Czech university of Life Sciences Prague
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Bachelor Thesis

Financial Performance and business strategy of "NIKE"

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Pablo Andres Ascarrunz Lobo

Business Administration

Thesis title

Financial Performance and Business Strategy of a Selected Company

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Objectives of thesis

The main objective of the following thesis is to describe and evaluate the business strategy and financial performance of the company Nike and assess the effectiveness of it is business agenda. Attention will be paid to the way Nike generates profits and what keeps the company in economic performance.

Methodology

The thesis consists of two parts – the theoretical part and the practical part. In the theoretical part, the author will provide the literature review based on the recently published articles and research from the relevant fields. In the practical part, the author will perform an analysis using specific analytical methods, deduction and synthesis to evaluate the overall financial performance and business strategy of the firm.

The proposed extent of the thesis

30 – 40 pages

Keywords

profit, executive strategy, business, turnover, liquidity, solvency

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Recommended information sources

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Expected date of thesis defence

2022/23 SS – FEM

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Electronic approval: 15. 6. 2022

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Prague on 12. 11. 2022

Acknowledgement

I would like to thank my supervisor Ing. Karel Tomšík, Ph. D for all the advice during the work on my bachelor thesis. I would also appreciate the support from my family and friends.

DECLARATION

I declare that I have worked on my bachelor thesis titled " Financial Performance and business strategy of “NIKE”" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights.

Financial Performance and business strategy of “NIKE” Abstract

Bachelor's thesis focuses on the complete Business analysis of the company "Nike". The objective is to show its characteristics and business strategy as a leading company in the market, to know what it focuses on to carry out the desired project of being a mega international sports clothing sales company. Also, showing the financial details and all the numbers of the company, such as the assets, liquidity, profits, balance sheets. All of this helps to understand what line items in finance are important.

Keywords: Business analysis, business strategy, financial statements, profits.

Contents

1. Introduction

The fundamental objective of each company is to stand out as the preferred choice in the market. A good example that illustrates the effectiveness of sales and financial strategy is the case of Nike. This mega company is positioned as the undisputed leader in the global sale sport clothing and articles in the past 20 years. His successful approach, with more than half a century in the business, reflects an exemplary track record in the field of sales and business strategy.

The brand, whit this long presence in the market, sets an example of contemporary success that transcends decades. Its constant positioning at the top of the industry makes it a tangible benchmark of achievement. These reasons support the choice of Nike as the subject of analysis, allowing a detailed analysis of its strategies and tactics.

The study and analysis of the performance of a mega company and its commercial strategy can provide valuable lessons for small companies in their search for goals and objectives. Taking a close loo at the way a large entity operates is essential to aiming for stronger growth. Learning from successful practices of great companies can chart a clear course toward achievement and long-term success.

2. Aim and Methodology

2.1 Aim

The main objective of the following thesis is to describe and evaluate the business strategy and financial performance of the company Nike and assess the effectiveness of it is business. The attention will be in the way that Nike generates profits and keeps the company in the economic performance.

At the same time, the type of marketing and strategy that they follow to have their trustworthy costumers buying, and their high sales are described.

2.2. Methodology

Bachelor thesis compiles different methods, data about the economic and financial analysis, methods of statistical and the type of business strategy that the company uses.

The strategic business method lies in the fact of the types of practices and ideology of the company to carry out its type of business sought. The theoretical significance of the work lies in the fact that the economic and financial study that the company manages to be able to carry out its type of performance. The practical part lies in the financial numbers and results that the company has, to show the balances it has.

Two crucial approaches will be used: vertical analysis and ratio analysis. These methods have been carefully selected to provide a comprehensive understanding of Nike's financial health and operations.

Vertical analysis will allow us to examine the internal structure of Nike's financial statements. By evaluating the proportion of each item in relation to the total, we will be able to identify the distribution of resources in key areas such as assets, liabilities, and capital. This will help us determine the strength and stability of the company, highlighting possible areas for improvement.

On the other hand, ratio analysis will give us a deeper insight into Nike's financial performance. By interpreting mathematical relationships between different financial variables, such as liquidity, solvency, profitability, and efficiency, we will be able to obtain a holistic view of the company's operating performance. Additionally, the ratios will allow us to compare Nike's performance against the industry and its competitors, providing valuable context.

Combining both approaches, it is hoped to shed light on Nike's financial management and present a comprehensive assessment that serves as the basis for making informed decisions. With this analysis, it will seek to provide a clear and precise vision of the operation of the company, supporting the conclusions with solid and objective data.

2.3. Information Source

With the information from the Nike company database on activities for the year 2021, the financial analysis aims to express each of the company's financial accounts and measure how the active compound is.

The results of the analysis of the financial situation of the company is very important for information for users, both internal and external to the company, managers, partners and investors.

Financial analyzes are necessary to evaluate the company's activities and prepare decisions on adjusting the company's financial policy. In the case of Nike, it is such a large international company that it serves as an example for medium sized companies that aim to grow.

For external users, partners, investors, and creditors, the information about the company is necessary to make decisions on the implementation of specific plans for this company, short-term, long-term and investments.

3. Theorical part

3.1. Business Strategy

Nike follows many types of strategies, specialists in each area focus on always be avantgarde and being leaders in presenting new designs and accessories to the public. Also, focus on comfort and customer satisfaction is very important, and they have been developing it over the years with effectiveness reflected in their sales and in the satisfaction of their clients.

One of Nike's strengths when carrying out its first strategies was the Customer Relationship Manager, they understood that focusing on the relationship with customers is of the utmost importance.

It is applied using knowledge about customers and analyzing them. This marketing strategy improves communication with the customer. This allows the company to improve its customer segmentation, it is easier for them to identify which are their best customers, they will improve their customer service, they are able to identify and learn about customer habits and their needs.

Other important Nike’s strategy is to find the perfect target market for a particular product. For most of its products it tries to show that the best athletes in the world are using Nike.

These targeting techniques include product sponsorship by many different types of profession sports teams, as well as specific celebrity athletes. This is where Nike has really gained a major competitive advantage over other companies in its industry. The portfolio of the players athletes that endorse Nike is long and all are the top of their respective sports. That list starts with Cristiano Ronaldo, Michael Jordan, Lebron James, Kobe Bryant, Tiger Woods, Lance Armstrong. And teams including Manchester united, Barcelona, PSG, and Liverpool in soccer, and in football the Best Universities of the US as well the National Football League.

This strategy was not invented by Nike, but the company made it famous and has shown it be extremely successful. This strategy does an efficient job increasing the brand and the fanaticism, for them it makes it meaningful and more inclined to purchase those items, because they want to support and be like their favorite teams and players.

Another of its strategies is based on the connection and loyalty of customers to the brand, Nike seeks that the customer has intimacy with the product. This loyalty is then reflected in the amount of money the customer is willing to pay for a product that has the Nike brand on it.

(Patrick, 2015)

3.2. Business Model

In the global economy, large international companies operate with comprehensive economic strategies. These companies manage their economy through geographic diversification, adjusting prices according to regions and optimizing their global supply chains. Significant investment in research and development ensures constant innovation, sustaining their leading position in their respective industries.

These international companies face economic challenges, such as currency exchange rates and variations in raw material prices, which require agile risk management. Sustainability has also become crucial, not only in response to environmental concerns, but also as part of a long-term economic strategy, aligning with modern consumer expectations.

The economy of companies of this size involves a balance between diversification, operational efficiency and adaptability to changing economic conditions, highlighting the critical role of comprehensive strategies in sustainable success in the global market.

(Bayram Serdar, 2001)

3.3. Financial Analysis

Financial analysis is the process of evaluating the financial performance of a business or investment opportunity. It involves examining financial statements, such as balance sheets, income statements, and cash flow statements, to gain insight into the financial health of the organization.

To conduct a thorough financial analysis, one needs to have a strong understanding of accounting principles and financial statement analysis techniques. Some of the key skills and knowledge areas required for financial analysis include:

Accounting principles and financial statements: A good understanding of accounting principles and the various financial statements is essential for conducting financial analysis.

3.4. Methods of Financial Analysis

For each type of evaluation there are different types of financial analysis. The analyzes can provide valuable information about the operation of the company.

The different types of financial analysis that are used are:

Financial statement analysis is an evaluation process as a first step that then helps to understand the financial health of a company and its performance. An examination and interpretation of financial statements such as the balance sheet, income statement, and cash flow are performed. To accomplish this, certain common formulas are used:

Liquidity ratio: Liquidity = Current Assets / Current Liabilities

Indebtedness ratio: Indebtedness = Total Liabilities / Total Assets

Net Profit Margin: Net Margin = Net Profit / Total Revenue

Inventory Turnover: Inventory Turnover = Cost of Sales / Average Inventory

Financial ratios are indicators that calculate the financial data of the company, it is used to evaluate its liquidity, profitability, and future indicators.

Trend analysis is a tool that helps to predict the future performance of a company and make decisions in advance, based on historical trends in the financial data of a company or investment. It consists with the help of the following formulas:

Average growth rate = (Final value / Initial value) ^ (1 / N) - 1

Year-on-year growth rate = ((Current value - Previous value) / Previous value) * 100

Compound Annual Growth Rate: = ((Final Value / Initial Value) ^ (1 / N)) - 1 * 100

Sensitivity analysis is an analysis that is used to evaluate the changes in key variables that affect the financial results of a project or investment. Different scenarios are performed by altering the values of certain parameters to analyze their impact on performance or cash flow.

For this analysis there are no specific formulas that are used, since it depends on the financial model and the variables analyzed, but at the same time, we could calculate the return changing the income or costs and observing how they affect the Net Present Value or the Internal Rate of Return. This analysis allows us to be informed in understanding the sensitivity of a project to different conditions.

Vertical analysis works by examining the proportion of each item in relation to the total of a company in a specific period, that is, it shows percentages of each item in relation to the final amount. It helps to identify the financial structure and trends, highlighting the relative importance of each element and its evolution over time.

Horizontal analysis is a financial technique whose main characteristic is to compare the financial statements of a company during various periods, in order to identify trends and variations in absolute figures and percentages. The formula it uses is the following:

Absolute Variation = Present Value - Base Value

Percentage Variation = (Absolute Variation / Base Value) * 100

The horizontal analysis allows us to know all the growth or decline that a company has over time and thus helps to make decisions to improve the financial health of the company.

Analysis of projected financial statements Involves making financial projections based on historical data and future assumptions. It is used to plan how the company can face different scenarios and economic problems.

Liquidity and solvency analysis focuses on being able to meet long and short-term obligations, evaluating with liquidity indicators the availability of liquid assets to pay debts, and at the same time the solvency indicators analyze the company's ability to meet its long-term obligations.

Profitability analysis: is focuses on the ability to generate earnings in relation to your income, assets or equity. Profitability indicators allow the company to see the long term and try to have benefits in its operations, making them more efficient over time.

Asset management analysis is primarily focuses on how the company uses its assets to create revenue and profit for its future. It is used to assess the efficiency of fixed assets, inventory, and accounts receivable.

Cash flow analysis is about observing the cash flow generated in an accounting period by the company, this allows evaluating the company's ability to generate cash and be able to cover its investment and financing needs.

For this financial analysis, the vertical methods and ratio analysis will be chosen to provide a complete and detailed vision of the company's situation. The vertical analysis will allow us to understand the relationship with income, the distribution of costs and to identify the different areas that may be of more interest.

On the other hand, the analysis of ratios allows us to evaluate the efficiency, liquidity, profitability, and solvency of the company, which is essential to understand its financial performance in relation to its market competencies.

(Tracy, 1997)

3.5. Vertical Analysis

Vertical financial analysis is a widely used technique to evaluate each important and unique element in the financial statement where the analysis is carried out, which is usually one year.

This allows a comprehensive understanding of the financial structure, since it expresses each movement as a percentage of a final common basis. At the same time, it makes it easier to read the company's performance during that period.

At the beginning of the vertical analysis, a foundation will be needed. For the balance sheet, total assets, which represent 100% of the financial structure, are often selected as the basis. In the case of the income statement, the total income is commonly used as a base, which represents 100% of the income generated.

Once the base quantity is determined, the next step in the process is to calculate the percentage for each line item. To do this, divide the value of each item by the import base, and then multiply the result by 100 to get the percentage. The formula to calculate the percentage is as follows:

Percentage = (Item Value / Base) * 100

Then, with these percentages, the results can be interpreted, assimilating the importance of each data to obtain valuable information about the company, its weaknesses, and its financial performance of the company during the specified year. By comparing the different elements and the related part with the rest of the data, significant trends, strengths, and areas of concern can be identified within the company's financial statements.

Analyzing the relative proportions with the different elements of the financial statements becomes particularly valuable when analyzing the annual performance that is reflected in the data, because it allows a quick understanding of the financial structure and the importance of each element in relation to the whole.

By expressing financial statement items as percentages, vertical analysis helps identify trends and changes over time. The comparison of a current year with future or past years may be used and this allows observing changes in cost patterns, revenue contributions and asset allocations, which provides data and valuable information on how the company is performing.

As well to provide various financial ratios it will be easy. The balance sheet allows a quick assessment of the relationship between current assets and total assets or the relationship between long-term debt and total liabilities.

It becomes easier to also compare companies with their competition, especially if they differ in size. Because this analysis focuses on proportions rather than absolute values, which if not done on proportions would be impossible to compare with a higher or lower end company, making it an effective method of comparing with industry peers or competitors.

Spotting weaknesses using a year's worth of data, vertical analysis provides a snapshot of the company's financial health over that specific period. Analyzing the percentage breakdown of different line items helps identify areas of financial strength and those that may require attention or improvement.

3.6. Financial Ratios

The analysis of financial ratios is essential when evaluating the financial health and performance of a company. It is a tool that consists of analyzing various relationships and calculating ratios that are obtained from the company's financial data, such as financial statements. These ratios allow the financial situation and health of the company to be seen in more detail, seeing its profitability, efficiency, liquidity, solvency, and valuation, among other aspects.

There are several financial ratios, focused on different aspects of the company. Some of them are:

Liquidity Ratios: Are financial indicators that help companies to be able to analyze future expenses that they will have to make in the short term. The most common liquidity ratios are:

Current ratio= Current Assets / Current Liabilities.

With this ratio, the company's ability to pay its short-term debts with all current assets can be evaluated.

Quick ratio= (Current Assets - Inventory) / Current Liabilities.

This ratio is similar to the above but excludes current asset inventory, as inventory may be less liquid and difficult to sell quickly.

Cash Ratio= Cash and Cash Equivalents / Current Liabilities

It is used to evaluate the company's ability to pay its short-term debts using only cash and cash equivalents.

Solvency Ratios: The solvency ratios allow us to know the financial solvency of a company for long-term debt, it shows financial indicators that evaluate the long-term capacity of a company to meet its financial obligations. Two common solvency ratios are:

Debt to Equity Ratio = Total Liabilities / Net Equity

This helps to know the degree of indebtedness of the company in relation to its net worth, indicating the level of financial risk.

The Debt Ratio is used to measure the proportion of total assets that are financed with debt. When the value is low it indicates that a smaller part of the assets is financed with debt, which makes it good since the company does not depend on loans.

Debt Ratio = Total Debt / Total Assets

On the other hand, the Equity Ratio shows the proportion of total assets that are financed with the net worth of shareholders. A high value indicates that more of the assets are financed with equity, which is favorable for solvency, since the company has a solid financing base from its shareholders.

Equity Ratio = Net Worth / Total Assets

Profitability Ratios: Profitability ratios are financial indicators that evaluate the efficiency and ability of a company to generate profits in relation to its income, assets, or equity.

For the profitability of sales after deducting expenses and taxes is the net profit margin ratio.

Net Profit Margin = (Net Profit / Total Revenue) * 100

When evaluating the efficiency in the use of assets to generate profits, there is the ratio of return on assets.

Return on assets: ROA = Net Income / Total Assets

The return of equity measures on the profitability for shareholders based on their investment.

Return on Equity = Net Income / Equity

Efficiency Ratios: The efficiency ratio is an indicator that evaluates operational efficiency. The formula varies depending on the approach, but is commonly calculated as:

Efficiency Ratio = (Operating Expenses / Total Revenues) * 100.

Measures a company's ability to manage its expenses relative to its revenues, showing efficiency in managing costs and operations.

Working Capital Management Ratios: work by providing managers with a detailed view of how a company manages its current assets and current liabilities. These ratios are calculated using specific formulas to measure the average time it takes the company to carry out certain financial activities.

Days of Inventory = (Average Inventory / Cost of Sales) * 365.

Days of Accounts Receivable = (Average Accounts Receivable / Credit Sales) * 365.

Days of Accounts Payable = (Average Accounts Payable / Credit Purchases) * 365.

Valuation Ratios: Valuation Ratios are used to assess whether a stock or company is undervalued or overvalued in the market. One serves to measure how much investors are willing to pay for each share. And another to find out if the market price is reasonable in relation to the book value of the assets.

Price-to-Earnings Ratio= Share Price / Earnings per Share

Price-to-Book Ratio= Share Price / Book Value per Share

3.7. Data Sources

The financial analysis of an international mega company like Nike goes beyond numbers. It provides from the information of the balance sheet and the profits and losses, a deep insight into your financial and operational health, revealing key trends and opportunities. In addition to measuring profitability and efficiency, this analysis uncovers details that may go unnoticed, such as effective inventory and asset management, capital structure that influences your ability to take risk, and risk assessment and competitor comparisons. It also focusses on how the company adds value to its products and services, which impacts its market position and brand loyalty. Taken together, financial analysis informs strategic decisions, risk management and future planning essential for success in the complex global business landscape.

(Tracy, 1997)

3.8. Balance Sheet

Balance Sheet: This statement shows the company's assets, liabilities, and equity at a specific point in time. It provides information on the company's financial position and includes assets such as cash, accounts receivable, inventory, property, and equipment, as well as liabilities such as accounts payable and long-term debt.

Income Statement: This statement shows a company's revenues and expenses over a specific period (usually a year). It provides information on the company's revenue sources, costs, gross profit, operating expenses, and net income.

Cash Flow Statement: This statement shows the inflows and outflows of cash over a specific period. It provides information on how the company generates and uses its cash, including cash from operating activities, investing activities, and financing activities.

Financial Ratios: These are calculations derived from the financial statements that help to analyze and interpret the company's financial performance. Some common ratios include profitability ratios, liquidity ratios, and solvency ratios.

3.9. Profit and loss statement

The profit and loss statement in Nike's annual report reflects total revenue, cost of sales, operating and financial expenses. Shows gross profit, indicating the profitability of sales. Marketing and administrative expenses are deducted, resulting in net income before taxes. After paying taxes, the final net income is obtained, which represents the profits of the company. This financial statement reveals Nike's operating efficiency and profit generation capacity, providing a comprehensive view of its annual financial performance.

3.10. “Nike” Business model

The Nike factory sections are divided into three groups: Men, women, and children. It has a wide variety of products such as gym items and clothing, highlighting sneakers as its star items. In which it innovates every season with new models and different designs. Nike has been dominant in the industry also for its approach to athlete engagement, targeting athletes who are very popular on social media and have a large following.

Developing new markets, they offer online shopping over the internet. This has led to a very large increase in recent years, online sales have greatly increased the growth of the brand, with this function, one of the advantages is that you save on operating costs.

3.11. General information

Company name: Nike, Inc.

Founded: Nike, Inc. was founded on January 25, 1964, under the name "Blue Ribbon Sports" by Phil Knight and Bill Bowerman.

In 1971, the company changed its name to Nike, Inc.

Creator: Nike, Inc. was co-founded by Phil Knight and Bill Bowerman.

Headquarters: The headquarters of Nike, Inc. is located in the city of Oregon, United States.

Employees: more than 44,000 people worldwide.

Market Value: Valued as $19 billion in 2014.

Apart from its own brand, Nike market its products under Nike Pro, Nike+, Nike Golf, Nike Blazers, Air Jordan, Air Max and other as well as subsidiaries including brands Jordan, Hurley Int., and Converse.

3.12. From the theory to the practice

After having explored in detail all the theory and thinking of the Nike company, we will now move on to the practical part of our analysis. In this section, we will look in more detail at the financial aspects, key ratios and specific information that provides us with a practical view of the company, allowing us to better understand its performance and position in the market.

4. Practical part

4.1. Financial statement

Balance Sheet

Balance Sheet (in million)	2021	
ASSETS	May, 31	%
Current assets:		
Cash and equivalents	$ 9,889	26.20%
Short-term investments	3,587	9.50%
Accounts receivable, net	4,463	11.83%
Inventories	6,854	18.16%
Prepaid expenses and other current assets	1,498	3.97%
Total current assets	26,291	69.66%
Property, plant and equipment, net	4,904	12.99%
Operating lease right of use assets, net	3,113	8.25%
Identificable intangible assets, net	269	0.71%
Goodwill	242	0.64%
Deferred income taxes and other assets	2,921	7.74%
TOTAL ASSETS	**$ 37,740**	100.00%
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current portion of long debt	-	
Notes payable	2	0.01%
Accounts payables	2,836	7.51%
Current portion of operating lease liabilities	467	1.24%
Accrued liabilities	6,063	16.07%
Income taxes payable	306	0.81%
total current liabilities	9,674	25.63%
long term debt	9,413	24.94%
operating lease liabilities	2,931	7.77%
Deferred income taxes and other liabilities	2,955	7.83%
Share outstanding	3	0.01%
Capital in excess of state value	9,965	26.40%
Accumulated other comprehensive income (loss)	(380)	(1.01%)
Retained earnings	3,179	8.42%
Total shareholders equity	12,767	33.83%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 37,740	100.00%

The analysis reflects a balanced financial structure with a solid focus on current assets, especially cash and cash equivalents, which represent 26.20% of total assets, in addition to showing adequate liquidity. Also, long-term debt is relatively modest, representing 24.94% of total liabilities and equity. This reflects manageable leverage. Net worth represents 33.83% of the total, indicating a healthy financial position. In general, shows an adequate balance between short-term and long-term obligations, which evidences a solid financial management.

4.2. Liquidity Ratios

The company's Current Ratio is approximately 2.72. This indicates that they have $2.72 of current assets for every dollar of current liabilities. A current ratio well above, this tells us that the company can comfortably meet its payments and short-term obligations, keeping them in a solid liquidity position.

$$\frac{Current\ Assets}{Current\ Liabilities} = \frac{26{,}291}{9{,}647} = 2.72\$$$

About the quick ratio is 2.01, with a Quick Ratio of more than 2, the company has twice as many liquid assets to cover its immediate debts, indicating financial strength and the ability to face short-term commitments. Without relying heavily on inventory.

$$\frac{Current\ Assets - Inventory}{Current\ Liabilities} = \frac{26{,}291 - 6{,}854}{9{,}647} = 2.01\$$$

The cash ratio is approximately 1.02, which indicates that it has enough cash and cash equivalents to cover its current liabilities. It is normal for the cash ratio to be lower than other liquidity ratios such as the current ratio and quick ratio because it only considers the most liquid asset, which is cash and cash equivalents. However, it may become unnecessary to have that amount of cash, since it can be used efficiently to have income through investments, and it is also exposed to possible inflation by potentially losing the purchasing power of money.

$$\frac{Cash\ and\ Equivalents}{Current\ Liabilities} = \frac{9{,}889}{9{,}647} = 1.02\$$$

4.3. Solvency ratios

Debt to Equity Ratio is 24.94% / 33.83%, which gives 0.74. Being less than 1 indicates that the company has more net worth than debt, which is favorable for the company in terms of solvency.

Debt Ratio is approximately 24.94% / 100%, which gives a value of 0.25. This means that around 25% of the company's assets are financed with debt.

As for the **Equity Ratio**, it is 33.83% of 100%, which gives a value of 0.34. This indicates that shareholders finance 34% of the company's assets.

Solvency ratios indicate financial soundness in the company's structure and an adequate level of indebtedness. The significantly higher ratio of equity to debt tells us that there is a good ability to meet its obligations in the long term.

Horizontal Balance sheet analysis

Balance Sheet (in million)	2021	2022	
ASSETS	May, 31	May,31	%
Current assets:			
Cash and equivalents	$ 9,889	8,574	-13%
Short-term investments	3,587	4,423	23%
Accounts receivable, net	4,463	4,667	5%
Inventories	6,854	8,420	23%
Prepaid expenses and other current assets	1,498	2,129	42%
Total current assets	26,291	28,213	7%
Property, plant and equipment, net	4,904	4,791	-2%
Operating lease right of use assets, net	3,113	2,926	-6%
Identificable intangible assets, net	269	286	6%
Goodwill	242	284	17%
Deferred income taxes and other assets	2,921	3,821	31%
TOTAL ASSETS	**$ 37,740**	**40,321**	7%
LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities:			
Current portion of long debt	-	500	
Notes payable	2	10	400%
Accounts payables	2,836	3,358	18%
Current portion of operating lease liabilities	467	420	-10%
Accrued liabilities	6,063	6,220	3%
Income taxes payable	306	222	-27%
total current liabilities	9,674	10,730	11%
long term debt	9,413	8,920	-5%
operating lease liabilities	2,931	2,777	-5%
Deferred income taxes and other liabilities	2,955	2,613	-12%
Total shareholders equity	12,767	15,281	20%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**$ 37,740**	**40,321**	7%

4.4 Horizontal Balance sheet analysis

Between May 2021 to May 2022, the evaluation of the company's balance sheet reflects a mixed dynamic of positive and negative elements. The 13% decrease in cash could suggest tactical adjustments in financial management, while the 23% increase in short-term investments indicates a shift toward stronger investment portfolios.

One of the positive signs include a slight 5% increase in accounts receivable, possibly linked to better credit conditions or an increase in sales. However, the significant 23% increase in inventories raises efficiency concerns in the supply chain.

Regarding non-current assets, the adaptations in property, plant and equipment of 2% and the higher values in intangible assets and goodwill suggest an investment strategy in intangibles and possibly strategic acquisitions.

Having only a slight devaluation of assets, both current and non-current, reflects that there was very efficient management of the company's resources. This improves efficiency by enabling longer asset life and, through this, better resource utilization, ultimately contributing to operational efficiency.

About terms of obligations, the 11% increase in short-term debt can be interpreted as a response to commercial dynamics, while the reduction in long-term debt and operating lease obligations reflects an effort to reduce long-term liabilities.

The company shows adaptability in its financial strategy, with a focus on investments and an agile response to market dynamics. However, efficient supply chain management and optimization of financial obligations could be key areas of improvement to maintain sustainable growth.

Income Statement

Income statements (in millions, Except per shere data)	**2021**		**%**
Revenues	$	44,538	100.0%
cost of sales		24,576	55.2%
Gross profit		19,962	44.8%
demand creation expense		3,114	7.0%
operating overhead expense		9,911	22.3%
Total selling and administrative expense		13,025	29.2%
Interest expense (income), net		262	0.6%
Other (income) expenses, net		14	0.03%
Income before income taxes		6,661	15.0%
Income tax expense		934	2.1%
NET INCOME	$	5,727	12.9%
Earning per common share:			
Basic	$	3.64	0.008%
Diluted	$	3.56	0.008%
Weighted avarage common shares outstanding:			
Basic		1,573	3.5%
Diluted		1,609.4	3.6%
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME			
Net income	$	5,727	12.9%
Other comprehensive income (loss), net of tax:			
Change in net foreign currency translation adjustment		496	1.1%
Change in net gains (losses) on cash flow hedges		(825)	-1.9%
Change in net gains (losses) on other		5	0.01%
Total other comprehensive income (loss), net of tax		(324)	-0.7%
TOTAL COMPREHENSIVE INCOME	$	5,403	12.1%

4.5. Rentability ratios

The **Profit Margin** is approximately 12.87%. That 12.87% is the total percentage that is converted into profit of the company's income with expenses already deducted.

$$\frac{Net\ income}{Revenues} = \frac{5{,}727}{44{,}538} \text{X } 100 = 12{,}87\%$$

The **Return on Equity** is 44.77%. This shows that the company generate a return of 44.77% on the shareholders' equity.

$$\frac{Net\ income}{Shareholders\ Equity} = \frac{5{,}727}{44{,}538} X\ 100 = 44{,}77\%$$

The **Return on Assets** is approximately 15.16%. This ratio shows that the company generates a return of 15.16% on its total assets. It means that for every $100 of assets, the company generates $15.16 of net profit.

$$\frac{Net\ Income}{Total\ Assets} = \frac{5{,}727}{37{,}740} \text{X } 100 = 15.16\%$$

Cash Flow Statement

Cash Flow statement-Vertical analysis		Balance in Millions $	Porcentage of Cash provided
Cash Provided By Operations			
Net income	$	5,727	85.90%
Adjustments to reconcile net income to net cash provided by operations			
Depreciation	$	744	11.18%
Deferred income taxes		($385)	5.78%
Stock-based compensation	$	611	9.18%
Amortization, impairment and other	$	53	0.80%
Net foreign currency adjustments		($138)	2.07%
Changes in certain working capital components and other assets and liabilities:			
(Increase) decrease in accounts receivable		($1,606)	24.14%
(Increase) decrease in inventories	$	507	7.61%
(Increase) decrease in prepaid expenses, operating lease right-of-use assets and other current and non-current assets		($182)	2.73%
Increase (decrease) in accounts payable, accrued liabilities, operating lease liabilities and other current and non-current liabilities	$	1,326	19.90%
Total amount by operations	$	6,657	100.00%
Cash Provided by investments activities			
Purchase of short-term investments		($9,961)	262.92%
Maturities of short-term investmens	$	4,236	111.26%
Sales of short-term investments	$	2,449	64.47%
Additions to property, plant and equipment		($695)	18.32%
Other investing activities	$	171	4.51%
Total amount by investing activities		($3,800)	-100.00%
Cash Provided by Financial Activities			
Increase (decrease) in notes payable, net		($52)	3.57%
Repayment of borrowings		($197)	13.53%
Proceeds from exercise of stock options and other stock issuances	$	1,172	80.50%
Repurchase of common stock		($608)	41.76%
Dividends- common and preferrred		($1,638)	112.54%
Other financing activities	$	136	9.35%
Total Cash provided by financing activities:		(1,459)	-100%
Net increase or decrease in cash and equivalents		1,541	15.58%
Cash and equivalents, beginning of year		8,348	84.42%
CASH AND EQUIVALENT, END OF YEAR	$	9,889	100.00%

4.6. Cash flow

Cash flow provided by operations was $6,657 million. This is a positive indicator for the company, it means that are generated a significant amount of cash from its operating activities.

The company investing in activities was ($3,800) million. This indicates that the company made significant investments during the year, including purchases of short-term investments, maturities, and sales of short-term investments, as well as additions to equipment and other investing activities.

Cash flow used in financing activities was ($1,459) million. The company raised funds through the issuance of stock options and other equity issues, but also spent money repurchasing shares and paying dividends.

The effect of the change in exchange rates on cash and cash equivalents was $143 million. Net increase in cash and equivalents increased by $1,541 million during the year.

The final balance of cash and equivalents at the end of the year was $9,889 million. Maintaining Nike as the fashion brand company with the highest turnover in the world.

The Horizontal analysis revealed is that there was a decrease in cash between 2021-2022 and an increase in investments that would be good to make strategic adaptation. Because in terms of cash flow analysis, highlighting the importance of maintaining an appropriate balance between liquidity and investment. Accumulating excess cash can be inefficient and harmful in the long run. Efficient management of financial resources is essential to maximize the value of the company and satisfy the needs of shareholders.

5. Result and discussion

In this 2021 analysis of Nike, a very solid financial statement is reflected and showing its experience. Its large revenues reflect strong global demand, supported by a variety of products and effective marketing strategies. A healthy gross margin indicates efficient management of production costs and prices. In addition, the geographic expansion and diversity of products minimize risks.

Investments in property and equipment support long-term growth and continuous innovation. The solid cash generation and financing capacity are remarkable, allowing for quite a few investments. The cash flows also indicate an efficient management of working capital, standing out in the administration of accounts receivable and inventories.

However, Nike faces challenges. Fluctuations in the currency market and interest rate risks can affect financial results. Long-term debt and interest payments require attention, although they are handled properly. The high dependence on operations can be very dangerous, but from the years of experience of a company as large as Nike, they will surely be handled correctly.

Efficient risk management, investment in innovation and expansion into new markets will continue to be key. Additionally, maintaining a focus on cost and margin management is essential. Nike must proactively address changing industry challenges and evolving competition to maintain its leading position and seize opportunities.

In the horizontal analysis it was seen that the company between 2021 and 2022 shows a dynamic financial direction. There are positive signs such as increase in accounts receivable, efficiently managing the supply chain and financial obligations emerging as crucial areas for improvement.

6. Conclusion

The main idea and purpose of this thesis was to analyze the business strategy and financial performance of the company Nike.

The analysis of the financial management and the marketing and sales strategies that the company follows to get to where it is today, at the top of the sales of sporting goods and clothing.

The thesis was divided into two parts, the beginning describing their marketing strengths and the type of sales strategy and relationship they have with their customers.

On the other hand, an analysis of the balance sheet, Profit and loss statement and cash flow was made. A vertical analysis was made showing the percentages that each account represents in the total expenses or income of the same total accounts. Ratios, liquidity, solvency and profitability ratios were also analyzed. Likewise, it was possible to demonstrate the availability of the accounts payable of the company, the comfort in which it is to comply with those payments and how little indebted the company is with debits, using mostly net worth.

Comparing the years 2021 and 2022 in a horizontal analysis not only reveals changes in financial performance, but also offers key evolutionary insight. It allows you to identify patterns, evaluate the effectiveness of tactical and strategic decisions, and understand the company's adaptability to market dynamics. This comparison provides a deeper understanding of financial management over time, informing future decisions and providing a solid basis for business management decision making.

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