Investors Report Nike vs Under Armour

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Objective

The objective of this report is to analyze and compare the financial performance of Nike, Inc. and Under Armour, Inc. using key financial ratios over two annual periods. This analysis evaluates profitability, efficiency, liquidity, and financial risk to determine which company represents the stronger investment opportunity. By examining these financial indicators alongside industry trends and company disclosures, this report aims to provide a comprehensive understanding of each firm's financial position and long-term stability (Nike, 2025) and (Under Armour, 2025).

Overview of Each Company

Nike Summary

Nike, Inc. is a global leader in athletic footwear, apparel, and equipment, operating in numerous international markets. The company benefits from strong brand recognition, innovation, and a large direct-to-consumer network. Nike continues to expand its digital presence and global reach, maintaining a dominant market share within the sportswear industry. According to industry data, Nike remains one of the largest and most influential companies in the global athletic apparel market, contributing to its financial strength and stability (Statista, 2025).

Under Armour Summary

Under Armour, Inc. is a performance-based apparel and footwear company focused on athletic products. While it competes within the same industry as Nike, it operates on a smaller scale and has faced recent financial challenges, including declining profitability and restructuring efforts. The company has been working to improve operational efficiency and regain market share; however, its financial performance has been more volatile compared to industry leaders (Under Armour, 2025).

FINANCIAL ANALYSIS RATIOS
NIKE VS UNDER ARMOUR

Nike in Millions
Under Armour in Thousands

PROFITABILITY (All answers rounded to 3 decimal places and percentages to 2 decimal points)

RATIO FORMULA	CALCULATION 1	CALCULATION 2	IMPROVE/DECLINE
Net Profit Margin = Net Income ÷ Revenue			
1) Nike	**3,219 ÷ 46,309 = 0.06951 (6.951%)**	**5,700 ÷ 51,362 = 0.11096 (11.096%)**	**Nike:** Decline — indicates reduced profitability, but the company remains profitable and financially stable.
2) Under Armour	**(201,267) ÷ 5,164,310 = -0.0389 (-3.90%)**	**232,042 ÷ 5,701,879 = 0.0407 (4.07%)**	**Under Armour:** Significant decline — shifted from profit to loss, indicating deteriorating performance and operational issues.

Gross Profit Margin = (Revenue − Cost of Goods Sold) ÷ Revenue **1) Nike** **2) Under Armour**	**(46,309 − 26,519) ÷ 46,309** **= 0.42735 (42.735%)** **(5,164,310 − 2,689,566) ÷ 5,164,310** **= 0.479 (47.92%)**	**(51,362 − 28,475) ÷ 51,362** **= 0.44563 (44.563%)** **(5,701,879 − 3,071,626) ÷ 5,701,879** **= 0.461 (46.13%)**	**Nike:** Decline — suggests increasing production costs or reduced pricing power, slightly weakening profitability. **Under Armour:** Improvement — indicates better cost control or pricing efficiency, though overall profitability remains weak.

ACTIVITY (All answers rounded to 3 decimal places)

RATIO FORMULA	CALCULATION 1	CALCULATION 2	IMPROVE/DECLINE
Inventory Turnover = Cost of Goods Sold ÷ Average Inventory **1) Nike** **2) Under Armour**	**26,519 ÷ 7,489 = 3.540** **2,689,566 ÷ 945,836 = 2.844**	**28,475 ÷ 7,519 = 3.787** **3,071,626 ÷ 958,495 = 3.205**	**Nike:** Improve— indicates faster inventory movement, suggesting potential efficiencies in inventory management. **Under Armour:** Decline — reflects slower sales or excess inventory buildup, signaling weaker operational efficiency.

LIQUIDITY (All answers rounded to 3 decimal places)

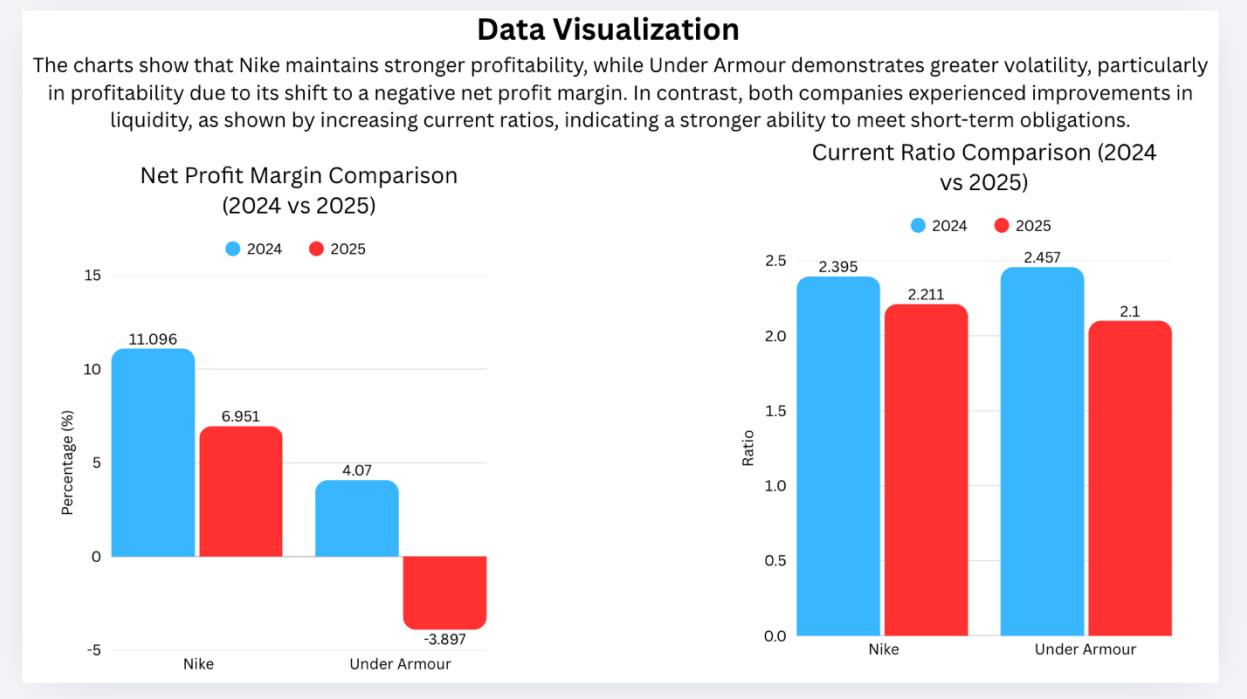
RATIO FORMULA	CALCULATION 1	CALCULATION 2	IMPROVE/DECLINE
Current Ratio = Current Assets ÷ Current Liabilities **1) Nike** **2) Under Armour**	**23,362 ÷ 10,566 = 2.211** **2,329,097 ÷ 1,109,143 = 2.100**	**25,382 ÷ 10,593 = 2.395** **2,863,682 ÷ 1,165,461 = 2.457**	**Nike:** Improve — still strong liquidity, with increasing ability to cover short-term obligations. **Under Armour:** Increase — Strengthening short-term financial position, well above acceptable levels.
Quick Ratio = (Current Assets − Inventory) ÷ Current Liabilities **1) Nike** **2) Under Armour**	**(23,362 − 7,489) ÷ 10,566 = 1.502** **(2,329,097 − 945,836) ÷ 1,109,143 = 1.247**	**(25,382 − 7,519) ÷ 10,593 = 1.686** **(2,863,682 − 958,495) ÷ 1,165,461 = 1.635**	**Nike:** Improve — Increased immediate liquidity, maintains plenty of short-term coverage.

			Under Armour: Improve — indicates increasing ability to meet short-term obligations without selling inventory.

COVERAGE (All answers rounded to 2 decimal places)

RATIO FORMULA	CALCULATION 1	CALCULATION 2	IMPROVE/DECLINE
Debt to Assets = Total Liabilities ÷ Total Assets **1) Nike** **2) Under Armour**	**23,366 ÷ 36,579 = 0.639** **2,410,593 ÷ 4,300,871 = 0.560**	**23,680 ÷ 38,110 = 0.621** **2,607,448 ÷ 4,760,734 = 0.548**	**Nike:** Decrease — indicates lower reliance on debt financing, slightly decreasing financial risk. **Under Armour:** Decrease — indicates lower reliance on debt financing and reduced financial risk.

Times Interest Earned = EBIT ÷ Interest Expense			
1) Nike	**(3,885 + 107) ÷ 107 = 37.308**	**(6,700 + 161) ÷ 161 = 42.615**	**Nike:** Decline — reduced ability to cover interest expenses, but still maintains strong coverage.
2) Under Armour	**((204,762) + 6,115) ÷ 6,115 = -32.490**	(196031+6115)÷6,115≈ 33.06	**Under Armour:** Increases- varies significantly across periods due to fluctuations in both operating income and interest expense. In 2025, the ratio is approximately 33x, indicating that the company can cover its interest obligations, though less comfortably than in prior periods. In earlier periods, the ratio appears extremely high due to very low interest expense, which inflates the ratio and makes it less meaningful as an indicator of financial strength. Therefore, the ratio should be interpreted cautiously.



This trend suggests that Nike is experiencing margin compression likely due to rising production and operating costs, while Under Armour's negative margin reflects deeper structural issues such as restructuring expenses and declining revenue efficiency. While both companies show improved liquidity, excessively high current ratios may indicate inefficient use of assets rather than purely strong financial health, particularly in Under Armour's case where volatility is higher.

Data Visualization

Nike's net profit margin decreased from 11.096% to 6.951%, reflecting rising operating costs and potential margin compression. In contrast, Under Armour's margin declined from 4.070% to -3.897%, indicating a transition to a net loss and significantly weaker financial performance. This demonstrates that while both companies face industry pressures, Under Armour is more severely impacted.

In terms of liquidity, Nike's current ratio improved from 2.211 to 2.395, while Under Armour's increased from 2.100 to 2.457. Although both firms show improvement, Nike maintains more

stable financial performance, whereas Under Armour's larger increase reflects greater volatility rather than consistent strength.

From an efficiency standpoint, improvements in inventory turnover, indicating faster inventory movement and stronger operational efficiency. Nike continues to outperform Under Armour, suggesting more effective inventory management. This indicates a stronger ability to meet short-term obligations, although Under Armour demonstrates greater volatility overall. Despite this improvement, Nike maintains a more stable and consistent financial position compared to Under Armour.

Comparison of Financial Performance

Based on the financial ratio analysis, Nike demonstrates stronger overall financial performance compared to Under Armour across profitability, efficiency, liquidity, and financial risk measures. In terms of profitability, Nike remains consistently profitable despite a decline in net profit margin from 11.096% in 2024 to 6.951% in 2025 (Nike, 2025). This decline suggests increased operating costs or reduced pricing power, which is consistent with broader industry trends such as supply chain disruptions and rising production expenses (Statista, 2025). In contrast, Under Armour experienced a significant deterioration in profitability, shifting from a positive 4.070% net profit margin in 2024 to a negative -3.897% in 2025, indicating a net loss (Under Armour, 2025). This decline reflects restructuring costs and operational inefficiencies, as noted in the company's financial disclosures. This decline is consistent with disclosures in Under Armour's 10-K, which indicate restructuring charges and operational adjustments impacting profitability (Under Armour, 2025).

From an efficiency standpoint, Both companies experienced improvements in inventory turnover, indicating faster inventory movement. Increasing inventory turnover generally indicates improved efficiency, as inventory is being sold more quickly. However, Nike maintains a stronger position relative to Under Armour, indicating more effective inventory management.

In terms of liquidity, both companies maintain current and quick ratios above 1.0, indicating the ability to meet short-term obligations. However, both firms show improving trends in these ratios, suggesting stronger liquidity positions over time. While Nike remains in a slightly stronger position, the upward trend signals potential upsides if the increasing continues.

Regarding financial risk, Both companies experienced decreases in their debt-to-assets ratios, indicating reduced reliance on debt financing and lower financial risk. Under Armour, however, demonstrates greater volatility, particularly due to its negative earnings and declining ability to cover interest obligations. This is further supported by its negative Times Interest Earned ratio in 2025, indicating that the company is unable to generate sufficient earnings to cover its interest expenses.

Overall, Nike exhibits greater financial stability, stronger profitability, and more consistent performance across key financial metrics. While both companies face industry-wide challenges, Nike's financial position remains significantly stronger than that of Under Armour. Nike's stronger performance is likely driven by its larger scale, global supply chain efficiencies, and stronger pricing power. In contrast, Under Armour's weaker results may be attributed to restructuring costs, declining demand, and operational inefficiencies noted in its financial disclosures.

Investment Recommendation

Based on the financial analysis conducted, Nike is the stronger investment option compared to Under Armour. Although Nike experienced declines in profitability and liquidity, it continues to generate positive net income and maintains relatively strong coverage ratios, demonstrating its ability to meet financial obligations and sustain operations (Nike, 2025). Additionally, Nike's global presence, strong brand recognition, and dominant market position contribute to its long-term stability and growth potential (Statista, 2025).

Under Armour, on the other hand, reported a net loss in 2025 and exhibits greater volatility in profitability and financial performance (Under Armour, 2025). The company's declining margins, negative earnings, and weaker coverage ratios indicate higher financial risk and uncertainty for investors. Furthermore, restructuring efforts and operational challenges have negatively impacted its financial performance, raising concerns about its ability to recover in the short term.

While both companies are affected by industry trends such as rising costs and shifting consumer demand, Nike's consistent profitability, stronger financial position, and lower volatility make it the more reliable investment choice. Therefore, Nike represents a more attractive option for investors seeking stability and long-term growth, whereas Under Armour presents a higher-risk investment due to its financial instability.

Overall, Nike's ability to maintain profitability and financial strength despite industry challenges makes it the superior investment choice

Work Cited

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