estimate of 12%
- \$31.24 if changing growth rate from mean (consensus) to the lowest estimate of 8%
- \$54.57 if changing discount rate to 5%
- \$31.24 if changing target ROE to 50%.

The fundamental valuation looks like a bearish indicator for Nike. I chose the year 2016 as the above normal growth period because I do think there is some room for expansion but not for that long. Since Nike is already their industry leader they can continue to sponsor teams and professional associations for a profit. The fundamental value of Nike in 2016 is \$36.41 which is much lower than what they are currently trading at (\$55.09). However, changing the discount rate can have quite a large effect on Nike's stock. When changing the discount rate to 5% the new implied price is \$54.57 which is pretty close to what it is trading at now. Currently the implied price is \$31.46 which is much lower than the current stock price and even the 52 week low.

## **Section (D) Relative Valuation**

**Copy/paste your completed relative valuation spreadsheet here**

NKE													
Mean FY2													
Earnings Estimate													
Ticker	Name	Mkt Cap	Current Price	(next fiscal year)	Forward P/E	Mean LT Growth Rate	PEG	P/B (MRQ)	ROE 5 yr ave	Value Ratio	P/S TTM	P/CF TTM	
1	UA	Under Armour	\$ 4,944.85	\$ 47.25	\$ 1.82	25.96	21.37%	1.21	6.05	15.63%	0.39	2.69	28.77
2	PMMAF	Puma	\$ 4,576.72	\$ 316.00	\$ 15.85	19.94	4.86%	4.10	2.17	12.33%	0.18	1.06	75.99
3	LULU	Lululemon	\$ 7,493.46	\$ 67.05	\$ 2.25	29.80	28.61%	1.04	12.59	36.11%	0.35	5.96	27.28
4	COLM	Columbia Sportswear	\$ 1,907.56	\$ 56.20	\$ 3.24	17.35	12.50%	1.39	1.64	8.70%	0.19	1.14	13.55
	NKE	Nike	\$ 49,083.18	\$ 55.09	\$ 3.01	18.30	10.37%	1.76	4.87	21.49%	0.23	1.98	18.6
Implied Price based on:					P/E	PEG	P/B	Value	P/S	P/CF			
1	UA	Under Armour			\$78.14			\$37.92	\$68.44	\$94.10	\$74.84	\$85.21	
2	PMMAF	Puma			\$60.01			\$128.05	\$24.55	\$42.78	\$29.49	\$225.07	
3	LULU	Lululemon			\$89.70			\$32.51	\$142.42	\$84.76	\$165.83	\$80.80	
4	COLM	Columbia Sportswear			\$52.21			\$43.31	\$18.55	\$45.83	\$31.72	\$40.13	
		High			\$89.70			\$128.05	\$142.42	\$94.10	\$165.83	\$225.07	
		Low			\$52.21			\$32.51	\$18.55	\$42.78	\$29.49	\$40.13	
		Median			\$69.08			\$40.62	\$46.49	\$65.29	\$53.28	\$83.01	

### From the top panel

Discuss whether your stock and its competitors have very different multiples. Point out if any of the five stocks have multiple that is far off from the others. Make an attempt to explain why (you would want to read analyst research report in *Morningstar Direct*; you should also look for comments from other financial sites). **The discussions should address all of the following valuation metrics: forward P/E, PEG, P/B (MRQ), P/S (TTM), and P/CF (TTM).**

Compare the implied prices derived from various valuation metrics. Also compare those implied price to the stock's current price, and 52-week high and low.

I compared Nike with Under Armour, Puma, Lululemon, and Columbia Sportswear. I chose Under Armour because they too sell athletic footwear and apparel and competes with Nike for sponsors and innovation. I picked Puma because Puma is a leader in the Soccer industry and Nike competes with them there as well as other segments. I decided to pick Lululemon as a competitor because it seems that a lot of people, primarily women, have turned to Lululemon for their athletic apparel needs. The culture of working out has changed to spandex and I think Lululemon had something to do with that. Lastly I picked Columbia Sportswear for a number of reasons. Nike sells outdoor and action sport apparel, as does Columbia Sportswear, this is why I chose them as a competitor. I would have also liked to compare Adidas with Nike but they are not a publicly traded company.

Nike is right in line with most of its competitors when comparing the multiples. However, Nike does have a rather high price to book ratio. I do not think this is alarming because of how much weight the brand holds and how they do not need to have intangible assets on hand like some oil companies may have to. Puma has a high stock price and earnings estimates are rather high as well. I think that has something to do with the fact that they are traded in Frankfurt and Munich stock exchanges. Nonetheless their stock price strays from the competition and leaves them with an undesirable PEG. Lastly, Lululemon has a P/S ratio that is fairly higher than the rest of its competitors. I do not think this statistic tells the whole story though, because of how it does not take any expenses or debt into account.

### **From the bottom panel**

Discuss the various implied prices of your stock derived from competitors' ("comparables") multiples. How different are the prices derived from the various valuation metrics? Note any valuation metrics that seem to yield outlier prices and explain why (**HINT**: is that because that particular valuation metrics is not very relevant for the industry? Do you best to provide convincing arguments).

The various implied prices are very interesting and portray a lot of information about Nike. First for the P/E comparables, they are all above what Nike is currently trading at except for Columbia Sportswear, who is only a couple dollars below Nike's trading price. Then the prices implied for the PEG are all substantially lower than Nike's current price except for Puma, who is a much higher. This is because of Puma's high PEG with the rest of the competitors being having around the same PEG. Only Under Armour is fairly close to the current price of Nike when using the price from the P/B analysis. This is because of how different all the competitors are in their P/B ratio's. For the most part the prices derived from Under Armour and Lululemon are higher than the current price Nike, and Columbia Sportswear is lower. Puma has three categories in which it is above the current stock price and three below as well.

For each valuation metrics, Compare the current price and 52-week high /low of your stock to the High-low range derived from multiples of its competitors.

Nike's 52 week high is \$57.40 and all of the highs derived from their competitors seem to be much higher and none really come close to Nike's high. The 52 low for Nike is 42.55 which is above most of the lows given. However, the low for value and price to cash flows are very close to our 52 week low. I think this says that Nike is fairly priced when comparing to their competitors.

Among the valuation metrics analyzed, **which ones do you think are most relevant as a valuation tool for your stock?**

I think the most relevant valuation tools for Nike are Price to Book and Price to Cash flow. I think this goes for most companies in retail. The median implied price for Price to Book was \$46.49 which is suggesting that Nike is overvalued. When looking at the median price for Price to Cash Flows, you find \$83.01 which is implying that Nike is actually undervalued.

## Section (E) Revenue and Earnings Estimates

**Copy/Paste the “Historical Surprises” Table from *Reuters.com*, “Analysts” tab (include both revenue and earnings; make note that revenues might be in “millions”)**

Review recent trends in company’s reported revenue and earnings, and discuss whether (1) the company has a pattern of “surprising” the market with numbers different from analysts’ estimates; (2) Were they positive(actual greater than estimate) or negative (actual less than estimate) surprises? (3) Were surprises more notable for revenue or earnings? (4) Look up the stock chart to see how the stock price reacted to the “surprises. **NOTE:** Reuters does not put the sign on the surprise. **You need to put a “negative” sign when it is a negative surprise.**

### Historical Surprises

Sales and Profit Figures in US Dollar (USD)

Earnings and Dividend Figures in US Dollar (USD)

<b>Estimates vs Actual</b>	<b>Estimate</b>	<b>Actual</b>	<b>Difference</b>	<b>Surprise %</b>
<b>SALES (in millions)</b>				
Quarter Ending Nov-12	5,988.51	5,955.00	33.51	-0.56
Quarter Ending Aug-12	6,416.07	6,669.00	252.93	+3.94
Quarter Ending May-12	6,511.42	6,470.00	41.42	-0.64
Quarter Ending Feb-12	5,822.41	5,846.00	23.59	+0.41
Quarter Ending Nov-11	5,630.41	5,731.00	100.59	+1.79
<b>Earnings (per share)</b>				
Quarter Ending Nov-12	0.50	0.57	0.07	+13.86
Quarter Ending Aug-12	0.56	0.62	0.05	+9.70
Quarter Ending May-12	0.68	0.58	0.10	-14.40
Quarter Ending Feb-12	0.58	0.60	0.02	+2.88
Quarter Ending Nov-11	0.48	0.50	0.02	+3.26

I would say that Nike has a pattern of surprising the market with different numbers than expected. For revenues, most of their surprises were positive and the negative surprises were fairly small. For revenues they definitely surprise for the better except last May they had a very negative surprise. I think it is important to note that the surprises are much more significant in the earnings rather than the revenues. This information is pretty consistent with what I have found out about the company and how they continue to grow and often do better than expected.

**Copy/paste the “Consensus Estimates Analysis” Table from *Reuters.com*, “Analysts” tab (include both revenue and earnings)**

Review the range and the consensus of analysts’ estimates. (1) Calculate the % difference of the “high” estimate from the consensus (mean); (2) Calculate the % (negative) difference of the “low” estimate from the consensus; (3) Are the divergent more notable for the current or out-quarter, FY1 or FY2, revenue or earnings? (4) Note the number of analysts providing LT growth rate estimate. It that roughly the same as the number of analysts providing revenue and earnings estimates?

	A	B	C	D	E	F	G	H	I	J	K
1	<b>Consensus Estimates Analysis</b>										
2	Sales and Profit Figures in US Dollar (USD)										
3	Earnings and Dividend Figures in US Dollar (USD)										
4		<b># of Estimates</b>	<b>Mean</b>	<b>High</b>	<b>Low</b>	<b>1 Year Ago</b>		<b>High Difference From Mean</b>		<b>Low Difference From Mean</b>	
5											
6	SALES (in millions)										
7	Quarter Ending Feb-13	16	6,224.03	6,489.00	6,037.50	6,285.63		4.26%		-3.00%	
8	Ending May-13	16	6,606.19	6,852.90	6,508.00	7,133.67		3.73%		-1.49%	
9	Year Ending May-13	18	25,277.30	26,000.30	25,050.60	26,256.10		2.88%		-0.90%	
10	Year Ending May-14	19	27,192.80	28,368.00	26,499.40	28,381.20		4.32%		-2.55%	
11	Earnings (per share)										
12	Quarter Ending Feb-13	19	0.67	0.71	0.63	0.7		5.97%		-5.97%	
13	Quarter Ending May-13	19	0.77	0.8	0.74	0.84		3.90%		-3.90%	
14	Year Ending May-13	22	2.63	2.71	2.46	2.89		3.04%		-6.46%	
15	Year Ending May-14	22	3	3.12	2.76	3.38		4.00%		-8.00%	
16	LT Growth Rate (%)	3	10.37	12	8	12.66		15.72%		-22.85%	

For revenues the difference from the high seemed to be higher than the distance from the low to the mean. I think this is because analysts think Nike is more likely to outperform predictions rather than succumb to them. For earnings it is quite the opposite where the percent difference from the low is consistently higher or the same. The percentage difference for long term growth rate is definitely the highest. I think this is because of how uncertain growth can be. Also there were only three estimates which is substantially lower than the amount of estimates the other categories received. This may have caused an outlier to hold more weight.

**Copy/paste the “Consensus Estimates Trend” Table from *Reuters.com*, “Analysts” tab (include both revenue and earnings)**

Review recent trend of analysts' consensus (mean) estimates on revenue and earnings. (1) Are the consensus estimates trending up, down, or stay the same? (2) Is the trend more notable for the near- or out- quarter, FY1 or FY2, revenue or earnings?

### Consensus Estimates Trend

Sales and Profit Figures in US Dollar (USD)

Earnings and Dividend Figures in US Dollar (USD)

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Quarter Ending Feb-13	6,224.03	6,224.03	6,225.77	6,096.82	6,285.63
Quarter Ending May-13	6,606.19	6,606.19	6,600.80	6,719.47	7,133.67
Year Ending May-13	25,277.30	25,277.30	25,275.20	25,312.80	26,256.10
Year Ending May-14	27,192.80	27,192.80	27,213.70	27,171.10	28,381.20
Earnings (per share)					
Quarter Ending Feb-13	0.67	0.67	0.67	0.70	0.70
Quarter Ending May-13	0.77	0.77	0.77	0.79	0.84
Quarter Ending May-13	2.63	2.63	2.63	2.62	2.89
Quarter Ending May-14	3.00	3.00	3.00	2.99	3.38

The consensus estimate trends seem to be going downward for both sales and earnings. Although the estimates are not too drastic, this is not a good sign for Nike investors. The near quarter estimates changes are much more mild than that of the out quarter. The FY1 and FY2 do not seem to differ too much from each other at all. Something I did notice with the FY1 and FY2 estimates is that they usually adjusted too low from one year to two months ago then made the proper up revisions later.

**Copy/paste the "Estimates Revisions Summary" Table from *Reuters.com*, "Analysts" tab (include both revenue and earnings)**

Review the number of analysts revising up or down their estimates (both revenue and earnings) **in the last and last four weeks**. (1) Note whether there are more up or down revisions; (2) are the revisions predominantly one directional? (3) Any notable difference last week versus last four weeks, revenue versus earnings?

## Estimates Revisions Summary

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Feb-13	0	0	0	0
Quarter Ending May-13	0	0	0	0
Year Ending May-13	0	0	0	0
Year Ending May-14	0	0	0	1
Earnings				
Quarter Ending Feb-13	0	0	1	0
Quarter Ending May-13	0	0	0	1
Year Ending May-13	0	0	0	1
Year Ending May-14	0	0	1	1

There have not been any revisions made in the past week. In the past four weeks there have been one more down revision than up revision for both revenue and earnings. I do not think the revisions are headed in one direction. This is not surprising because Nike did well in its second quarter and their third quarter report is not being released until late March. Also there has not been too much notable news with Nike, so revisions do not seem to be relevant at this point.

You will need to incorporate what you see here with Morningstar's analyst research report (you can access ***Morningstar Direct at the Financial Markets Lab.***) and other readings/analysis you found from various on-line financial sites. Discuss whether you think the company has a good chance of making or beating analyst consensus estimate, and why. Based on how the stock has been trading lately, do you think market has already anticipated strong or lackluster financial outlook from the company?

I think Nike does have a good chance of making and or beating analyst forecasts. They have continued their strong growth since their stumble that took place last June. This was due to their annual report being released. They had more than stellar revenues and just got done with the largest revenue quarter in Nike history. The investors were very upset about the diluted

earnings per share which went down six percent. Also, due to higher product costs their gross margin declined by 150 basis points. This is what caused their stock to tank last June. Since last June though, Nike has been doing very well. On November 15<sup>th</sup>, 2012 they did a two for one stock split. This made it easier for tail investors to buy the company's stock and Nike has been steadily inclining ever since showing no signs of slowing down. Based on how the company is currently trading I think that the people believe in this stock and have anticipated a strong financial outlook.

## Section (F) Analysts' Recommendations

Copy/paste the "Analyst Recommendations and Revisions" Table from *Reuters.com*, "Analysts" tab. NOTE: Make sure you copy the entire table including the "Mean Rating" at the bottom of the table.

### Analyst Recommendations and Revisions

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	6	6	6	5
(2) OUTPERFORM	2	1	2	2
(3) HOLD	13	13	12	13
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.33	2.35	2.30	2.40

Revision Date	Upgrade or Downgrade	Current Recommendation	Previous Recommendation	Firm	Last Revision
The most recent revision date					
The earliest revision date in the last two months					

Review the trend of analyst recommendations over the last three months. Is there a notable change of analyst opinions, turning more bullish or bearish? How many different ratings out of the five possible ones did the company receive currently, one, two, and three months ago? Is there a notable trend of opinion convergence or divergence? Is what you see here

**consistent to comments in Morningstar analyst's research report as well as various online financial sites you had researched on?**

**NOTE:** On a Five-point scale, Reuters assigns "1" to "Buy", the most bullish recommendation, and "5" to "Sell", the most bearish recommendation. **Some other online sites have opposite scale**, with their "1" being the most bearish and "5" being the most bullish recommendations.

Nike has been given a mean rating of 2.33 which is neither bearish nor bullish. Most analysts are recommending a hold while several others are recommending a buy. Very few have said Nike will outperform and no one is saying that it will underperform or to sell the stock. There were no firms that revised their current recommendation to upgrade or downgrade (cnbc.com).

## Section (G) Institutional Ownership

Copy/paste the completed *"CIF Institutional Ownership" spreadsheet* here.

	A	B	C	D	E
8	NKE				
9					
10	<b>Ownership Activity</b>	<b># of Holders</b>	<b>% Beg. Holders</b>	<b>Shares</b>	<b>% Shares</b>
11	Shares Outstanding			721,360,853	100.00%
12	# of Holders/Tot Shares Held	1,065	101.82%	593,896,390	82.33%
13					
14	# New Positions	96	9.18%		
15	# Closed Positions	77	7.36%		
16	# Increased Positions	400	38.24%		
17	# Decreased Positions	532	50.86%		
18	Beg. Total Inst. Positions	1,046	100.00%	593,338,741	82.25%
19					
20	# Net Buyers/3 Mo. Net Chg	-132	42.92%	557,649	0.08%
21					
22	<b>Ownership Information</b>	<b>% Outstanding</b>			
23	Top 10 Institutions % Ownership	31.40%			
24	Mutual Fund % Ownership	1.04%			
25	Float %	62.98%			
26					
27					
28	<b>&gt; 5% Ownership</b>				
29	<b>Holder Name</b>	<b>% Outstanding</b>	<b>Report Date</b>		
30	The Vanguard Group	5.2	12/31/2012		
31					

Combine information provided in all three sections to discuss whether (1) institutions, on net basis, have been increasing or decreasing ownership and how significant, (2) the stock has sizable institution interests and support, (3) the extent of the (> 5%) owners, and (4) this could be a bullish or bearish indication of future stock price movement.

Nike opened up nineteen more positions than the number of closed positions but there were several more decreased positions than increased positions. On a net basis Nike has decreased ownership by 132 positions. There were more new positions opened than positions closed and I see this as a bullish indicator. There were several more decreased positions than increased positions and I think that is due to people cashing out on the current stock price. Nike does have institution interests and support considering institutions are holding 82.33% of Nike's shares. The Vanguard Group is the only institution or insider with larger than a 5% stake in Nike. I do not think this is a bearish indicator but rather that because of how vast Nike is, it takes a lot to hold more than 5%. I think overall this chart is a bullish indicator because of there were more new positions opened and because of how institutions still believe in the firm keeping their stakes.

## Section (H) Short Interest (two pages)

From <http://www.nasdaq.com/> (NASDAQ's website)

Copy/paste or enter the data in the following table. You also need to copy/paste the chart to the right.

**Copy/paste or type the information from "short interest" table. You will start from the most recent release date, and go back for a year (some stocks may not have data go back for a year)**

**Copy/paste the chart to the right of the "short interest" table, immediately follow the table below**

**NOTE:** You are encouraged to look at the short interest information for two of the companies' closest competitors. This will help gauge whether the sentiment indicated in the short interest statistics is company specific or industry-wide.

### Nike

Settlement Date	Short Interest	Average Daily Shares Volume	# of Days to cover
Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
1/31/2013	5,946,421	3,609,310	1.647523
1/15/2013	6,362,414	3,494,148	1.820877
12/31/2012	6,805,326	4,961,440	1.371643
12/14/2012	3,795,541	2,057,907	1.844370
11/30/2012	6,935,846	4,694,768	1.477356
11/15/2012	7,134,190	4,322,424	1.650507
10/31/2012	6,181,532	4,709,504	1.312565
10/15/2012	6,187,688	4,731,312	1.307817
9/28/2012	6,866,272	7,730,426	1.000000

9/14/2012	9,860,782	5,438,520	1.813137
8/31/2012	10,972,674	4,718,210	2.325601
8/15/2012	10,268,934	4,522,968	2.270397
7/31/2012	11,475,306	5,362,146	2.140058
7/13/2012	11,252,034	8,289,904	1.357318
6/29/2012	8,853,680	10,427,374	1.000000
6/15/2012	10,599,662	5,953,510	1.780406
5/31/2012	9,970,546	4,919,150	2.026884
5/15/2012	9,177,182	4,400,952	2.085272
4/30/2012	9,209,782	4,140,876	2.224114
4/13/2012	7,947,704	5,210,904	1.525206
3/30/2012	5,752,032	6,666,182	1.000000
3/15/2012	7,352,612	3,826,784	1.921355
2/29/2012	6,544,670	3,106,212	2.106962
2/15/2012	6,700,840	4,207,496	1.592596



**Under Armour**

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
1/31/2013	13,861,280	3,027,910	4.577838
1/15/2013	12,747,667	1,847,702	6.899201
12/31/2012	12,133,988	1,878,326	6.460001
12/14/2012	12,625,458	1,357,534	9.300289
11/30/2012	12,671,259	1,710,521	7.407836
11/15/2012	12,369,268	1,396,904	8.854773
10/31/2012	12,405,935	2,153,604	5.760546
10/15/2012	13,849,844	1,260,326	10.989096
9/28/2012	13,337,280	1,399,940	9.527037
9/14/2012	13,709,062	1,264,684	10.839911
8/31/2012	13,981,550	1,253,953	11.149979
8/15/2012	14,972,183	1,378,732	10.859386
7/31/2012	16,057,056	2,887,374	5.561128
7/13/2012	13,947,879	1,824,393	7.645216
6/29/2012	6,259,380	1,320,474	4.740252
6/15/2012	12,672,230	2,150,884	5.891638
5/31/2012	10,906,666	1,776,264	6.140228

5/15/2012	9,775,760	1,919,504	5.092857
4/30/2012	9,968,558	2,479,104	4.021033
4/13/2012	10,315,672	1,444,602	7.140840
3/30/2012	9,530,012	1,426,158	6.682297
3/15/2012	10,820,538	2,166,890	4.993580
2/29/2012	9,593,498	2,034,948	4.714370
2/15/2012	10,427,434	2,345,580	4.445567



**Lululemon**

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
1/31/2013	17,755,811	2,557,339	6.943081
1/15/2013	15,730,955	3,713,077	4.236636
12/31/2012	14,782,678	1,643,650	8.993811
12/14/2012	14,086,466	3,114,606	4.522712
11/30/2012	14,875,688	1,384,410	10.745146
11/15/2012	14,650,787	1,316,840	11.125715
10/31/2012	14,609,214	1,817,163	8.039573
10/15/2012	16,104,040	1,505,772	10.694873
9/28/2012	16,434,181	1,972,002	8.333755
9/14/2012	18,478,078	4,671,592	3.955413
8/31/2012	18,702,328	2,267,272	8.248824
8/15/2012	18,203,760	2,293,200	7.938148
7/31/2012	18,753,486	2,803,074	6.690329
7/13/2012	18,597,896	2,539,786	7.322623
6/29/2012	17,932,200	3,115,998	5.754882

6/15/2012	16,956,340	5,212,308	3.253135
5/31/2012	10,718,160	2,259,848	4.742868
5/15/2012	10,925,238	2,542,216	4.297525
4/30/2012	10,861,295	1,737,540	6.250961
4/13/2012	10,942,813	1,845,769	5.928593
3/30/2012	10,963,890	2,965,436	3.697227
3/15/2012	11,367,105	2,131,323	5.333356
2/29/2012	11,793,146	1,390,724	8.479861
2/15/2012	11,764,226	1,626,256	7.233932



From <http://finance.yahoo.com/>

Complete the following table with information from the *"share statistics" table*.

<b>Avg Vol (3 month)</b>	<b>Avg Vol (10 day)</b>	<b>Shares Outstanding</b>	<b>Float</b>
3,947,190	3,471,070	895.71M	713.92M
<b>Shares Short (January 31, 2013)</b>	<b>Short Ratio (January 31, 2013)</b>	<b>Short % of Float (January 31, 2013)</b>	<b>Shares Short (prior month)</b>
5.95M	1.7	1.00%	6.36M

**Based on the short interest statistics and its recent trend, how is the market sentiment on the stock? Has the sentiment turned more bullish or bearish over the last year? How about in more recent month and why?**

Nike's short interest looks very good when comparing to its competitors. In the past year Nike's days to cover has not exceeded 2.4 whereas Lululemon and Under Armour have had their day's to cover go above 11. The short interest for both competitors looks very bearish, but Nike is quite the opposite and looking quite bullish. The short ratio implies more of the same about Nike and that there is investor confidence in the firm. There is a lot of volatility in days to cover with both competitors and they see a large range in that category. The same does not hold true for Nike where they keep their days to cover rather low and around the same area.

## Section (I) Stock Charts

### 6 month Moving Average

Nike, Inc. Common Stock

■ NKE

■ 10-day MA

■ 50-day MA



### 2 year moving average:

Nike, Inc. Common Stock

■ NKE

■ 50-day MA

■ 200-day MA



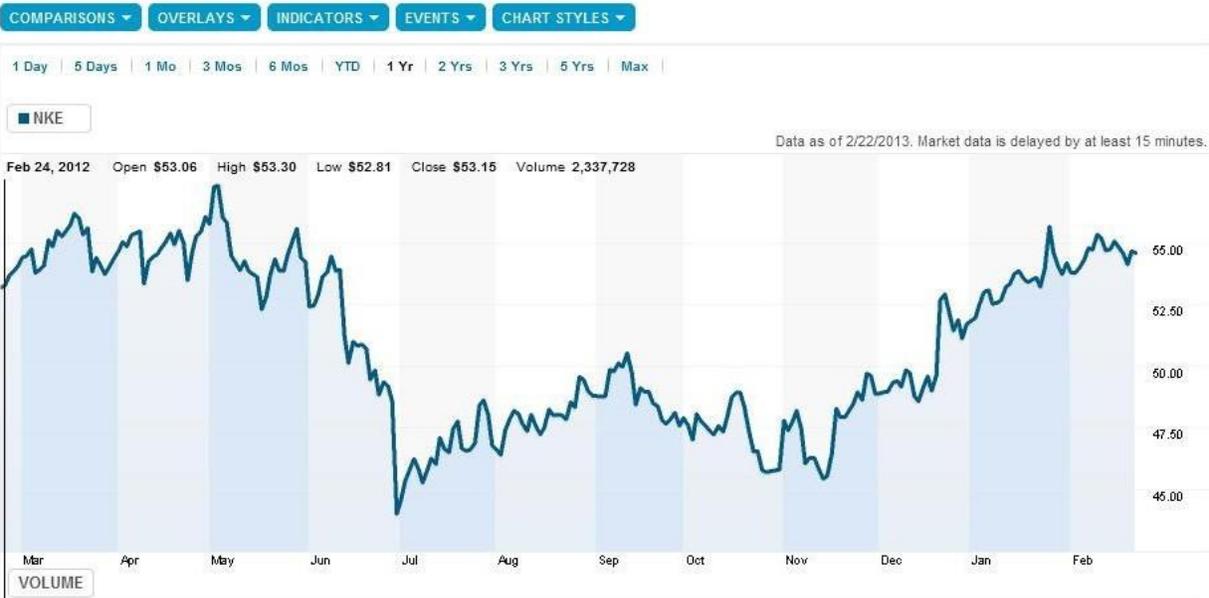
### A three months price chart

Copy/paste the "3 Mos." stock chart here



### A one year price chart

Copy/paste the "1 Yr" stock chart here



## A five year price chart

Copy/paste the “5 Yrs.” stock chart here



## Additional price chart

If you have other stock charts, feel free to copy/paste here

Nike and XLY 3 month stock chart



Nike and competitors 3 month stock chart



Discuss what you observe from the stock charts. This should include comparing your stock to competitors, sector, and SP500 over the three different time horizons.

In the 6 month moving average chart I see a golden cross that seems to have occurred around late November. This is consistent with my findings because around mid-November they did a 2 for 1 stock split and it seems that that strategy did pay off. In the 2 year moving average chart I see a death cross around last June which is also consistent with my findings. This was when their annual report came out and they lost a lot of investor confidence. Then I see another golden cross that occurred about a month ago.

The 3 month stock chart just shows Nike's steady growth over the past couple months. This is about the time that they did that stock split. The one year stock chart shows them tanking back last June and they seem to have recovered and are trading at about the same relative price that they were before things went sour. 5 year stock chart shows steady growth and proves that Nike is trading pretty close to a 5 year high.

The 3 month stock chart comparing it to the sector is pretty impressive for Nike and shows them outperforming the market by roughly 5 percent. When comparing the past 3 months of Nike with its competitors it is pretty easy to notice that they are outperforming them by a lot. All of their competitors here have had negative growth over the past 3 months. I did not include Puma in this chart because they are not traded in the United States.

These stock price charts are bullish indicators for Nike and show that they are headed in the right direction to continue to prosper as a firm.

**Sources:**

[Bizjournal.com](http://Bizjournal.com)

[Reuters.com](http://Reuters.com)

[Finance.yahoo.com](http://Finance.yahoo.com)

[Nasdaq.com](http://Nasdaq.com)

[Nike.com](http://Nike.com)

[Investors.nikeinc.com](http://Investors.nikeinc.com)

[Morningstar.com](http://Morningstar.com)