



Nike Bulls Position for Earnings Breakout

Ticker/Price: NKE (\$87)

Analysis:

Nike (NKE) buyer of 1000 Sep. 27th (W) \$84 ITM calls \$4.15 to \$4.55 and volume at 2,200X in the opening 30 minutes, size activity for over \$900K. NKE still has size January 2020 \$85 calls in open interest for over 18,000X and will report earnings next week on 9/24. The \$137B global apparel and footwear leader trades 25.8X Earnings, 39.8X FCF and 3.5X Sales with a 1% dividend yield. NKE shares are forming a weekly triangle nearing a break out to all-time highs, one that would measure to upside in the \$97-\$100 range and a recent bull crossover on weekly MACD. NKE is expecting 7-8% annual revenue growth and 15%+ annual EPS growth the next three years. Analysts have an average target of \$93.50 on shares and short interest near a five-year low at 0.7% of the float. TAG with a \$95 target back in June noting Nike as a winner in the consumer/retail landscape with the ability to drive continued strong sales growth and gross margin improvement through product innovation, inventory management, more direct customer engagement, and elevated experiences digitally and in stores. NKE is undergoing a significant shift towards digital and direct-to-consumer sales in an effort to improve margins and reduce reliance on in-store foot traffic. They acquired Zodiac in early 2018 to help build out their consumer data and analytics capabilities as well and targeting their Nike+ members where spending is consistently higher than single-shot customers. NKE is expanding personalization efforts to their stores as well. The shift is part of a big strategic plan announced in 2015 to hit \$50B in sales by 2020 of which \$16B will be from DTC. Reuters reported in July Nike is looking to sell its Hurley brand and in August reported on Nike's plans to enter a subscription service for kids sneakers. Wedbush last week noted NKE likely will face incremental FX headwinds. Guggenheim named it a Best Idea with a \$100 target on 8/23 on overblown tariff concerns. Hedge Fund ownership fell 6.5% in Q2 filings, Edgewood, Polen, and Winslow Capital notable top concentrated holders.

Hawk Vision:



Hawk's Perspective: NKE has earnings in a week but is looking great all around with this transition and an innovator in the space, a large cap that provides more safety in volatile times.

Confidence Ranking: \$\$