

Nike Inc. (NKE)

INCREASE TARGET PRICE

Rating **OUTPERFORM**
Price (13-Mar-17, US\$) 56.67
Target price (US\$) (from 60.00) 67.00
52-week price range (US\$) 64.90 - 49.62
Market cap (US\$ m) 93,759.22

Target price is for 12 months.

Research Analysts

Christian Buss
212 325 9667
christian.buss@credit-suisse.com

Sara Shuler
212 325 7643
sara.shuler@credit-suisse.com

Pallavi Bakshi
212 538 8434
pallavi.bakshi@credit-suisse.com

Christine Lee
212 538 8120
christine.lee@credit-suisse.com

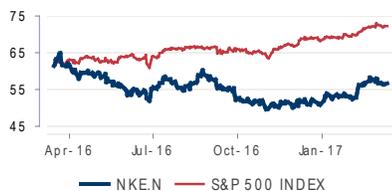
Why It's Time To Like Nike

We are becoming increasingly bullish on Nike as we see a series of incremental revenue catalysts that suggest the recent period of market share losses will moderate in 2017. We expect these catalysts to reaccelerate developed market revenue growth. Earnings growth should also benefit from inventory rationalization initiatives in 2H16 and continued mix shift towards higher-margin DTC sales. Online sentiment data looks encouraging for the brand as well. In the near-term, we are more positive than the street in our 3Q17 and FY17 revenue and EPS expectations. Longer term, we believe the company can maintain high-single digit topline growth and teens EPS growth, making it a true standout in the softlines space. As a result, we reiterate our Outperform rating on the shares, adjust our estimates (FY18 EPS goes to \$2.70 from \$2.68) and raise our Target Price to \$67 from \$60.

The five incremental revenue catalysts we see for the company are:

- Product Innovation Platform: Air VaporMax.**
 - Rationalization Of Pricing Architecture For Premium Product.**
 - Celebrity Collaborations Added To The Roster.**
 - NBA License Takeover In 2H17.**
 - Moderating Competitive Headwinds from UA, possible ADS.DE.**
- **3Q17 Futures Estimates.** We expect global constant currency futures up 4-5% Y/Y. We estimate total North American futures to be up 1.4%, a rebound from the negative futures growth in 2Q17. China futures growth remains in double digits at up 11% with Western Europe up 5%. Risks to our futures numbers and estimates include changes in consumer spending preference for athletic apparel and elevated competitive headwinds.

Share price performance



On 13-Mar-2017 the S&P 500 INDEX closed at 2372.2
Daily Mar11, 2016 - Mar13, 2017, 03/11/16 = US\$60.08

Quarterly EPS	Q1	Q2	Q3	Q4
2016A	0.67	0.45	0.55	0.49
2017E	0.73	0.50	0.56	0.58
2018E	0.72	0.62	0.64	0.71

Financial and valuation metrics

Year	5/16A	5/17E	5/18E	5/19E
EPS (CS adj.) (US\$)	2.16	2.37	2.70	3.11
Prev. EPS (US\$)	-	2.36	2.68	3.06
P/E (x)	26.2	23.9	21.0	18.2
P/E rel. (%)	130.8	131.3	129.4	124.7
Revenue (US\$ m)	32,376.0	34,635.5	37,146.3	39,956.6
EBITDA (US\$ m)	5,262.0	5,506.4	6,111.1	6,732.7
OCFPS (US\$)	1.78	2.77	3.61	4.33
P/OCF (x)	31.1	20.4	15.7	13.1
EV/EBITDA (current)	17.7	16.9	15.2	13.8
Net debt (US\$ m)	-3,403	-2,343	-1,995	-2,091
ROIC (%)	41.35	38.51	36.45	34.15
Number of shares (m)	1,654.48		IC (current, US\$ m)	8,855.00
BV/share (Next Qtr., US\$)	7.6		EV/IC (x)	8.9
Net debt (Next Qtr., US\$ m)	-2,343.4		Dividend (current, US\$)	0.72
Net debt/tot eq (Next Qtr., %)	-18.6		Dividend yield (%)	-

Source: Company data, Thomson Reuters, Credit Suisse estimates

DISCLOSURE APPENDIX AT THE BACK OF THIS REPORT CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, LEGAL ENTITY DISCLOSURE AND THE STATUS OF NON-US ANALYSTS. US Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

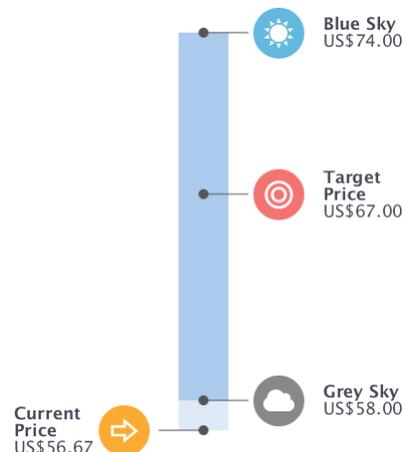
Nike Inc. (NKE)

Price (13 Mar 2017): **US\$56.67**; Rating: **OUTPERFORM**; Target Price: (from **US\$60.00**) **US\$67.00**; Analyst: **Christian Buss**

Income Statement	5/16A	5/17E	5/18E	5/19E
Revenue (US\$ m)	32,376.0	34,635.5	37,146.3	39,956.6
EBITDA	5,262	5,506	6,111	6,733
Depr. & amort.	(760)	(785)	(844)	(907)
EBIT (US\$)	4,502	4,721	5,267	5,825
Net interest exp	(18)	(23)	(30)	(43)
PBT (US\$)	4,624	4,779	5,237	5,783
Income taxes	(863)	(793)	(890)	(983)
Profit after tax	3,761	3,986	4,346	4,800
Other NPAT adjustments	0	0	0	0
Cash Flow	5/16A	5/17E	5/18E	5/19E
Cash flow from operations	3,096	4,663	5,818	6,683
CAPEX	(1,143)	(1,066)	(1,120)	(1,176)
Free cashflow to the firm	1,953	3,597	4,698	5,507
Cash flow from investments	(1,034)	(312)	(1,108)	(1,164)
Net share issue/(repurchase)	(3,238)	(4,112)	(4,432)	(4,752)
Dividends paid	(1,022)	(1,121)	(1,220)	(1,286)
Cashflow from financing activities	(3,292)	(5,371)	(5,058)	(5,423)
Changes in Net Cash/Debt	(1,335)	(1,060)	(348)	96
Balance Sheet (US\$)	5/16A	5/17E	5/18E	5/19E
Cash & cash equivalents	5,457	5,860	5,512	5,608
Account receivables	3,241	3,452	3,715	3,995
Other current assets	1,489	1,661	2,079	2,734
Total fixed assets	3,520	3,650	3,925	4,193
Investment securities	-	-	-	-
Total assets	21,396	23,267	24,867	27,318
Total current liabilities	5,358	5,594	5,773	5,965
Shareholder equity	12,258	12,569	13,989	16,249
Total liabilities and equity	21,396	23,267	24,867	27,318
Net debt	(3,403)	(2,343)	(1,995)	(2,091)
Per share	5/16A	5/17E	5/18E	5/19E
No. of shares (wtd avg)	1,742	1,681	1,611	1,545
CS adj. EPS	2.16	2.37	2.70	3.11
Prev. EPS (US\$)	-	2.36	2.68	3.06
Dividend (US\$)	0.92	0.70	0.77	0.85
Free cash flow per share	1.12	2.14	2.92	3.56
Earnings	5/16A	5/17E	5/18E	5/19E
Sales growth (%)	5.8	7.0	7.2	7.6
EBIT growth (%)	7.8	4.9	11.6	10.6
Net profit growth (%)	14.9	6.0	9.1	10.4
EPS growth (%)	16.6	9.8	13.7	15.2
EBITDA margin (%)	16.3	15.9	16.5	16.9
EBIT margin (%)	13.9	13.6	14.2	14.6
Pretax margin (%)	14.3	13.8	14.1	14.5
Net margin (%)	11.6	11.5	11.7	12.0
Valuation	5/16A	5/17E	5/18E	5/19E
EV/EBITDA (x)	17.7	16.9	15.2	13.8
P/E (x)	26.2	23.9	21.0	18.2
Returns	5/16A	5/17E	5/18E	5/19E
ROIC (%)	0.4	0.4	0.4	0.3
Gearing	5/16A	5/17E	5/18E	5/19E
Net debt/equity (%)	(27.8)	(18.6)	(14.3)	(12.9)
Quarterly EPS	Q1	Q2	Q3	Q4
2016A	0.67	0.45	0.55	0.49
2017E	0.73	0.50	0.56	0.58
2018E	0.72	0.62	0.64	0.71

Company Background
 Nike is the world's largest designer, marketer, and distributor of athletic footwear, apparel, equipment, and accessories.

Blue/Grey Sky Scenario



Our Blue Sky Scenario (US\$) 74.00

Our blue sky scenario is based on an improvement in revenue growth to 9%, operating margin approaching 14.6%, and an FY18 EPS of \$2.70. Based on a 26x forward P/E multiple this would warrant a 12-month stock price of \$74.

Our Grey Sky Scenario (US\$) 58.00

Our grey sky scenario is based on a slowing of revenue growth to 5%, operating margin approaching 13.9%, and an FY19 EPS of \$2.63. Based on a 22x forward P/E multiple this would warrant a 12-month stock price of \$58.

Share price performance



On 13-Mar-2017 the S&P 500 INDEX closed at 2372.2
 Daily Mar11, 2016 - Mar13, 2017, 03/11/16 = US\$60.08

Source: Company data, Thomson Reuters, Credit Suisse estimates

- **Online Brand Analysis: Sentiment Peaks, Momentum Poised For Bounce Back.** Our online sentiment analysis with partner Netbase shows brand sentiment for Nike reaching peak levels over the last 6 months. Nike's historical sentiment has averaged a score of 76. Over the last six months, Nike's sentiment has averaged a score of 82. Our momentum index shows that Nike's mentions shrank Y/Y from April 2016 onwards, but stabilization over the last three months suggests the brand is poised to recapture momentum through the various product and marketing catalysts described in this note. Please see Figure 3 for more detail.

The Five Reasons We Like Nike's Revenue Prospects In 2017:

- **Next Big Product Launch: Air Max Day 2017 Introduces The Air VaporMax.** Given our view that new technologies and novel product lines that emphasize technology serve as powerful vehicles to inspire consumer refreshes (especially when combined with Nike's \$3.5B annual marketing budget), Air VaporMax looks to be the next big product innovation after a five year gap (see Figure 4). Nike is reintroducing Air Max technology to the consumer, through Air Max Day (March 26th) which celebrates the thirtieth anniversary of the Air Max 1, the first footwear model that made air sole technology visible. Throughout March, eight reworked Air Max sneakers will be announced, with the final one being the latest iteration of this technology, dubbed Air VaporMax. The company has developed Air VaporMax using proprietary technology that attaches a FlyKnit upper with an Air Max unit with no other tooling or layers, simulating "running on air."
- **Pricing Architecture For Premium Product Normalizes.** We are encouraged to see that pricing, specifically in the marquee basketball segment, has normalized. After a period of enforcing an elevated pricing architecture (launches at the \$160-200 price point versus the historical range of \$120-150) which we believed to be above consumer's range of willingness to pay, recent Kyrie Irving and LeBron releases show the company has moved back into a more normalized pricing band. The Kyrie 3 (introduced January 7th) was priced at \$120, a lower opening price compared to the Kyrie 2 at \$165 last year. Similarly, the LeBron XIV (introduced February 10th, later than the usual December release) was priced at \$175, a lower opening price point compared to the LeBron XIII at \$200 last year.
- **Adding Celebrity Endorsements To The Roster.** Nike has historically relied on endorsements from athletes across geographies who are often at the pinnacle of their sport. While this has aligned with the company's mission "to bring inspiration and innovation to every athlete," we believe the company may have missed opportunities to collaborate with celebrities in order to enhance the lifestyle aspects of their product as well as leverage enormous social media power. Competitors have taken the lead in collaborating with global celebrities who are not professional athletes (adidas and Kanye West, Puma and Rihanna). Despite the later start, we are encouraged to see Nike add more celebrity endorsers:
 - Singer Drake's clothing line October's Very Own (OVO) has been collaborating with the Jordan brand since 2015 to release limited edition "Air Jordan OVO." This year, the collaboration released the Air Jordan 12 OVO Black in February which sold out almost immediately.
 - Actor Kevin Hart's advertisement campaign "Move with Hart" and "The Man Who Kept Running" focused on the Apple Watch Nike+ launch and is part of a larger effort to make Hart a key endorser for the running category. Kevin Hart has 32 million Twitter followers, more than Roger Federer, Tiger Woods, and Kevin Durant combined.
- **NBA License Takeover In 2H17 Plus Crucial On-Court Logo Rights.** Nike becomes the official on-court apparel provider and merchandiser for the 2017-2018 NBA season, taking over from adidas. Importantly, Nike will be the first apparel partner to have its

logo appear on uniforms. That equates to over 2,000 hours of onscreen advertising for the brand per season. Nike's global distribution and key relationships with multiple past and present basketball players make it a natural partner for the NBA, and perhaps more importantly, has blocked competitors from gaining this important foothold in the basketball market.

- **Competitive Headwinds Look To Be Moderating.** Competitive threats, specifically from Under Armour, in the basketball category appear to be less threatening to Nike's dominant basketball market share in 2017. While Under Armour continues to grow its footwear business at an impressive rate (up 50% Y/Y in 2016 to reach \$1B in annual sales), the initial explosive growth of the Curry signature basketball line looks to have declined from initial levels. The Curry 3.0 release in October 2016 "started off a bit slower compared to the previous 2.0 and 2.5 models" according to Foot Locker, and a series of design missteps (Curry Two Low "Chef", Curry Lux) have the company working to win over sneakerheads. We also see some risk for the adidas Originals business rolling over, especially in Western Europe, as the brand's top retro products risk becoming over-exposed.

Exhibits

Earnings And Futures Estimates

Figure 1: CS Estimates Versus Consensus

	CS		Guidance	Y/Y Change
	Estimate	Consensus		
3Q17				
Revenue	\$8,613	\$8,464	Up MSD reported	7.2%
EPS	\$0.56	\$0.53		2.1%
3Q17 Margins				
Gross Margin	44.9%	44.9%	Down 100-125bp Y/Y (F/X)	-100bp
SG&A %	31.7%	31.8%	Up MSD - HSD Y/Y	-25bp
Operating Margin	13.2%	13.1%		-75bp
3Q17 Balance Sheet				
Inventories	\$5,118	\$4,878		11.5%
Days Inventory	96			2
4Q17E				
Revenue	\$8,782	\$8,871		6.5%
EPS	\$0.58	\$0.58		17.3%
FY17E				
Revenue	\$34,635	\$34,591	Up HSD reported	7.0%
EPS	\$2.37	\$2.34		9.8%

Source: Company data, Credit Suisse estimates

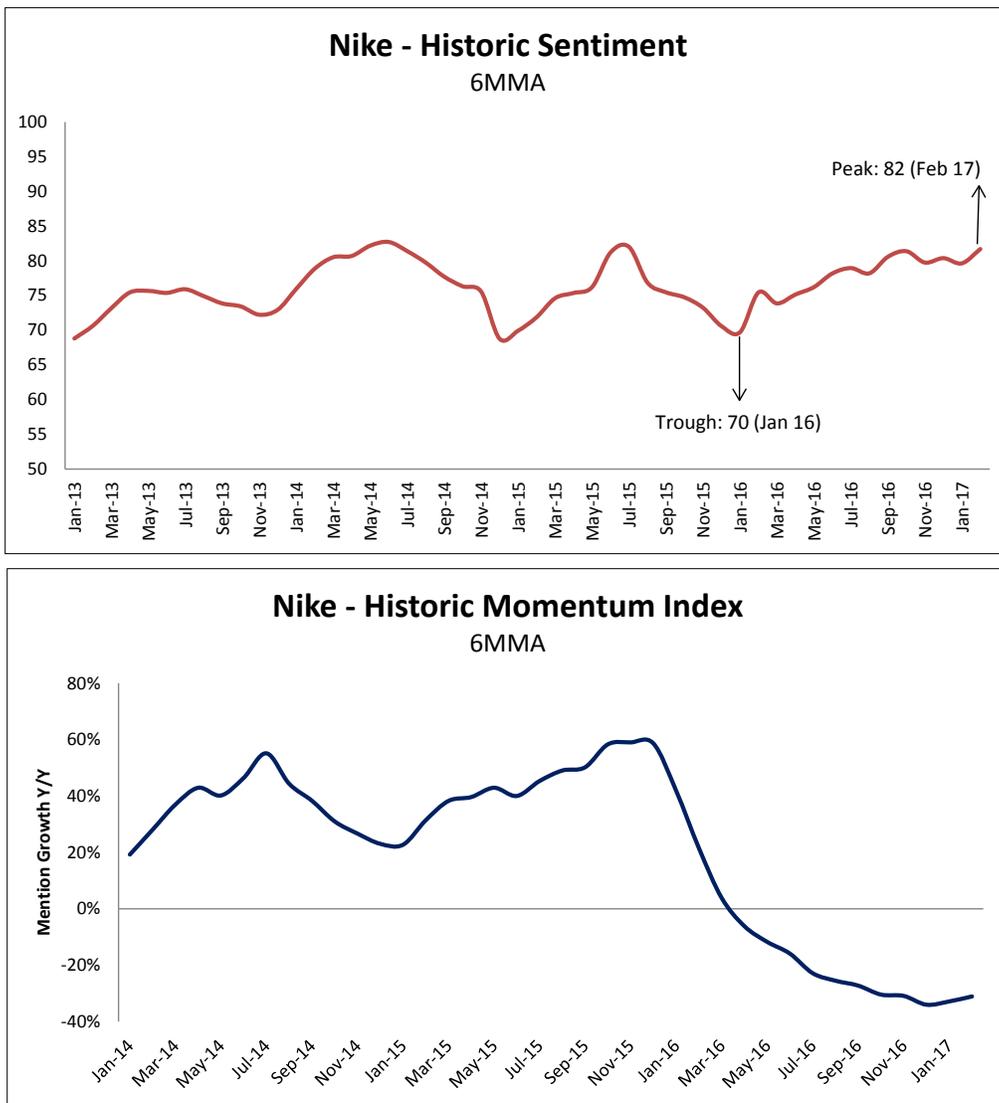
Figure 2: 3Q17 Futures Estimates

	Prior		Current		Prior	Current	% Change	Futures 1Q17	Futures 2Q17	Futures Est 3Q17
	1Q	2Q	1Q	2Q						
North America										
Footwear	\$2,367	\$2,518	\$2,462	\$2,669	\$4,885	\$5,131	5.0%			1.0%
Apparel	\$1,163	\$1,317	\$1,244	\$1,396	\$2,480	\$2,640	6.5%			2.0%
Equipment & Other	\$205	\$196	\$215	\$210	\$401	\$425	6.0%			2.0%
Total	\$3,735	\$4,031	\$3,921	\$4,275	\$7,766	\$8,196	5.5%	1.0%	-4.0%	1.4%
Western Europe										
Footwear	\$1,027	\$1,147	\$1,083	\$1,216	\$2,174	\$2,299	5.8%			5.0%
Apparel	\$411	\$531	\$436	\$568	\$942	\$1,004	6.6%			5.0%
Equipment & Other	\$64	\$85	\$67	\$88	\$149	\$155	4.0%			4.0%
Total	\$1,502	\$1,763	\$1,586	\$1,872	\$3,265	\$3,458	5.9%	9.0%	2.0%	5.0%
Eastern Europe										
Footwear	\$224	\$270	\$246	\$292	\$494	\$538	8.9%			7.0%
Apparel	\$102	\$138	\$110	\$149	\$240	\$259	8.0%			6.0%
Equipment & Other	\$19	\$32	\$20	\$34	\$51	\$54	5.9%			4.0%
Total	\$345	\$440	\$377	\$475	\$785	\$851	8.4%	9.0%	6.0%	6.5%
China										
Footwear	\$681	\$710	\$766	\$774	\$1,391	\$1,540	10.7%			10.0%
Apparel	\$268	\$269	\$295	\$291	\$537	\$585	9.0%			9.0%
Equipment & Other	\$30	\$41	\$31	\$45	\$71	\$76	6.9%			6.0%
Total	\$979	\$1,020	\$1,092	\$1,109	\$1,999	\$2,201	10.1%	19.0%	12.0%	9.6%
Japan										
Footwear	\$187	\$166	\$200	\$174	\$353	\$374	6.1%			6.0%
Apparel	\$70	\$60	\$73	\$62	\$130	\$135	4.0%			4.0%
Equipment & Other	\$23	\$19	\$24	\$19	\$42	\$43	3.3%			3.0%
Total	\$280	\$245	\$297	\$256	\$525	\$553	5.3%	11.0%	5.0%	5.3%
Emerging Markets										
Footwear	\$596	\$661	\$644	\$727	\$1,257	\$1,371	9.1%			9.0%
Apparel	\$226	\$234	\$249	\$264	\$460	\$513	11.5%			12.0%
Equipment & Other	\$50	\$50	\$54	\$54	\$100	\$108	7.5%			7.0%
Total	\$872	\$945	\$946	\$1,045	\$1,817	\$1,991	9.6%	10.0%	10.0%	9.6%
Worldwide Total										
Footwear	\$5,082	\$5,472	\$5,401	\$5,852	\$10,554	\$11,253	6.6%			
Apparel	\$2,240	\$2,549	\$2,406	\$2,731	\$4,789	\$5,137	7.3%			
Equipment & Other	\$391	\$423	\$411	\$450	\$814	\$861	5.7%			
Global Brand Divisions	\$12	\$18	\$13	\$19	\$30	\$32	5.0%			
Other Brands	\$513	\$577	\$544	\$612	\$1,090	\$1,156	6.0%			
Total	\$8,453	\$7,715	\$9,039	\$8,140	\$16,168	\$17,179	6.3%	7.0%	2.0%	4.5%

Source: Company data, Credit Suisse estimates

Online Brand Sentiment Analysis

Figure 3: Netbase Sentiment Data Suggest Sentiment Has Risen From Trough Levels In Early 2016; Momentum Looks To Have Bottomed Out And Could Be Poised To Rebound

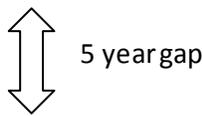


Source: Company data, Credit Suisse estimates, NetBase

Nike Historic Innovation Mass Market Launches

Figure 4: There Has Been A Five Year Gap Between Nike's Last Innovation And The Upcoming Air VaporMax

<u>Year</u>	<u>Product Innovation Platform</u>
2004	Nike Free
2005	
2006	Max Air
2007	
2008	Lunarlon, Flywire
2009	
2010	Hyperfuse
2011	
2012	Flyknit, Dynamic Support
2013	
2014	
2015	
2016	
2017	Air VaporMax



Source: Company data, Credit Suisse estimates

Financial Model

Figure 5: Income Statement

Nike Inc.		Income Statement																						
		FY16				FY17				FY18				FY19E				FY20E						
		Aug-15	Nov-15	Feb-16	May-16	2016A	Aug-16	Nov-16	Feb-17	May-17	2017E	Aug-17	Nov-17	Feb-18	May-18	2018E	2019E	2020E	2021E	2022E				
Footwear	5,123.0	4,592.0	5,074.0	5,062.0	19,871.0	5,472.0	4,822.0	5,427.8	5,401.5	21,123.3	5,901.0	5,204.7	5,779.0	5,823.0	22,709.7	16,208.0	18,319.0	19,871.0	21,123.3	22,709.7	24,448.4	26,212.4	28,109.3	30,148.7
Apparel	2,341.0	2,362.0	2,124.0	2,240.0	9,087.0	2,549.0	2,535.0	2,303.3	2,406.4	9,787.7	2,700.6	2,718.2	2,424.3	2,579.2	10,402.2	8,109.0	8,836.0	9,097.0	9,790.7	10,402.2	11,210.7	11,992.9	12,827.0	13,281.1
Equipment and Other	408.0	345.0	352.0	391.0	1,496.0	423.0	346.0	380.0	416.0	1,559.0	450.1	388.3	394.0	437.1	1,649.5	1,670.0	1,632.0	1,496.0	1,559.0	1,649.5	1,779.7	1,921.3	2,073.3	2,242.8
Global Brands Division	28.0	18.0	17.0	12.0	73.0	15.0	21.0	17.0	12.0	66.5	19.1	22.1	18.7	13.2	73.1	125.0	114.0	73.0	66.5	73.1	70.8	80.6	84.7	88.9
Other Brands	655.0	398.0	489.0	513.0	1,955.0	574.0	416.0	513.5	543.8	2,047.3	611.8	445.1	554.5	587.3	2,188.8	1,864.0	1,862.0	1,955.0	2,047.2	2,188.8	2,314.2	2,464.6	2,769.8	2,981.4
Corporate	-39.0	-29.0	-24.0	6.0	36.0	28.0	40.0	-26.4	6.6	48.2	30.8	44.0	-29.0	7.3	53.0	3.0	-82.0	-85.0	48.2	63.0	98.3	64.2	70.6	77.6
Total Revenue	8,414.0	7,686.0	8,032.0	8,244.0	32,376.0	9,061.0	8,180.0	8,613.0	8,781.5	34,635.5	9,743.5	8,802.3	9,191.4	9,448.0	37,146.3	27,799.0	30,691.0	32,376.0	34,635.5	37,146.3	39,956.6	42,836.0	45,936.6	49,276.6
Cost of Goods Sold	4,419.0	4,185.0	4,343.0	4,458.0	17,405.0	4,938.0	4,564.0	4,743.3	4,792.6	19,037.8	5,290.4	4,893.6	5,021.5	5,138.0	20,343.5	15,353.0	16,534.0	17,405.0	19,037.8	20,343.5	21,802.8	23,288.4	24,882.2	26,592.9
Gross Profit	3,995.0	3,501.0	3,689.0	3,786.0	14,971.0	4,123.0	3,616.0	3,869.7	3,988.9	15,597.7	4,453.0	3,908.7	4,129.9	4,311.1	16,802.7	12,446.0	14,067.0	14,971.0	15,597.7	16,802.7	18,153.8	19,547.6	21,054.4	22,683.7
SG&A	832.0	789.0	804.0	873.0	3,278.0	1,041.0	762.0	892.3	798.2	3,493.5	1,051.2	824.4	952.7	863.6	3,691.8	3,031.0	3,213.0	3,278.0	3,493.5	3,691.8	3,991.1	4,300.1	4,634.2	4,995.7
Demand Creation	1,745.0	1,791.0	1,762.0	1,853.0	7,191.0	1,856.0	1,743.0	1,837.8	1,946.2	7,382.9	1,976.3	1,858.0	1,934.4	2,075.2	7,843.9	5,735.0	6,679.0	7,191.0	7,382.9	7,843.9	8,337.5	8,831.2	9,356.6	9,912.7
Salaries and Benefits	2,077.0	2,500.0	2,596.0	2,706.0	10,469.0	2,897.0	2,505.0	2,730.1	2,744.4	10,876.4	3,027.5	2,882.4	2,887.0	2,938.8	11,539.7	8,766.0	9,892.0	10,469.0	10,876.4	11,539.7	12,328.5	13,131.3	13,989.9	14,908.5
Operating Income	1,485.0	841.0	1,133.0	1,620.0	4,600.0	1,226.0	1,111.0	1,326.6	1,244.8	4,721.2	1,458.5	1,286.3	1,245.9	1,273.3	5,207.9	3,806.0	4,179.0	4,600.0	4,721.2	5,207.9	5,653.3	6,416.4	7,064.5	7,778.2
Debt	197.0	225.0	159.0	270.0	760.0	180.0	134.4	170.9	229.9	762.2	193.5	144.6	183.7	322.4	844.1	642.0	1,073.0	760.0	762.2	844.1	927.4	974.5	1,048.6	1,127.3
EBITDA	1,915.0	1,066.0	1,252.0	1,290.0	4,382.0	1,406.0	1,245.4	1,315.6	1,344.2	5,596.4	1,619.0	1,370.8	1,426.7	1,694.7	6,111.1	4,322.0	4,248.0	4,382.0	4,382.0	4,322.0	4,311.1	4,311.1	4,311.1	4,311.1
EBITDA Margin	19.2%	13.9%	15.6%	15.8%	16.3%	15.5%	13.9%	15.2%	17.0%	15.9%	16.6%	15.6%	15.6%	17.9%	16.0%	15.0%	17.1%	16.3%	15.6%	16.0%	15.6%	16.5%	17.7%	17.7%
Interest Income (Expense) - Model Driver	-4.0	-5.0	-5.0	-5.0	-18.2	-7.0	-15.0	-5.9	-6.1	-22.6	-6.6	-7.3	-7.9	-8.5	-30.4	-33.0	-28.0	-18.2	-22.6	-30.4	-42.5	-60.6	-60.6	-60.6
Other Income (Expense)	31.0	34.0	17.0	58.0	140.0	62.0	18.0	9.0	0.0	80.0	0.0	0.0	0.0	0.0	-103.0	58.0	140.0	80.0	0.0	0.0	0.0	0.0	0.0	
Total Non-Operating Income (Expense)	27.0	29.0	12.0	53.0	121.8	55.0	3.0	-5.9	-6.1	57.4	-6.6	-7.3	-7.9	-8.5	-30.4	196.0	30.0	121.8	87.4	30.4	-42.5	-60.6	-60.6	
Pretax Income	1,445.0	970.0	1,135.0	1,673.0	4,823.8	1,281.0	1,114.0	1,137.7	1,238.4	4,778.6	1,418.9	1,219.0	1,239.0	1,263.8	6,236.6	3,644.0	4,256.0	4,823.8	4,778.6	5,236.6	5,782.8	6,355.7	7,009.9	7,714.6
Provision for Taxes	266.0	185.0	185.0	227.0	803.0	32.0	272.0	204.1	204.8	792.9	241.2	207.2	209.9	231.8	890.2	851.0	932.0	863.0	792.9	890.2	963.1	1,080.5	1,190.7	1,311.5
Tax Rate	18.4%	19.1%	16.3%	21.7%	18.7%	2.5%	24.4%	18.0%	23.0%	16.6%	17.0%	17.0%	17.0%	17.0%	17.0%	24.0%	22.2%	18.7%	16.6%	17.0%	17.0%	17.0%	17.0%	
Adjusted Net Income	1,179.0	785.0	950.0	846.0	3760.8	1,249.0	842.0	928.6	933.6	3985.7	1,177.7	1,011.8	1,029.1	1,131.9	4346.4	2,893.0	3,273.0	3,760.8	3,885.7	4,346.4	4,799.7	5,275.3	5,813.2	6,403.1
Pro Forma EPS	0.67	0.45	0.55	0.49	2.16	0.73	0.50	0.52	0.58	2.37	0.72	0.62	0.64	0.71	2.70	1.49	1.85	2.16	2.37	2.70	3.11	3.56	4.08	4.57
1X Charge (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
GAAP Net Income	1179.0	785.0	950.0	846.0	3760.8	1249.0	842.0	928.6	933.6	3985.7	1177.7	1011.8	1029.1	1131.9	4346.4	2893.0	3273.0	3760.8	3885.7	4346.4	4799.7	5275.3	5813.2	6403.1
EBITDA EPS	0.87	0.46	0.55	0.49	2.16	0.73	0.50	0.52	0.58	2.37	0.72	0.62	0.64	0.71	2.70	1.49	1.85	2.16	2.37	2.70	3.11	3.56	4.08	4.57
Dividend	0.28	0.32	0.16	0.16	0.92	0.16	0.18	0.18	0.18	0.70	0.18	0.20	0.20	0.20	0.77	0.92	1.08	0.92	0.70	0.77	0.85	0.94	1.03	1.13
Basic Shares Outstanding	1,709.0	1,706.6	1,693.8	1,682.4	1,698.0	1,672.0	1,659.1	1,630.2	1,621.8	1,648.8	1,604.6	1,589.6	1,561.9	1,552.9	1,572.2	1,766.7	1,723.5	1,698.0	1,645.8	1,577.2	1,510.8	1,448.5	1,390.5	1,336.6
Diluted Shares Outstanding	1,754.6	1,751.4	1,737.3	1,723.1	1,741.5	1,708.9	1,693.2	1,664.3	1,655.9	1,680.6	1,638.7	1,623.7	1,596.0	1,587.0	1,613.3	1,810.7	1,767.3	1,741.6	1,680.6	1,613.3	1,544.9	1,482.6	1,424.6	1,370.7
Margins	47.9%	45.6%	45.9%	45.9%	46.2%	45.5%	44.2%	44.9%	45.4%	45.0%	45.7%	44.4%	45.1%	45.6%	45.2%	44.8%	46.0%	46.2%	45.0%	45.2%	45.4%	45.6%	45.8%	45.8%
Y/Y Growth	89%	47%	6%	26%	27%	19%	-13%	-10%	-5%	12%	20%	20%	20%	20%	11%	11%	17%	16%	16%	16%	17%	17%	17%	
EBITDA	19.2%	13.9%	15.6%	15.8%	16.3%	15.5%	13.9%	15.2%	17.0%	15.9%	16.6%	15.6%	15.6%	17.9%	16.0%	15.0%	17.1%	16.3%	15.6%	16.0%	15.6%	16.5%	17.7%	
Pretax Income	17.2%	12.6%	14.1%	13.0%	14.3%	14.1%	13.6%	13.2%	14.1%	13.8%	14.6%	13.8%	13.5%	14.4%	14.1%	12.7%	13.7%	14.3%	13.8%	14.1%	14.5%	14.8%	15.2%	
Effective Tax Rate	18.4%	19.1%	16.3%	21.7%	18.7%	2.5%	24.4%	18.0%	23.0%	16.6%	17.0%	17.0%	17.0%	17.0%	17.0%	24.0%	22.2%	18.7%	16.6%	17.0%	17.0%	17.0%		
Net Margin	14.0%	10.2%	11.8%	10.3%	11.6%	13.8%	10.3%	10.8%	10.8%	11.5%	12.1%	11.5%	11.2%	12.0%	11.7%	9.7%	10.7%	11.6%	11.5%	11.7%	12.0%	12.3%		
% of Revenue	60.9%	59.7%	63.2%	61.6%	61.4%	60.4%	58.9%	63.0%	61.5%	61.0%	60.6%	59.1%	63.1%	61.6%	61.1%	58.3%	59.9%	61.4%	61.0%	61.1%	61.2%	61.2%	61.2%	
Footwear	60.9%	59.7%	63.2%	61.6%	61.4%	60.4%	58.9%	63.0%	61.5%	61.0%	60.6%	59.1%	63.1%	61.6%	61.1%	58.3%	59.9%	61.4%	61.0%	61.1%	61.2%	61.2%	61.2%	
Apparel	27.8%	30.7%	26.4%	27.2%	28.0%	28.1%	31.0%	26.7%	27.4%	28.3%	28.0%	30.9%	26.6%	27.3%	28.2%	29.2%	28.2%	28.0%	28.3%	28.2%	28.1%	28.0%	27.9%	
Equipment and Other	4.8%	4.6%	4.4%	4.7%	4.6%	4.7%	4.2%	4.4%	4.7%	4.5%	4.6%	4.2%	4.3%	4.6%	4.4%	4.9%	4.5%	4.4%	4.5%	4.4%	4.5%	4.5%	4.6%	
Other Brands	6.6%	5.2%	6.1%	6.2%	6.0%	6.3%	5.1%	6.0%	6.2%	5.9%	6.1%	5.1%	6.1%	6.2%	5.9%	6.1%	6.0%	6.0%	5.9%	5.9%	6.0%	6.0%	6.1%	
COGS	52.5%	54.4%	54.1%	54.																				

Figure 6: Balance Sheet

Nike Inc. Balance Sheet (\$ in millions except per share data)																									
FY16					FY17					FY18					2018E										
1Q16A	2Q16A	3Q16A	4Q16A	2016A	1Q17A	2Q17A	3Q17A	4Q17E	2017E	1Q18E	2Q18E	3Q18E	4Q18E	2018E	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	2022E		
Aug-15	Nov-15	Feb-16	May-16		Aug-16	Nov-16	Feb-17	May-17		Aug-17	Nov-17	Feb-18	May-18												
Assets																									
Current Assets:																									
Cash and Equivalents	5,408.0	6,116.0	5,106.0	5,457.0	5,407.0	4,787.0	5,943.0	4,365.7	5,804.4	5,804.4	5,386.0	5,352.1	3,792.8	5,511.9	5,111.9	5,142.0	5,504.0	5,457.0	5,800.4	5,511.9	5,608.2	6,353.2	6,025.9	11,047.7	
Accounts Receivable	3,288.0	3,437.0	3,368.0	3,241.0	3,241.0	3,526.0	3,478.0	3,611.6	3,452.3	3,714.7	3,791.6	3,742.6	3,837.4	3,714.7	3,714.7	3,434.0	3,358.0	3,241.0	3,452.3	3,714.7	3,695.5	4,283.3	4,559.2	4,927.0	
Inventories	4,144.0	4,600.0	4,590.0	4,838.0	4,838.0	4,896.0	5,033.0	5,114.8	5,254.3	5,254.3	5,216.1	5,309.3	5,390.8	5,654.5	5,654.5	3,947.0	4,337.0	4,838.0	4,337.0	5,654.5	5,975.2	6,349.4	6,745.8	7,174.9	
Deferred Income Taxes	377.0	405.0	410.0	471.7	471.7	457.1	524.1	645.0	738.6	738.6	715.8	802.9	1,005.2	1,155.4	1,155.4	355.0	389.0	471.7	738.6	1,005.2	1,155.4	1,810.7	2,832.2	4,426.3	
Prepaid Expenses and Other	1,751.0	2,197.0	1,782.0	1,017.3	1,017.3	922.9	922.9	922.9	922.9	922.9	922.9	922.9	922.9	922.9	922.9	818.0	1,988.0	1,017.3	922.9	922.9	922.9	922.9	922.9	922.9	
Total Current Assets	15,236.0	16,756.0	15,256.0	15,025.0	15,025.0	14,989.0	16,011.0	14,660.5	16,228.5	16,228.5	16,022.2	16,379.8	14,949.9	16,910.5	16,910.5	13,896.0	15,978.0	15,025.0	16,228.5	16,910.5	16,312.4	16,743.8	18,720.8	21,623.4	
Non-Current Assets:																									
PP&E	3,112.0	3,235.0	3,320.0	3,520.0	3,520.0	3,572.0	3,566.0	3,696.4	3,649.6	3,649.6	3,748.9	3,849.2	3,980.8	3,925.2	3,925.2	2,834.0	3,011.0	3,520.0	3,649.6	3,925.2	4,193.4	4,452.4	4,700.0	4,933.7	
Identifiable Intangible Assets	281.0	281.0	281.0	281.0	281.0	284.0	283.0	283.0	283.0	283.0	283.0	283.0	283.0	283.0	283.0	282.0	281.0	281.0	283.0	283.0	283.0	283.0	283.0	283.0	283.0
Goodwill	131.0	131.0	131.0	131.0	131.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	131.0	131.0	131.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0
Deferred Taxes and Other Assets	2,004.0	2,181.0	1,990.0	2,439.0	2,439.0	2,572.0	2,653.0	2,420.7	2,968.8	2,968.8	3,128.6	3,227.1	2,944.5	3,608.9	3,608.9	1,651.0	2,201.0	2,439.0	2,968.8	3,608.9	3,489.9	5,340.0	6,499.6	7,901.4	
Total Assets	25,766.0	22,983.0	20,997.0	21,396.0	21,396.0	21,156.0	22,652.0	21,186.6	23,266.5	23,266.5	23,239.8	23,878.1	22,296.3	24,866.5	24,866.5	18,694.0	21,600.0	21,396.0	23,266.5	24,866.5	27,317.8	30,958.2	36,348.5	44,280.5	
Liabilities and Shareholders Equity																									
Current Liabilities:																									
Current Long Term Debt	106.0	5.0	7.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0	7.0	107.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0	44.0
Notes Payable	23.0	99.0	0.0	1.0	1.0	22.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	167.0	74.0	1.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Accounts Payable	1,933.0	1,915.0	1,714.0	2,191.0	2,191.0	2,088.0	2,033.0	1,872.0	2,356.4	2,356.4	2,237.0	2,179.8	1,981.8	2,525.2	2,525.2	1,930.0	2,131.0	2,191.0	2,356.4	2,525.2	2,706.0	2,890.3	3,087.9	3,300.0	
Accrued Liabilities	3,139.0	3,451.0	3,224.0	3,037.0	3,037.0	3,147.0	3,076.0	3,076.0	3,076.0	3,076.0	3,076.0	3,076.0	3,076.0	3,076.0	3,076.0	2,491.0	3,951.0	3,037.0	3,076.0	3,076.0	3,076.0	3,076.0	3,076.0	3,076.0	3,076.0
Income Taxes Payable, Other	75.0	41.0	35.0	85.0	85.0	62.0	52.0	35.0	91.1	91.1	69.7	65.9	38.1	109.0	109.0	432.0	71.0	85.0	98.1	109.0	119.2	144.1	151.7	151.7	
Total Current Liabilities	5,279.0	5,511.0	4,980.0	5,358.0	5,358.0	5,363.0	5,225.0	5,046.9	5,693.5	5,693.5	5,445.7	5,376.7	5,159.9	5,773.2	5,773.2	4,027.0	4,534.0	4,980.0	5,358.0	5,693.5	5,773.2	6,161.1	6,372.0	6,698.7	
Non-Current Liabilities:																									
Long Term Debt	1,079.0	2,067.0	2,048.0	2,010.0	2,010.0	1,993.0	3,473.0	3,473.0	3,473.0	3,473.0	3,473.0	3,473.0	3,473.0	3,473.0	3,473.0	1,199.0	1,079.0	2,010.0	3,473.0	3,473.0	3,473.0	3,473.0	3,473.0	3,473.0	
Deferred Taxes and Other Liabilities	1,517.0	1,600.0	1,699.0	1,770.0	1,770.0	1,635.0	1,631.0	1,631.0	1,631.0	1,631.0	1,631.0	1,631.0	1,631.0	1,631.0	1,631.0	1,544.0	1,480.0	1,770.0	1,631.0	1,631.0	1,631.0	1,631.0	1,631.0	1,631.0	
Commitments and Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Redeemable Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Non-Current Liabilities	2,596.0	3,667.0	3,747.0	3,780.0	3,780.0	3,628.0	5,104.0	2,743.0	2,559.0	3,780.0	5,104.0	5,104.0	5,104.0	5,104.0	5,104.0	5,104.0									
Total Liabilities	7,875.0	9,178.0	8,727.0	9,138.0	9,138.0	8,991.0	10,329.0	10,150.9	10,797.5	10,797.5	10,550.7	10,470.7	10,263.9	10,877.2	10,877.2	6,770.0	7,093.0	8,760.0	10,462.0	10,797.5	10,877.2	11,265.1	11,476.0	11,792.7	
Shareholders Equity																									
Common Stock	12,894.0	13,405.0	12,300.0	12,258.0	12,258.0	12,165.0	12,323.0	11,047.6	12,669.3	12,669.3	12,780.1	13,397.4	12,032.4	13,889.3	13,889.3	10,824.0	12,707.0	12,258.0	12,669.3	13,889.3	16,248.6	18,693.1	24,872.4	32,477.8	
Retained Earnings	12,894.0	13,405.0	12,300.0	12,258.0	12,258.0	12,165.0	12,323.0	11,047.6	12,669.3	12,669.3	12,780.1	13,397.4	12,032.4	13,889.3	13,889.3	10,824.0	12,707.0	12,258.0	12,669.3	13,889.3	16,248.6	18,693.1	24,872.4	32,477.8	
Total Shareholders Equity	12,894.0	13,405.0	12,300.0	12,258.0	12,258.0	12,165.0	12,323.0	11,047.6	12,669.3	12,669.3	12,780.1	13,397.4	12,032.4	13,889.3	13,889.3	10,824.0	12,707.0	12,258.0	12,669.3	13,889.3	16,248.6	18,693.1	24,872.4	32,477.8	
Total Liabilities and Equity	25,766.0	22,983.0	20,997.0	21,396.0	21,396.0	21,156.0	22,652.0	21,186.6	23,266.5	23,266.5	23,239.8	23,878.1	22,296.3	24,866.5	24,866.5	18,694.0	21,600.0	21,396.0	23,266.5	24,866.5	27,317.8	30,958.2	36,348.5	44,280.5	
Operating Ratios																									
Receivables Turnover	10.2	8.9	9.5	10.2	9.8	10.3	9.4	9.5	10.2	10.3	10.3	9.4	9.5	10.2	10.4	8.5	9.0	9.8	10.3	10.4	10.4	10.3	10.4	10.4	
Days Inventory Outstanding	55.2	60.2	37.7	56.4	57.2	35.0	38.3	37.7	38.4	35.3	35.0	38.3	37.7	38.4	35.2	43.0	40.5	37.2	35.3	36.2	35.2	35.3	35.3	35.3	
Inventory Turnover	4.0	3.7	3.8	3.8	3.8	4.1	3.7	3.7	3.7	3.8	4.0	3.7	3.7	3.7	3.8	4.1	4.0	3.8	3.8	3.8	3.8	3.8	3.8	3.8	
Days Inventory Outstanding	89.8	95.8	85.1	87.7	86.5	89.2	90.2	92.1	90.7	89.7	89.7	90.2	90.6	90.2	87.0	89.2	92.3	90.5	91.1	91.0	90.5	90.1	90.6	90.6	
Days Inventory (Forward)	94.9	95.3	82.7	85.2	85.5	95.5	95.5	95.1	89.4	87.1	95.9	95.2	94.4	89.0	89.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Payables Turnover	8.1	8.7	10.1	8.1	8.6	9.5	9.0	10.1	8.1	8.9	9.5	9.0	10.1	8.1	8.8	8.0	8.2	8.6	8.9	8.8	8.8	8.8	8.8	8.8	
Days Payables Outstanding	39.4	41.2	35.5	44.2	42.2	38.1	40.1	35.5	44.2	41.2	38.1	40.1	35.5	44.2	41.3	40.8	44.4	42.2	41.2	41.3	41.3	41.3	41.3	41.3	
Cash Cycle (in Days)	85.7	98.0	97.3	88.8	91.5	85.2	97.4	99.3	89.8	91.2	85.7	96.9	98.8	89.3	90.9	91.5	88.3	91.5	91.2	90.9	90.4	90.0	89.5	89.0	

Source: Company reports and Credit Suisse Group AG estimates

Source: Company data, Credit Suisse estimates

Figure 7: Statement Of Cash Flows

Nike Inc. Cash Flows (\$ in millions except per share data)																						
FY16					FY17					FY18												

Companies Mentioned (Price as of 13-Mar-2017)

Adidas AG (ADSGn.F, €179.699)
Foot Locker, Inc. (FL.N, \$75.97)
Kering (PRTP.PA, €239.0)
Nike Inc. (NKE.N, \$56.67, OUTPERFORM, TP \$67.0)
Under Armour, Inc. (UAA.N, \$19.05)

Disclosure Appendix

Analyst Certification

I, Christian Buss, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for Nike Inc. (NKE.N)

NKE.N	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
20-Mar-14	39.64	40.00	N
29-Sep-14	44.56	50.00	O
10-Dec-14	48.83	52.50	
20-Jan-15	46.80	51.00	
16-Mar-15	48.22	49.50	
20-Mar-15	50.99	53.00	
26-Jun-15	54.86	55.00	
25-Sep-15	62.50	63.00	
23-Dec-15	64.36	67.00	
23-Mar-16	62.44	68.00	
29-Jun-16	55.13	63.00	
28-Sep-16	53.25	60.00	



* Asterisk signifies initiation or assumption of coverage.

The analyst(s) responsible for preparing this research report received Compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities

As of December 10, 2012 Analysts' stock rating are defined as follows:

Outperform (O) : The stock's total return is expected to outperform the relevant benchmark* over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

*Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, the expected total return (ETR) calculation includes 12-month rolling dividend yield. An Outperform rating is assigned where an ETR is greater than or equal to 7.5%; Underperform where an ETR less than or equal to 5%. A Neutral may be assigned where the ETR is between -5% and 15%. The overlapping rating range allows analysts to assign a rating that puts ETR in the context of associated risks. Prior to 18 May 2015, ETR ranges for Outperform and Underperform ratings did not overlap with Neutral thresholds between 15% and 7.5%, which was in operation from 7 July 2011.

Restricted (R) : In certain circumstances, Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Credit Suisse's engagement in an investment banking transaction and in certain other circumstances.

Not Rated (NR) : Credit Suisse Equity Research does not have an investment rating or view on the stock or any other securities related to the company at this time.

Not Covered (NC) : Credit Suisse Equity Research does not provide ongoing coverage of the company or offer an investment rating or investment view on the equity security of the company or related products.

Volatility Indicator [V] : A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

Analysts' sector weightings are distinct from analysts' stock ratings and are based on the analyst's expectations for the fundamentals and/or valuation of the sector* relative to the group's historic fundamentals and/or valuation:

Overweight : The analyst's expectation for the sector's fundamentals and/or valuation is favorable over the next 12 months.

Market Weight : The analyst's expectation for the sector's fundamentals and/or valuation is neutral over the next 12 months.

Underweight : The analyst's expectation for the sector's fundamentals and/or valuation is cautious over the next 12 months.

*An analyst's coverage sector consists of all companies covered by the analyst within the relevant sector. An analyst may cover multiple sectors.

Credit Suisse's distribution of stock ratings (and banking clients) is:

Global Ratings Distribution

Rating	Versus universe (%)	Of which banking clients (%)
Outperform/Buy*	44%	(64% banking clients)
Neutral/Hold*	39%	(60% banking clients)
Underperform/Sell*	14%	(52% banking clients)
Restricted	2%	

*For purposes of the NYSE and FINRA ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.

Important Global Disclosures

Credit Suisse's research reports are made available to clients through our proprietary research portal on CS PLUS. Credit Suisse research products may also be made available through third-party vendors or alternate electronic means as a convenience. Certain research products are only made available through CS PLUS. The services provided by Credit Suisse's analysts to clients may depend on a specific client's preferences regarding the frequency and manner of receiving communications, the client's risk profile and investment, the size and scope of the overall client relationship with the Firm, as well as legal and regulatory constraints. To access all of Credit Suisse's research that you are entitled to receive in the most timely manner, please contact your sales representative or go to <https://plus.credit-suisse.com>.

Credit Suisse's policy is to update research reports as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated herein.

Credit Suisse's policy is only to publish investment research that is impartial, independent, clear, fair and not misleading. For more detail please refer to Credit Suisse's Policies for Managing Conflicts of Interest in connection with Investment Research: <https://www.credit-suisse.com/sites/disclaimers-ib/en/managing-conflicts.html>.

Credit Suisse does not provide any tax advice. Any statement herein regarding any US federal tax is not intended or written to be used, and cannot be used, by any taxpayer for the purposes of avoiding any penalties.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Nike Inc. (NKE.N)

Method: Our 12-month price target of \$67 is a weighted average of 1) a comparable valuation (\$68), 2) a 5-year DCF (\$67), 3) a long term growth analysis (\$65). We believe the stock will continue to Outperform the peer group long-term.

Risk: Risks to our \$67 price target and Outperform rating on Nike are risk to consumer discretionary spending, foreign currency risk, channel conflict, and accounting risk.

Please refer to the firm's disclosure website at <https://rave.credit-suisse.com/disclosures/view/selectArchive> for the definitions of abbreviations typically used in the target price method and risk sections.

See the *Companies Mentioned* section for full company names

For date and time of production, dissemination and history of recommendation for the subject company(ies) featured in this report, disseminated within the past 12 months, please refer to the link: <https://rave.credit-suisse.com/disclosures/view/report?i=289106&v=2vlt9isuyue9zm9hif7r4scu>.

Important Regional Disclosures

Singapore recipients should contact Credit Suisse AG, Singapore Branch for any matters arising from this research report.

The analyst(s) involved in the preparation of this report may participate in events hosted by the subject company, including site visits. Credit Suisse does not accept or permit analysts to accept payment or reimbursement for travel expenses associated with these events.

Restrictions on certain Canadian securities are indicated by the following abbreviations: NVS--Non-Voting shares; RVS--Restricted Voting Shares; SVS--Subordinate Voting Shares.

Individuals receiving this report from a Canadian investment dealer that is not affiliated with Credit Suisse should be advised that this report may not contain regulatory disclosures the non-affiliated Canadian investment dealer would be required to make if this were its own report.

For Credit Suisse Securities (Canada), Inc.'s policies and procedures regarding the dissemination of equity research, please visit <https://www.credit-suisse.com/sites/disclaimers-ib/en/canada-research-policy.html>.

Principal is not guaranteed in the case of equities because equity prices are variable.

Commission is the commission rate or the amount agreed with a customer when setting up an account or at any time after that.

This research report is authored by:

Credit Suisse Securities (USA) LLCChristian Buss ; Sara Shuler ; Pallavi Bakshi ; Christine Lee

For Credit Suisse disclosure information on other companies mentioned in this report, please visit the website at <https://rave.credit-suisse.com/disclosures> or call +1 (877) 291-2683.

This report is produced by subsidiaries and affiliates of Credit Suisse operating under its Global Markets Division. For more information on our structure, please use the following link: <https://www.credit-suisse.com/who-we-are>. This report may contain material that is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Credit Suisse or its affiliates ("CS") to any registration or licensing requirement within such jurisdiction. All material presented in this report, unless specifically indicated otherwise, is under copyright to CS. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of CS. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of CS or its affiliates. The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. CS may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. CS will not treat recipients of this report as its customers by virtue of their receiving this report. The investments and services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. CS does not advise on the tax consequences of investments and you are advised to contact an independent tax advisor. Please note in particular that the bases and levels of taxation may change. Information and opinions presented in this report have been obtained or derived from sources believed by CS to be reliable, but CS makes no representation as to their accuracy or completeness. CS accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that such liability arises under specific statutes or regulations applicable to CS. This report is not to be relied upon in substitution for the exercise of independent judgment. CS may have issued, and may in the future issue, other communications that are inconsistent with, and reach different conclusions from, the information presented in this report. Those communications reflect the different assumptions, views and analytical methods of the analysts who prepared them and CS is under no obligation to ensure that such other communications are brought to the attention of any recipient of this report. Some investments referred to in this report will be offered solely by a single entity and in the case of some investments solely by CS, or an associate of CS or CS may be the only market maker in such investments. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment at its original date of publication by CS and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments. Investors in securities such as ADRs, the values of which are influenced by currency volatility, effectively assume this risk. Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct their own investigation and analysis of the product and consult with their own professional advisers as to the risks involved in making such a purchase. Some investments discussed in this report may have a high level of volatility. High volatility investments may experience sudden and large falls in their value causing losses when that investment is realised. Those losses may equal your original investment. Indeed, in the case of some investments the potential losses may exceed the amount of initial investment and, in such circumstances, you may be required to pay more money to support those losses. Income yields from investments may fluctuate and, in consequence, initial capital paid to make the investment may be used as part of that income yield. Some investments may not be readily realisable and it may be difficult to sell or realise those investments, similarly it may prove difficult for you to obtain reliable information about the value, or risks, to which such an investment is exposed. This report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of CS, CS has not reviewed any such site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to CS's own website material) is provided solely for your convenience and information and the content of any such website does not in any way form part of this document. Accessing such website or following such link through this report or CS's website shall be at your own risk.

This report is issued and distributed in **European Union (except Switzerland)**: by Credit Suisse Securities (Europe) Limited, One Cabot Square, London E14 4QJ, England, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. **Germany**: Credit Suisse Securities (Europe) Limited Niederlassung Frankfurt am Main regulated by the Bundesanstalt fuer Finanzdienstleistungsaufsicht ("BaFin"). **United States and Canada**: Credit Suisse Securities (USA) LLC; **Switzerland**: Credit Suisse AG; **Brazil**: Banco de Investimentos Credit Suisse (Brasil) S.A or its affiliates; **Mexico**: Banco Credit Suisse (México), S.A. (transactions related to the securities mentioned in this report will only be effected in compliance with applicable regulation); **Japan**: by Credit Suisse Securities (Japan) Limited, Financial Instruments Firm, Director-General of Kanto Local Finance Bureau (Kinsho) No. 66, a member of Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association; **Hong Kong**: Credit Suisse (Hong Kong) Limited; **Australia**: Credit Suisse Equities (Australia) Limited; **Thailand**: Credit Suisse Securities (Thailand) Limited, regulated by the Office of the Securities and Exchange Commission, Thailand, having registered address at 990 Abdulrahman Place, 27th Floor, Unit 2701, Rama IV Road, Silom, Bangkok, Bangkok10500, Thailand, Tel. +66 2614 6000; **Malaysia**: Credit Suisse Securities (Malaysia) Sdn Bhd; **Singapore**: Credit Suisse AG, Singapore Branch; **India**: Credit Suisse Securities (India) Private Limited (CIN no.U67120MH1996PTC104392) regulated by the Securities and Exchange Board of India as Research Analyst (registration no. INH 000001030) and as Stock Broker (registration no. INB230970637; INF230970637; INF010970631), having registered address at 9th Floor, Cejajay House, Dr.A.B. Road, Worli, Mumbai - 18, India, T- +91-22 6777 3777; **South Korea**: Credit Suisse Securities (Europe) Limited, Seoul Branch; **Taiwan**: Credit Suisse AG Taipei Securities Branch; **Indonesia**: PT Credit Suisse Securities Indonesia; **Philippines**: Credit Suisse Securities (Philippines) Inc., and elsewhere in the world by the relevant authorised affiliate of the above.

Additional Regional Disclaimers

Hong Kong: Credit Suisse (Hong Kong) Limited ("CSHK") is licensed and regulated by the Securities and Futures Commission of Hong Kong under the laws of Hong Kong, which differ from Australian laws. CSHK does not hold an Australian financial services licence (AFSL) and is exempt from the requirement to hold an AFSL under the Corporations Act 2001 (the Act) under Class Order 03/1103 published by the ASIC in respect of financial services provided to Australian wholesale clients (within the meaning of section 761G of the Act). Research on Taiwanese securities produced by Credit Suisse AG, Taipei Securities Branch has been prepared by a registered Senior Business Person.

Australia (to the extent services are offered in Australia): Credit Suisse Securities (Europe) Limited ("CSSEL") and Credit Suisse International ("CSI") are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority under UK laws, which differ from Australian Laws. CSSEL and CSI do not hold an Australian Financial Services Licence ("AFSL") and are exempt from the requirement to hold an AFSL under the Corporations Act (Cth) 2001 ("Corporations Act") under Class Order 03/1099 published by the Australian Securities and Investments Commission ("ASIC"), in respect of the financial services provided to Australian wholesale clients (within the meaning of section 761G of the Corporations Act). This material is not for distribution to retail clients and is directed exclusively at Credit Suisse's professional clients and eligible counterparties as defined by the FCA, and wholesale clients as defined under section 761G of the Corporations Act. Credit Suisse (Hong Kong) Limited ("CSHK") is licensed and regulated by the Securities and Futures Commission of Hong Kong under the laws of Hong Kong, which differ from Australian laws. CSHK does not hold an AFSL and is exempt from the requirement to hold an AFSL under the Corporations Act under Class Order 03/1103 published by the ASIC in respect of financial services provided to Australian wholesale clients (within the meaning of section 761G of the Corporations Act). Credit Suisse Securities (USA) LLC (CSSU) and Credit Suisse Asset Management LLC (CSAM LLC) are licensed and regulated by the Securities Exchange Commission of the United States under the laws of the United States, which differ from Australian laws. CSSU and CSAM LLC do not hold an AFSL and is exempt from the requirement to hold an AFSL under the Corporations Act under Class Order 03/1100 published by the ASIC in respect of financial services provided to Australian wholesale clients (within the meaning of section 761G of the Corporations Act).

Malaysia: Research provided to residents of Malaysia is authorised by the Head of Research for Credit Suisse Securities (Malaysia) Sdn Bhd, to whom they should direct any queries on +603 2723 2020.

Singapore: This report has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (each as defined under the Financial Advisers Regulations) only, and is also distributed by Credit Suisse AG, Singapore Branch to overseas investors (as defined under the Financial Advisers Regulations). Credit Suisse AG, Singapore Branch may distribute reports produced by its foreign entities or affiliates pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Singapore recipients should contact Credit Suisse AG, Singapore Branch at +65-6212-2000 for matters arising from, or in connection with, this report. By virtue of your status as an institutional investor, accredited investor, expert investor or overseas investor, Credit Suisse AG, Singapore Branch is exempted from complying with certain compliance requirements under the Financial Advisers Act, Chapter 110 of Singapore (the "FAA"), the Financial Advisers Regulations and the relevant Notices and Guidelines issued thereunder, in respect of any financial advisory service which Credit Suisse AG, Singapore Branch may provide to you.

UAE: This information is being distributed by Credit Suisse AG (DIFC Branch), duly licensed and regulated by the Dubai Financial Services Authority ("DFSA"). Related financial services or products are only made available to Professional Clients or Market Counterparties, as defined by the DFSA, and are not intended for any other persons. Credit Suisse AG (DIFC Branch) is located on Level 9 East, The Gate Building, DIFC, Dubai, United Arab Emirates.

EU: This report has been produced by subsidiaries and affiliates of Credit Suisse operating under its Global Markets Division

In jurisdictions where CS is not already registered or licensed to trade in securities, transactions will only be effected in accordance with applicable securities legislation, which will vary from jurisdiction to jurisdiction and may require that the trade be made in accordance with applicable exemptions from registration or licensing requirements. Non-US customers wishing to effect a transaction should contact a CS entity in their local jurisdiction unless governing law permits otherwise. US customers wishing to effect a transaction should do so only by contacting a representative at Credit Suisse Securities (USA) LLC in the US.

Please note that this research was originally prepared and issued by CS for distribution to their market professional and institutional investor customers. Recipients who are not market professional or institutional investor customers of CS should seek the advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents. This research may relate to investments or services of a person outside of the UK or to other matters which are not authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority or in respect of which the protections of the Prudential Regulation Authority and Financial Conduct Authority for private customers and/or the UK compensation scheme may not be available, and further details as to where this may be the case are available upon request in respect of this report.

CS may provide various services to US municipal entities or obligated persons ("municipalities"), including suggesting individual transactions or trades and entering into such transactions. Any services CS provides to municipalities are not viewed as "advice" within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. CS is providing any such services and related information solely on an arm's length basis and not as an advisor or fiduciary to the municipality. In connection with the provision of the any such services, there is no agreement, direct or indirect, between any municipality (including the officials, management, employees or agents thereof) and CS for CS to provide advice to the municipality. Municipalities should consult with their financial, accounting and legal advisors regarding any such services provided by CS. In addition, CS is not acting for direct or indirect compensation to solicit the municipality on behalf of an unaffiliated broker, dealer, municipal securities dealer, municipal advisor, or investment adviser for the purpose of obtaining or retaining an engagement by the municipality for or in connection with Municipal Financial Products, the issuance of municipal securities, or of an investment adviser to provide investment advisory services to or on behalf of the municipality. If this report is being distributed by a financial institution other than Credit Suisse AG, or its affiliates, that financial institution is solely responsible for distribution. Clients of that institution should contact that institution to effect a transaction in the securities mentioned in this report or require further information. This report does not constitute investment advice by Credit Suisse to the clients of the distributing financial institution, and neither Credit Suisse AG, its affiliates, and their respective officers, directors and employees accept any liability whatsoever for any direct or consequential loss arising from their use of this report or its content. Principal is not guaranteed. Commission is the commission rate or the amount agreed with a customer when setting up an account or at any time after that.

Copyright © 2017 CREDIT SUISSE AG and/or its affiliates. All rights reserved.

Investment principal on bonds can be eroded depending on sale price or market price. In addition, there are bonds on which investment principal can be eroded due to changes in redemption amounts. Care is required when investing in such instruments.

When you purchase non-listed Japanese fixed income securities (Japanese government bonds, Japanese municipal bonds, Japanese government guaranteed bonds, Japanese corporate bonds) from CS as a seller, you will be requested to pay the purchase price only.