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NIKE, Inc. (NYSE: NKE)

A twelve-year low is not the same as cheap. On normalized earnings, this one is not.

RATING	PRICE (8/28/26)	FAIR VALUE	12-MO TOTAL RETURN	IMPLIED GROWTH
HOLD	$38.44	$32	-13.3%	+8.7%

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We are initiating on Nike with a **HOLD** and a $32 fair value.

Nike trades at a twelve-year low, down more than three quarters from its 2021 peak, and every instinct says a franchise this strong is a bargain here. We spent this report trying to justify that instinct and could not. The stock is cheap against a number that is not real.

Reported earnings were $2.10 a share, which puts the stock at 18.3 times. But the fiscal fourth quarter included a one-time $986M recovery of tariffs that added $0.52 to earnings per share. Strip it, and normalized earnings are about $1.77. The real multiple is **21.7 times**, not 18.3.

For a business whose revenue is flat to declining, whose Greater China sales have fallen about 30 percent, and whose Converse brand is shrinking at 31 percent, 22 times is not a distressed valuation. It is a full one.

We asked the question backwards, the way we always do. At a 9 percent discount rate, $38.44 already assumes Nike compounds owner earnings at about **8.7 percent a year for a decade**. That is not a pessimistic number the market has beaten the stock down to. It is an optimistic one that still has to come true.

SNAPSHOT	
Market cap	$46B
Reported P/E	18.3x
Normalized P/E	21.7x
Dividend yield	4.3%
FY26 revenue	$46.4B
FY26 net income	$3.11B
FY26 EPS	$2.10
Normalized EPS	$1.77
Gross margin	42.9%
Implied growth	+8.7%
From ATH close	-77%
52-week range	$38-$79
Beta	1.11
Street target	$51
Target range	$23-$94
Street rating	Neutral

THE CALL IN ONE PARAGRAPH · Nike is a genuine franchise with a credible turnaround underway, a new leadership team, a fortress balance sheet, and a 4.3 percent dividend that pays you to wait. None of that is in question, and it is why this is not a sell. What is in question is the entry price. Our base case, which assumes a modest 4 percent return to growth as the turnaround takes hold, values the business at about $32, or -18 percent below today even before the dividend. The bull case, where the brand reaccelerates to 8 percent growth, reaches $41 and clears the current price. The bear case, where the decline persists, is $23. A distribution centered below the price, with a real path higher and a real path lower, is the definition of a HOLD. We would be buyers of Nike. We would want to pay less than the market is asking.

INSIDE THIS REPORT

1 · The multiple that is not real

Why the headline number flatters Nike

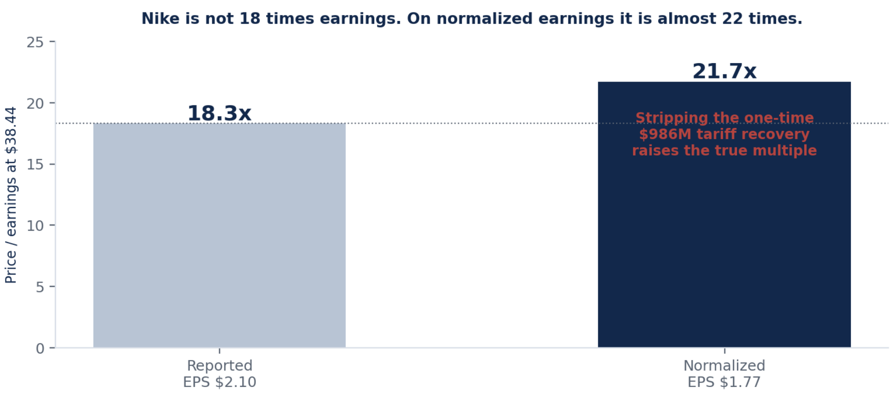
The single most quoted fact about Nike right now is that it trades near 18 times earnings, cheaper than it has been in over a decade. That fact is built on a number that will not repeat.

Nike's fiscal 2026 ended May 31, 2026. Reported diluted earnings were $2.10 a share on net income of $3.11 billion. But the fourth quarter carried a large one-time item: the expected recovery of $986M of tariffs paid under the International Emergency Economic Powers Act. That recovery added roughly 900 basis points to fourth-quarter gross margin and $0.52 to earnings per share, turning a normalized quarter of about $0.20 into a reported $0.72.

Normalizing the earnings

Fiscal 2026 earnings	Per share
Reported diluted EPS	$2.10
Less: one-time IEEPA tariff recovery	($0.82)
Normalized EPS	**$1.77**
Price	$38.44
Reported P/E	18.3x
Normalized P/E	**21.7x**

On normalized earnings the stock trades at **21.7 times**. That is the multiple that matters, because the tariff recovery is a one-time cash event, not a repeatable stream of profit. Capitalizing it at any multiple would be a mistake, and the headline 18 times figure quietly does exactly that.



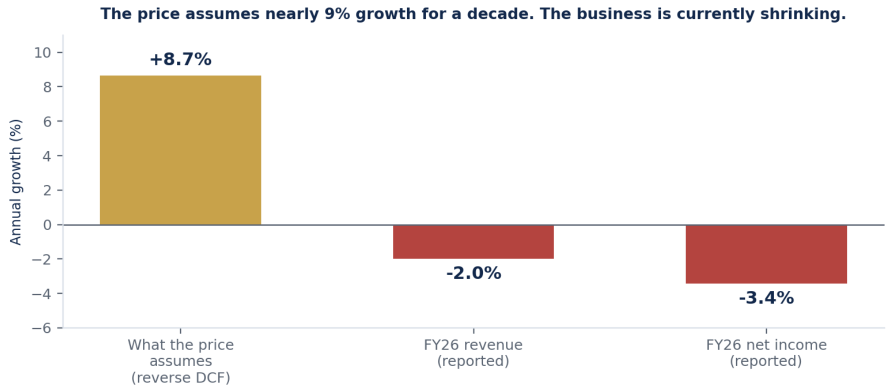
This is not an accounting scandal and Nike disclosed the item plainly. The point is narrower: the number doing the work in every bullish write-up, the low-teens-to-eighteen multiple, is not the multiple you are actually paying for the ongoing business.

2 · What the price assumes

Running the valuation backwards

Our house method values a business on discounted owner earnings, and then checks the result by running it in reverse: given the price, what growth rate is the market already paying for? The reverse question is more honest, because the price is a fact and the implied assumption is something you can weigh against evidence.

We take normalized owner earnings of about $2.1 billion, discount at 9 percent for a mega-cap consumer name with a beta of 1.11, and fade growth to 3 percent over a decade. Solving for the starting growth rate that makes the math equal today's $46 billion market capitalization gives **8.7 percent**. At an 8 percent discount rate the figure is 4.2 percent; at 10 percent it is 12.6 percent.



So the price is not braced for decline. It assumes Nike returns to roughly 9 percent annual earnings growth and holds it for ten years. Set that against what the company actually reported for fiscal 2026: revenue down 2 percent in constant currency, net income down 3 percent, and earnings per share down 3 percent. The market is paying for a strong recovery that has not yet appeared in the financials.

The cash flow check

We tested the earnings figure against cash, because owner earnings should track free cash flow over time. It does, and not in Nike's favor this year. Fiscal 2026 free cash flow was about $2.0 billion, down roughly half from $3.3 billion the year before, and that figure still includes about $0.3 billion of one-time tariff cash. Normalized free cash flow is closer to $1.7 billion, below our normalized net income of $2.1 billion. In other words, our owner earnings estimate is if anything generous: the cash the business actually threw off was lower. Using the cash figure would lower our fair value, not raise it.

3 · The business today

Where the decline is, and where it is not

A HOLD on a franchise this good requires understanding exactly what is broken, because the parts that are working are the reason it is not a sell. Fiscal 2026 revenue was flat at $46.4 billion, but that flat line hides real divergence underneath.

Fiscal 2026 revenue	Amount	Trend
Nike Brand wholesale	$27.5B	up 6%
Nike Direct	$17.7B	down 6%
of which Nike Digital		down 12%
Converse	$1.2B	down 31%
Total Nike, Inc.	**$46.4B**	**flat**

The good news is real. Wholesale grew 6 percent for the year, led by North America, as Nike deliberately rebuilt the retail partnerships it spent the prior few years walking away from. That reversal, back toward wholesale and the marketplace, is the core of the current turnaround and it is showing early results.

The bad news is where the value went. Greater China revenue has fallen roughly 30 percent from its peak, a decline driven by both local competition and brand fatigue that new management inherited rather than caused. Nike Digital, once the celebrated future of the company, fell 12 percent as the direct-to-consumer strategy was unwound. And Converse is in free fall, down 31 percent for the year across every territory.

New hands on the wheel

The turnaround has leadership behind it. A returning chief executive has spent the past year rebuilding the wholesale relationships and refocusing the product organization around sport, and the company recently brought in a senior commercial leader from outside retail to drive the recovery. Whether that team can restore growth is the entire bull case, and it is genuinely open. What it is not yet is visible in the revenue line.

4 · The bull case

Why this is a HOLD and not a SELL

Everything to this point argues the stock is ahead of the fundamentals. None of it argues that Nike is a bad business, and the opposing case is strong enough that a sell would overstate our conviction.

One. The brand is not impaired, the cycle is

Nike remains the largest athletic brand in the world, with a portfolio, a distribution reach, and a marketing machine no competitor matches. The decline is cyclical and self-inflicted, the product of a strategic detour into direct-to-consumer that is now being corrected, not evidence that consumers have abandoned the swoosh. Impaired brands do not grow North America wholesale 6 percent in a down year.

Two. The balance sheet pays you to wait

The dividend yields about 4.3 percent at this price, it was raised 5 percent last year, and Nike has $9 billion of cash and short-term investments against a manageable debt load. The company returned $2.5 billion to shareholders in fiscal 2026. This is not a balance sheet that forces a bad outcome, and the yield means a patient holder is paid to wait for the turnaround to land.

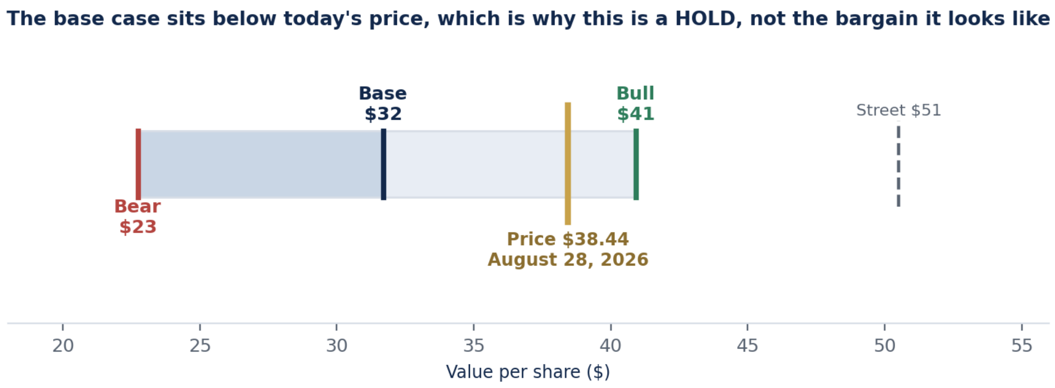
Three. The turnaround is early, not absent

The wholesale reversal is working, inventory is under control at $7.5 billion, and management is executing a coherent plan. If the plan restores even mid-single-digit growth, the bull case on the next page is the correct one and the stock is modestly undervalued today. That is a real possibility, not a courtesy.

Why it still is not a BUY. Every one of those points is true, and the price already reflects them. To pay today's price you have to underwrite roughly 9 percent growth for a decade, which is more than the turnaround has yet delivered and more than the base case can honestly assume. We would rather own the recovery once the price gives us the growth for free, which today it does not.

5 · Scenarios

What has to be true, in each direction



	Bear	Base	Bull
Starting growth	-2%	+4%	+8%
Discount rate	9.5%	9.0%	8.5%
Fair value	**$22.74**	**$31.69**	**$40.91**
Return from today	**-40.9%**	**-17.6%**	**+6.4%**

Bear: the decline persists

China does not stabilize, Converse keeps bleeding, and the wholesale recovery stalls as the promotional environment stays ugly. Owner earnings shrink slightly rather than grow. Fair value $23, a 41 percent loss, which is almost exactly where the most bearish Street target sits.

Base: a modest recovery

The turnaround takes hold slowly. Growth returns to about 4 percent as wholesale strength offsets continued China and Converse weakness, then fades toward the economy's rate. Fair value $32, or -18 percent below today before the dividend, which is why this is a HOLD rather than a BUY.

Bull: the brand reaccelerates

Management executes, China finds a floor, product innovation lands, and Nike compounds owner earnings at 8 percent. Fair value $41, modestly above today's price. This is the case the Street is underwriting at an average target of $51, and it is not unreasonable. It simply has to happen, rather than being paid for after it does.

On the spread. Note how wide the analyst range is: from $23 to $94, the largest disagreement in large-cap consumer. That spread is the tell that this is a genuine debate about whether the turnaround works, and our HOLD sits deliberately in the middle of it, closer to the skeptics on valuation and closer to the bulls on the quality of the business.

6 · Risks

What would change our mind, in both directions

What would move us to BUY	What we watch
The price falls toward the bear case without a further deterioration in fundamentals	Share price against normalized earnings
Greater China revenue stabilizes for two or more quarters	China segment revenue, currency-neutral
Gross margin expands on a clean basis, without one-time items	Gross margin excluding tariff and FX effects
The wholesale recovery broadens beyond North America	EMEA and APLA wholesale revenue

What would move us to SELL	What we watch
Revenue decline accelerates rather than stabilizes	Total and Nike Brand revenue, currency-neutral
Gross margin falls as promotions deepen to clear product	Gross margin trend, quarter over quarter
The dividend growth stops, signaling balance-sheet strain	Dividend declarations and free cash flow cover
Inventory builds again, forcing markdowns	Inventory against forward revenue

Where our method could be wrong

- The single most contestable input is normalized owner earnings. We used $2.1 billion; the cash flow statement argues for less, and a bull would argue that a recovery year restores more. Our figure sits at the generous end of what fiscal 2026 supports.
- The discount rate carries much of the answer. At 8 percent rather than 9, the implied growth the price assumes drops to 4.2 percent and the stock looks less demanding.
- We treat the China decline as cyclical. If it is structural, a permanent loss of the second-largest market, even the bear case is too generous.
- A turnaround is inherently hard to model. The reverse DCF tells us what the price assumes; it cannot tell us whether new management will beat it. That judgment is the reader's.

The scoring commitment

Per our published scoring protocol, this call is dated and will be scored against the S&P 500 total return over twelve months. Initiation price $38.44 on August 31, 2026. **Scoring date: August 31, 2027.** A HOLD is recorded as correct if the excess return of NKE against the benchmark falls within five percentage points in either direction. The rule was fixed before this report was written. We publish our misses.

7 · Disclosures

Method, sources, and conflicts

Sources

Every financial figure in this report is transcribed from a primary source and computed by script. No figure was typed by hand or taken from a secondary summary.

- NIKE, Inc. Reports Fiscal 2026 Fourth Quarter and Full Year Results, NIKE investor relations and Business Wire, June 30, 2026, covering the year ended May 31, 2026.
- Free cash flow and cash flow statement figures cross-checked against multiple market-data aggregators reporting the fiscal 2026 filing.
- Closing price of $38.44 on August 28, 2026, Morningstar (Cboe real-time tape) and Macrotrends, confirmed by the editor.

Reference price verification

Our corrections policy requires a reference price to agree across independent sources before publication. The August 28, 2026 close of $38.44 was confirmed on the Cboe real-time tape via Morningstar and matched by Macrotrends, with intraday quotes from two further sources consistent with that close. The prior session closed at $38.59. This report is dated August 31, 2026, the following Monday, and references the last completed trading session. Readers who find an error in any figure here should write to contact@twocommainvestor.com and we will publish a dated correction.

Position disclosure

The author holds no position, long or short, in NIKE, Inc. (NYSE: NKE) and has no plans to initiate one within 72 hours of publication. 2 Comma Investor receives no compensation from any company mentioned. No company mentioned reviewed this report before publication.

Method

Nike is valued on discounted owner earnings, complemented by a reverse discounted cash flow that solves for the growth rate implied by the current price. We normalized fiscal 2026 earnings by removing the one-time $986M IEEPA tariff recovery, which inflated reported fourth-quarter results, and we cross-checked the resulting owner-earnings figure against reported free cash flow. Owner earnings of $2.1 billion are discounted at 9 percent, with growth fading to 3 percent over ten years, across 1.20 billion diluted shares. Scenario growth rates and discount rates are stated explicitly on page 6 so readers can substitute their own. No discounted cash flow on operating cash flow was used, because for a working-capital-intensive consumer business the owner-earnings framing is cleaner.

Nature of this publication

2 Comma Investor is an independent publication. It is not a registered investment adviser, broker-dealer, or research firm, and nothing here is personalized investment advice. This report is opinion published for educational purposes. Fair-value estimates are opinions about a range of outcomes, not predictions, and they are frequently wrong. Forward estimates rest on assumptions that will not fully hold. Past performance does not indicate future results. Investing in equities involves risk of loss including total loss of principal. Readers should conduct their own due diligence and consult a qualified professional before making any financial decision.

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Initiated August 31, 2026 at $38.44. Rating HOLD. Fair value $32. Scoring date August 31, 2027.