

Nike case study executive summary

[Business](#)



The first stake she made was using the average beta Instead of the most recent beta provided. She was using average of Nike's beta from 1996 to the present, which was .80 (Case 13, peg. 59).

We used the beta of .69, which was the most recent beta provided to us. The second mistake we found was that she used the book value of debt Instead of the market value of debt. The book value was \$441.30 and the market value was \$421.88 so she overstated debt by \$19.

42 (Exhibit 6).

To find Nike's cost of debt, we used three different methods: the Capital Asset Pricing Model (CAPM) (Exhibit 7), the Dividend Discount Model (DDM) (Exhibit 5), and the Earnings Capitalization Model (ECM) (Exhibit 8). We decided that the CAPM gave us the most accurate estimate of Nike's cost of debt, and we used that in arriving at our before-tax cost of debt of 7.173% and our final after-tax cost of debt of 4.447% (Exhibit 6). To find our WAC, we used the market value of equity and debt to determine our weights of equity and debt.

Our weight of equity is 89.947% and our weight of debt is 10.053%. Using the above numbers, we calculated a WAC of 7.338% (Exhibit 9).

After discounting Nike's cash flows using the WAC value we calculated, we believe that Nike is undervalued by \$2.51 per share of stock. Also, Nike's terminal value of cash flows is greater than the equity value of the firm. (Exhibit 3). We think that they should invest because the price of Nike's

stock will not be undervalued long because the market competition will bring it back up to equilibrium.

Therefore, we commend that Nike's stock should be a strong "Buy" for Kim Ford and Northing Group. Nike Case Study Executive Summary By Possessions Kim Ford manages a large mutual fund for Northing Group. Her company is mistake she made was using the average beta instead of the most recent beta debt instead of the market value of debt. The book value was \$441.

30 and the market Pricing Model (CAMP) (Exhibit 7), the Dividend Discount Model (EDM) (Exhibit 5), and recommend that Nike's stock should be a strong "Buy" for Kim Ford and Northing