16-Jul-2025 | 10:50 EDT

Nike Inc. Downgraded To 'A+' From 'AA-' On Reduced Profitability And Ongoing Tariff Risks; Outlook Stable

View Analyst Contact Information

- U.S.-based Nike Inc. has experienced continued sales and margin declines through the fourth quarter of its fiscal 2025 that we believe will persist in fiscal 2026.
- The company is undertaking a meaningful turnaround of its merchandising and go-to-market strategies while also addressing higher input costs from tariffs given that it imports materially to the U.S. from both Vietnam and China.
- As part of its new CEO strategy, Nike discounted heavily to clear out inventory and make room for new products. At the same time, it is trying to offset increased marketing spend with overhead restructuring costs to limit profitability declines.
- We believe it will take multiple years to regain the market share lost to both apparel and footwear competitors and return Nike to historical levels of profitability.
- Therefore, S&P Global Ratings lowered its ratings on Nike, including its issuer credit rating on the company, one notch to ‘A+’ from ‘AA-’.
- We also lowered our short-term commercial paper ratings on Nike to ‘A-1’ from ‘A-1+’.
- The stable outlook reflects our view of the company’s dominant market share and large cash balance to withstand near-term profit declines and strategy shifts.

NEW YORK (S&P Global Ratings) July 16, 2025--S&P Global Ratings today took the rating actions listed above.

The downgrade reflects Nike’s profit deterioration amid a strategy turnaround. Nike’s sizable cash position masks the material underperformance and weakening of the company’s core credit metrics. S&P Global Ratings-adjusted leverage increased modestly to about 0.5x at the end of fiscal 2025 (ended May 31, 2025), from 0.2x in fiscal 2024. This is because, as of year-end fiscal 2025, Nike had $9.2 billion of liquidity including $7.5 billion of cash and cash equivalents and $1.7 billion of short-term investments that we largely net against debt. In the fourth quarter of fiscal 2025, the company also repaid $1 billion of 2.40% notes due 2025.

Nike is a strong brand and industry leader that had strategy missteps that resulted in lost market share and now a costly turnaround. It pulled annual guidance last year and is only providing quarterly guidance at present. The company is navigating its turnaround after the 2024 departure of CEO John Donahoe, which we viewed as abrupt. Overall, we believe that, holistically, Nike is more in line with ‘A’ category rather than ‘AA’ category U.S. corporate issuers. This is based on scale, performance trajectory, and management’s execution of strategy. We believe Nike is still better positioned than ‘A’ rated Adidas given its larger size and merchandise variety, even with recent setbacks.

On top of the turnaround, Nike also faces new and meaningful cost headwinds from tariffs, particularly affecting footwear imported into the U.S. For fiscal 2024, factories in Vietnam, Indonesia, and China manufactured approximately 50%, 27%, and 18% of total Nike brand footwear, respectively. Also in fiscal 2024, factories in Vietnam, China, and Cambodia manufactured approximately 28%, 16%, and 15% of total Nike brand apparel, respectively.