

The Economic Effect of Sustainability – **Nike, Inc.**



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SUSTAINABLE INNOVATION IS A POWERFUL ENGINE FOR GROWTH

**FY14/15 NIKE, INC.
SUSTAINABLE BUSINESS REPORT**



What is Sustainability?

- Sustainability consists of the actions taken by an organization to reduce and prevent their degradation of resources
- The term sustainability is usually reserved for issues with an environmental impact
- Sustainability can also include other issues that affect the world around us, like human capital and labor concerns



Company Information

- Nike, Inc. designs, develops, markets and sells athletic footwear, apparel, equipment, accessories and services worldwide.
- The company mission is “Bring inspiration and innovation to every athlete* in the world (*if you have a body, you are an athlete)”
- Overall company consists of 4 unique brand lines/businesses

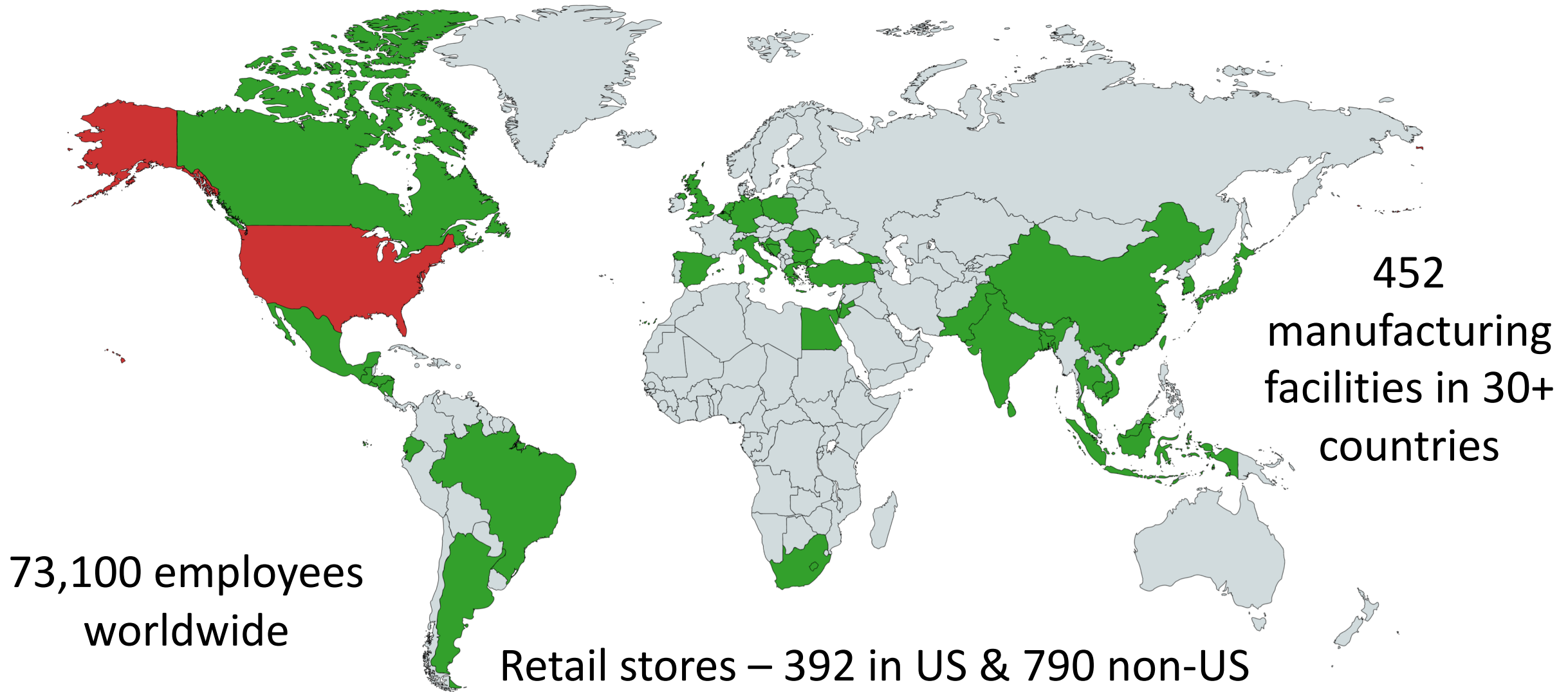


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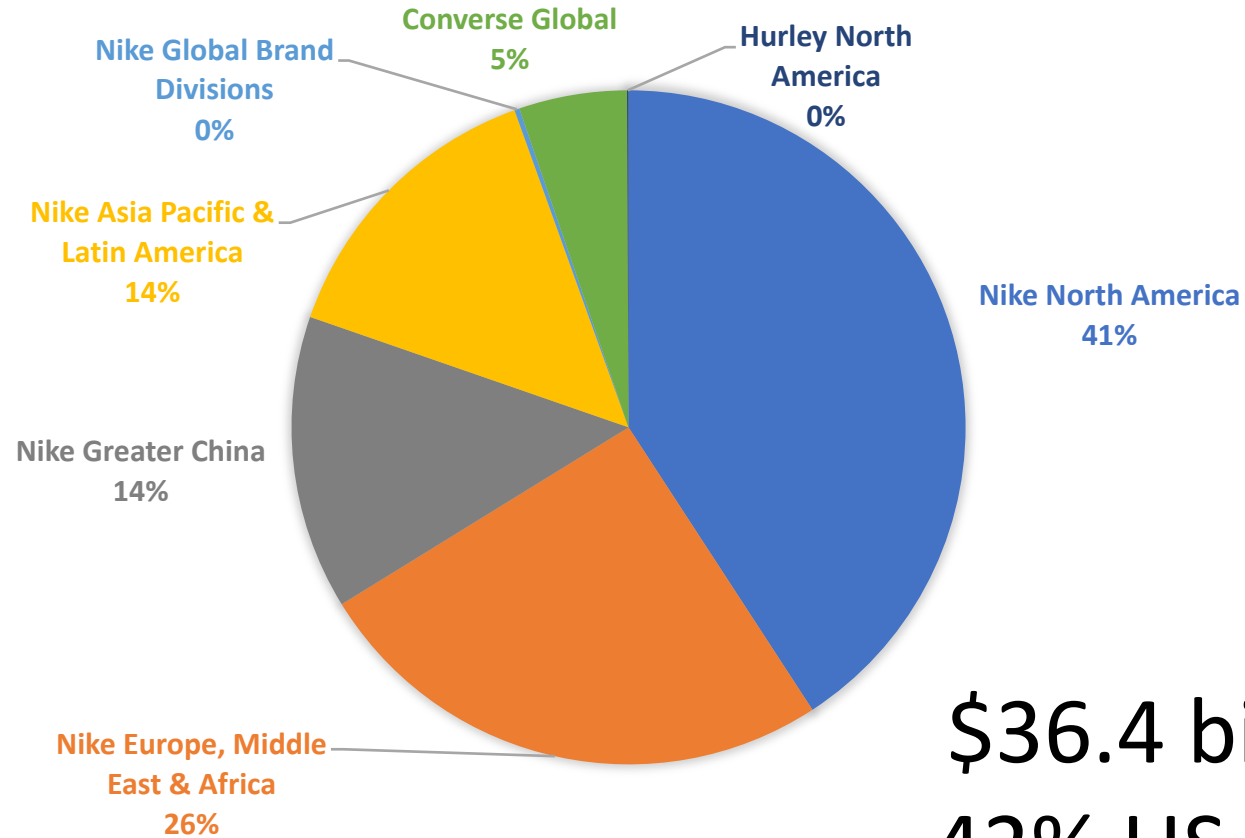
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2018 Company Overview

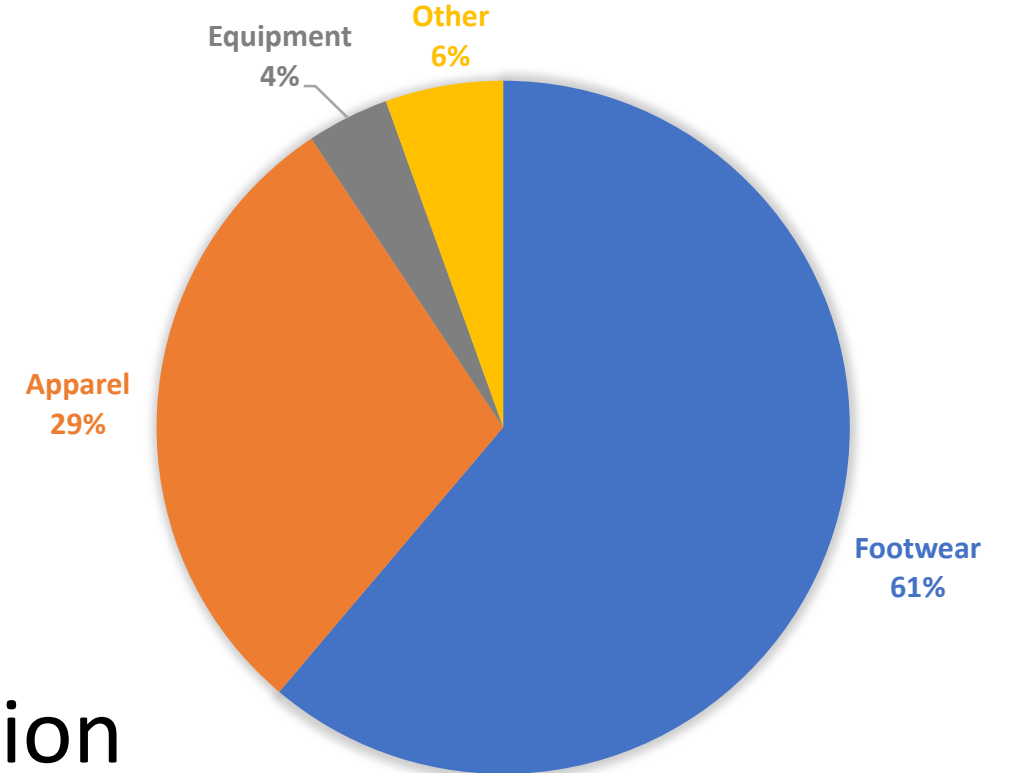


2018 Financial Overview

REVENUE BY BRAND AND CONTINENT



REVENUE BY SOURCE



\$36.4 billion
42% US sales
58% Non-US sales

Company History



1978 established by
Phil Knight and Bill
Bowerman

1980 IPO
2,000,000 shares



Mid 1990's
grown to billion
dollar revenues



1997 Media
scrutiny of overseas
manufacturing

1998 First CR
document issued



2001 First CR
report issued



Sustainability Reporting





OUR 2020 TARGETS

FY16/17
REPORT



We've set ambitious targets and measure our progress as we go.

100%

renewable energy in
all Nike-owned or
operated facilities by
2025

ZERO

footwear waste to
landfill

20%

reduction in
freshwater use in
dyeing and finishing

ZERO

hazardous chemical
discharge

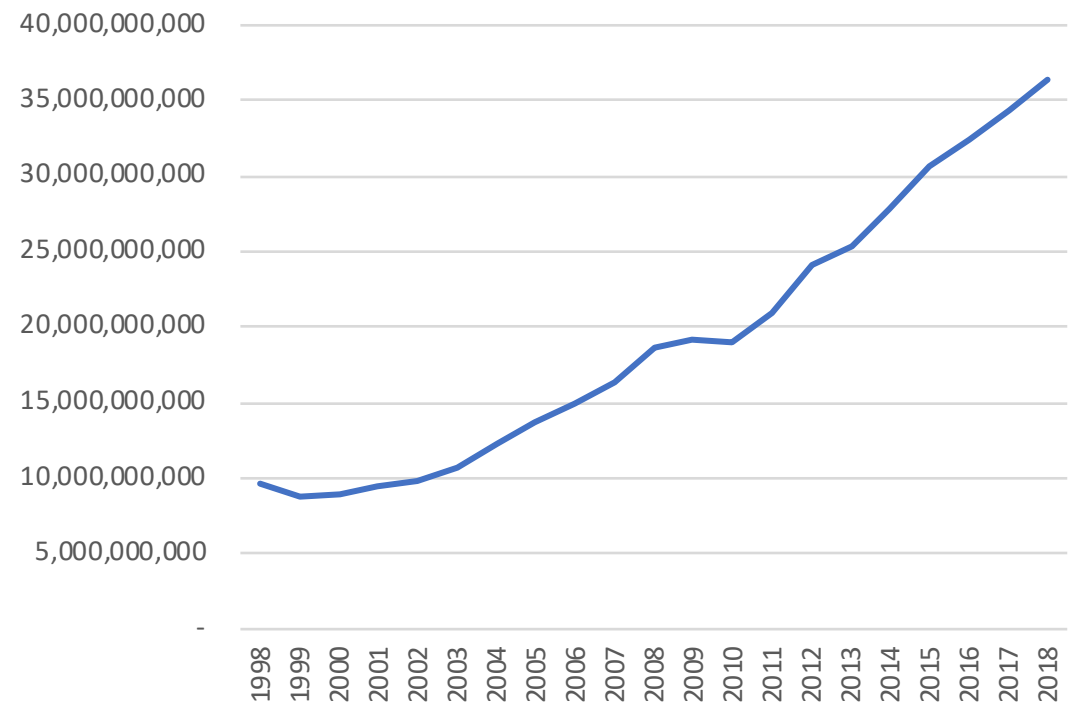
10%

reduction in our
products'
environmental
footprint

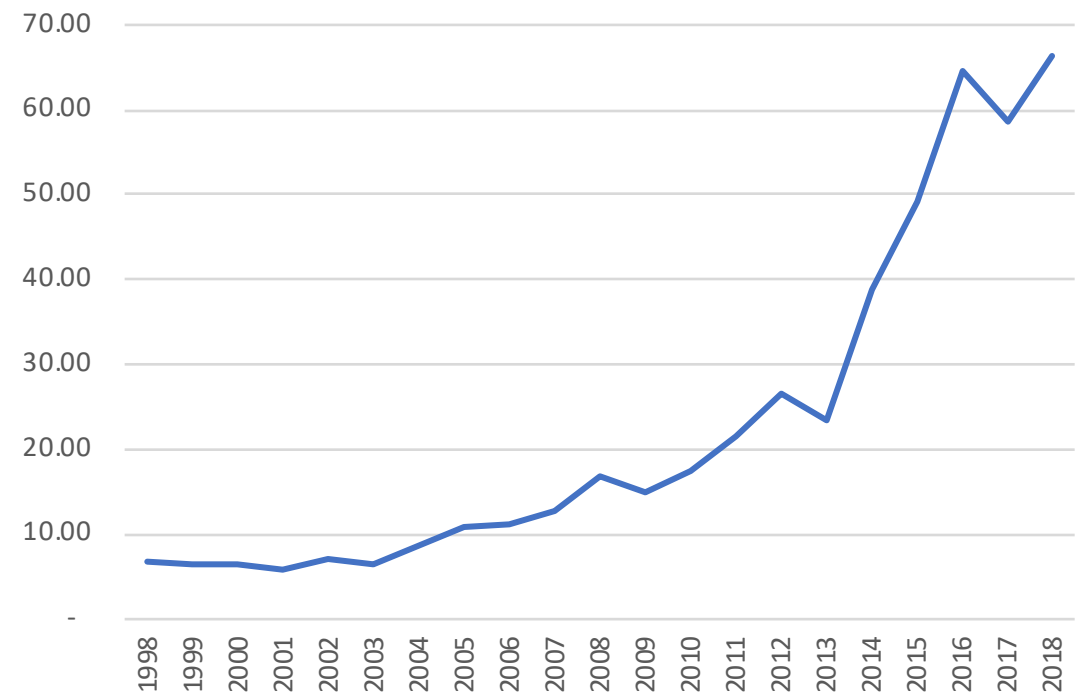


Financial Growth

Revenues



Avg Price/Share



Research Question and Hypothesis

Whether sustainability has an economic effect on the value of the publicly traded shares of Nike, Inc.?

Hypothesis: No, sustainability does not have an economic effect on the value of the publicly traded shares of Nike, Inc.



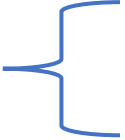
Data Collection

- Financial data collected from Mergent, and verified with amounts reported in Nike, Inc. annual reports provided to investors for the years 1998 through 2018
- Sustainability data collected from documents and reports issued by Nike, Inc. with its annual reports or as available on its website sustainability.nike.com
- John Jowers in the Global Communications department at Nike, Inc. provided greater background and understanding of sustainability history not available online

Methodology

The average price per share for Nike, Inc. is a function of these variables:

Financial Information

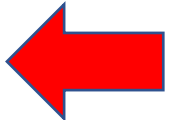
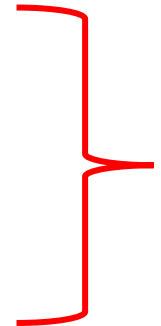
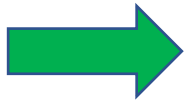
- 
- Revenues
 - Cost of Sales
 - Gross Profit Margin
 - Net Income
 - Diluted Earnings Per Share
- 
- Common Stock Dividends Declared
 - Return on Investment
- 
- Total Assets
 - Return on Assets
- 
- Cash Flow from Operations
 - Cash Flow per Share

Sustainability Information

- Number of objectives or goals reported each sustainability report
- Estimated completion towards goals each year
- Number of negative reported items each year
- Recorded in year after fiscal report issued and for all years until next report available

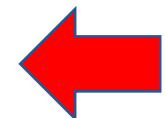
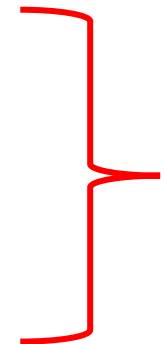
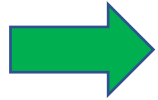
Financial Regression

R Square	99.87080939%	Degrees of Freedom		10
Standard Error	1.083381821	Confidence Level		95%
		critical value of t		2.228
<i>F</i>	<i>P-value of F</i>	critical value of F		4.10
632.4955133	0.000000000			



Sustainability Regression

R Square	99.91255658%	Degrees of Freedom		7
Standard Error	1.091629544	Confidence Level		95%
			critical value of t	2.145
<i>F</i>	<i>P-value of F</i>	critical value of F		3.55
489.6842399	0.000000056			
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	181.759183074	22.646504825	8.025926494	0.000199843
Revenues	0.000000026	0.000000003	10.330818674	0.000048095
Cost of Sales	0.000000041	0.000000004	10.802728149	0.000037232
Gross Margin	(496.220105151)	68.696806227	(7.223335878)	0.000356957
Net Income	(0.000000062)	0.000000018	(3.439681967)	0.013806323
Diluted EPS	86.688342317	26.353271637	3.289471740	0.016624766
CS Divs Declared	38.674655395	24.251235385	1.594749908	0.161878687
ROI	72.030748994	18.611697450	3.870186972	0.008264088
Total Assets	(0.000000002)	0.000000001	(2.627301073)	0.039201005
ROA	142.785544288	58.113127320	2.457027368	0.049318017
CF from Ops	0.000000002	0.000000013	0.134719753	0.897239118
CF/Share	(8.539134399)	22.923463384	(0.372506294)	0.722319601
No. of Factors	0.052044138	0.099017818	0.525603770	0.618013672
Est. Completion	2.097682908	7.216907298	0.290662305	0.781094801
No. of Negative Items	0.184835836	0.279733992	0.660755721	0.533302462



Results Comparison

Financial

- Identified 98.87% of independent variables
- CF from Ops and CF/share look less statistically significant than other factors
- The statistical significance of overall equation stronger without sustainability factors

Sustainability

- Identified 99.91% of independent variables
- CF from Ops and CF/share still look less statistically significant, which is unchanged
- Sustainability factors look less statistically significant than most financial factors and they had higher standard errors and t-stats which indicates a possible concern with their inclusion in the equation

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
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Analysis

- The F-factor and the p-value of F indicate that sustainability is a factor, albeit small, in the value of the share price of Nike, Inc.
- The standard errors and t-stats of the sustainability factors indicate that they are more likely than not accounted for already as part of the financial data
- The results indicate that investors consider sustainability information, but they consider it part of the financial data as sustainability is expected to be part of business
- This is consistent with what Nike implies in their sustainability reports that

Sustainability is a part of business and is already considered as part of the financial data

Conclusion

- Sustainability as part of business is an expectation of current investors
- Sustainable innovation has brought products on which business is based upon today:
 - DriFit – a seamless, cooling fabric that was developed for water conservation efforts and creates less waste through its manufacturing processes
 - Flyleather – a lightweight engineered leather that is more durable, uses less water in manufacturing and has a lower carbon footprint
 - Flyknit – a method of making flexible knit shoes that is virtually zero waste
- Investors recognize these advancements of sustainable innovation and are willing to pay the market price for publicly traded shares of Nike, Inc.



Thank you!

And a special thank you to Dr. Negbenebor, Dr. Caudill, John Jowers, Global Communications at Nike, Inc., and Sarah Curry.

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