

RUNNING HEAD: NIKE & UNDER ARMOUR FINANCIALS

Nike & Under Armour Financial Analysis

Jason E. Stevens

Financial Accounting (MBA 500)

March 3, 2010

## Table of Contents

<b>Background</b> .....	3
<b>Progress in last year</b> .....	3-5
<b>Profitability/Debt Ratios</b> .....	5-7
Net Profit Margin.....	5
Gross Profit Margin.....	6
Return on Equity.....	6-7
Earnings per Share.....	7
<b>Liquidity/Debt Ratios</b> .....	7-9
Current Ratio.....	8
Debt to Equity.....	8
Interest Coverage.....	9
<b>Efficiency Ratios</b> .....	9-11
Inventory Turnover.....	9-10
Payable Turnover.....	10
Receivable Turnover.....	11
<b>Trends</b> .....	11-14
<b>Cash Flow Trends</b> .....	14-15
<b>Financial Analysis</b> .....	15-17
<b>References</b> .....	18

## **Background**

Nike was incorporated in 1968 and has become arguably synonymous with elite footwear/apparel amongst the world population (Nike 10K, 2009). Nike's primary business "is the design and development and worldwide marketing of high quality footwear and apparel" (2009, pg.1). In addition, Nike also designs/markets sports equipment and accessory products. Nike puts a heavy emphasis on investing in the innovation and design of their products to give their customers a high-quality product. Nike is the largest seller of athletic footwear and apparel in the world (2009). Nike sets the bar for other companies in the sports apparel/footwear industry, like Under Armour.

Under Armour, a rather infant company was incorporated only fourteen years ago in 1996 (Under Armour 10K, 2009). Under Armour, comparable to Nike, is in the business of, "developing, marketing and distribution of branded performance apparel, footwear and accessories" (2009, pg.1). Because of their infancy, unlike Nike, which is a global company, a majority of Under Armour's products are sold domestically (2009). The international growth opportunity for Under Armour is significant given the international success of their competitor, Nike.

## **Progress in the last year**

Nike over the last year has been investing in new products that are innovative for the sports shoe/apparel industry. Nike has been implementing new technologies such as Flywire, Luna Foam and Hyperdunk basketball shoes (Nike, 2009). After the Beijing Olympics in China, Nike saw an increase in demand in their products grow amongst the 500 million Chinese under the age of 25 which shows a promising trend for future sales (2009).

In an effort to leverage resources and to push operations to be leaner, Nike reduced their workforce of 34,300 by 5 percent (Nike 10K, 2009). As part of the restructuring Nike suffered pre-tax charges of \$195 million "primarily consisting of severance costs" (2009, pg. 23). As the economic climate deteriorated, Nike has seen just a small increase of 3 percent increase in revenue year over year,

falling short of their long-term goals of 8-9 percent annually (Nike 10K, 2009). The Umbro brand, which Nike acquired in 2008 performed slightly better than anticipated however, Umbro was affected by global consumer confidence and the collapse of the financial markets (2009). However, Nike sees Umbro as a viable long-term investment for their portfolio (2009).

Although Nike had a 3 percent increase in revenue their net income fell behind year over year and as a result their earnings per share fell 19 percent year over year (Stevens, J, 2010). During 2009, foreign currency exchange rates dropped thus, negatively affecting Nike's revenue by 1 percent (Nike 10K, 2009). Nike is a very strong brand and will continue to thrive as their presence in the international markets such as China increases. It appears that Nike is taking a few steps in the right directions through innovation and restructuring of their workforce to better position themselves financially in the long term.

Under Armour has proven year over year that they are indeed a growth company. As their brand recognition and product availability increases so do their revenues. Under Armour achieved a growth in net revenue by over 18 percent, increased net income by 22 percent (suggesting financial discipline) all leading to their ability to sustain growth year over year (Under Armour 10K, 2009). This considerable increase in net revenue is attributed to an increase in apparel and the introduction of footwear in the first quarter of 2009 (2009). Although Under Armour has only been around 14 years they have only been traded publicly since 2005 (2009).

The five key growth drivers for Under Armour are: "Men's and Women's Apparel, Footwear, International and Direct-to-Consumer" (Under Armour 10K, 2009, pg.1). In 2009 Apparel revenues

Under Armour in 2009 drastically focused on improving their inventory position, strengthening their balance sheet and improving the efficiency of their working capital (2009). Under Armour's inventory turnover ratio of 2.68 in 2009 compared to 2.13 in 2008 indicates they are more efficient at moving inventory more quickly through production to the end consumer reducing storage and other

related carrying costs (Libby, Libby, Short, 2009). In addition, Under Armour increased their cash and equivalents by \$85 million year over year (Under Armour 10K, 2009). Thus signifying that they have necessary cash flow to fund their aggressive expansion plans.

### **Profitability/Debt Ratios**

There are several tests one can conduct to test how profitable a company is. Profitability measures how a company utilizes their assets and controls their expenses to generate a return on their investment (Libby, Libby, Short, 2009). Debt ratios measure how capable a company is at repaying or meeting their obligations (2009). The four-profitability/debt ratios that will be discussed are: net profit margin, gross profit percentage, return on equity and earnings per share.

Net profit margin shows how effective a particular company is at “controlling revenues and expenses to generate more profit for the shareholders” (Libby, Libby, Short, 2009, pg. 181). Net profit margin shows investors how much profit every sales dollar generates (2009). An increase in net profit margin shows that a company is more efficient at managing sales and expenses.

Nike’s net profit margin was 10.11 percent in 2008 and 7.75 percent in 2009 signaling a drop in efficiency of managing sales and expenses (Stevens, J, 2010). The decrease in net profit margin could be a signal of the economic downturn the United States and world is facing. In addition Nike’s competition, such as Under Armour, is widening their consumer base thus affecting Nike’s profit.

Under Armour’s net profit margin was 5.27 percent in 2008 and 5.46 percent in 2009 signaling more efficient management of their sales and expenses, which is expected as a company matures (Stevens, J, 2010). As the Table 1 depicts, Under Armour increased their sales revenue by over 18 percent from 2008 to 2009, which had a significant impact on their net profit margin. As stated above this increase is attributed to increase in their apparel and the introduction of footwear in the first quarter of 2009 (Under Armour 10K, 2009).

Gross profit percentage measures a company's capability to charge higher prices and produce goods and services at lower costs (Libby, Libby, Short, 2009). In general terms, a higher gross profit results in higher net income (2009). However, business strategy as well as increasing competition can adversely affect a company's gross profit percentage (2009).

Nike posted a gross profit percentage of 45.02 percent in 2008 compared to a 44.8 percent in 2009, again the slight decrease year over year is do to the economic downturn and decreasing margins as products were discounted given the economic conditions (Stevens, J, 2010).

Under Armour's gross profit percentage was 48.94 percent for 2008 compared to a 48.20 percent in 2009. This slight decrease year over year could be attributed to the almost 17 percent increase in cost of goods sold year over year thus decreasing the profits of Under Armour (Stevens, J, 2010). As Under Armour expands they can expect their sales revenue to increase as well as their cost of goods sold. It can be expected that future gross profits will decrease as the footwear sales increase as footwear has a historically lower margins compared to apparel (Under Armour 10K, 2009). It is imperative to note that Under Armour's staple products consisting of moisture-wicking synthetic fabric is a petroleum based thus the cost of goods more than likely will be affected by future oil trends (2009).

Return on equity (ROE) shows how well the management of a company used their stockholder's investment during the year (Libby, Libby, Short, 2009). ROE measures how much a company earned for every stockholder dollar invested (2009). Thus, in the long-term companies with a higher ROE tend to have higher stock prices (2009).

Nike's return on equity was 25.36 percent for 2008 compared to 18.00 percent in 2009 signaling a decrease of over 7 percent. This decline in ROE is do in part of the significant drop in stock price of \$68.37 in year end 2008 compared to \$57.05 year end 2009 which is nearly a 17 percent decline in the value of the stock (Stevens, J, 2010).

Under Armour's return on equity was 12.50 percent for 2008 compared to 12.80 percent for 2009

showing a slight increase year over year (Stevens, J, 2010). This slight increase of .30 percent can be attributed to an increase in net income and an increase in stock price year over year. Thus, signaling to analysts that as Under Armour matures as a company they are leveraging the stockholder's equity more wisely.

The earnings per share ratio (EPS) is at the forefront when computing the operating performance and profitability of a company (Libby, Libby, Short, 2009). The EPS computes how much the company earned per share owned by investors. The EPS is the only ratio required to be either on the income statement or disclosed in the notes (2009).

Nike reported earnings per share of \$3.80 in 2008 compared to \$3.07 in 2009 showing a decrease in EPS of \$0.73 year over year (Stevens, J, 2010). This 19 percent decrease in EPS can be attributed to the decrease in net income year over year thus affecting the EPS for Nike.

Under Armour reported earning per share of \$0.78 in 2008 compared to \$0.94 in 2009 showing an increase of \$0.16 EPS year over year (Stevens, J, 2010). Unlike Nike, Under Armour showed an increase in net income of \$8,556 (In Thousands) from 2008 to 2009.

When comparing EPS an investor must take into consideration the stock price for a given company. Nike was earning \$3.07 per share in 2009 valued at \$57.05 compared to Under Armour earning \$0.94 per share in 2009 valued at \$27.27 (Stevens, J, 2010).

### **Liquidity/Debt Ratios**

There are several tests one can conduct to show how liquid a company is. Liquidity "refers to a company's ability to meet its currently maturing debts" (Libby, Libby, Short, 2009, pg. 723). Debt ratios measure how well a company can meet their obligations (current and long-term, mentioned earlier). The three ratios this section will discuss are: current ratio, debt to equity ratio, and times interest earned (interest coverage).

The current ratio is used to assess the liquidity of a particular company (Libby, Libby Short, 2009). The current ratio reveals whether a company has the necessary resources to pay its short-term debt (2009). A high ratio shows good liquidity however too high of a ratio might suggest “inefficient uses of resources” (2009, pg. 462).

Nike’s current ratio was 2.66 for 2008 compared to 2.97 for 2009; the slight increase in their current ratio is attributed to increasing their Cash and Cash Equivalents from 2008 to 2009 by \$157 (In Millions) and reducing their current liabilities by \$45 (Stevens, J, 2010).

Under Armour’s current ratio was 2.98 for 2008 compared to 3.73 for 2009, the slight increase in their current ratio, like Nike, is attributed to increasing their Cash and Cash Equivalents from 2008 to 2009 by \$85,255 (In thousands) and reducing their current liabilities by \$12,948 (Stevens, J, 2010).

The debt-to-equity ratio “measures the balance between debt and equity,” (Libby, Libby, Short, 2009, pg. 539). Funds that are provided by equity are more favorable than debt funds (2009). Debt unlike equity carries the responsibility of principal and interest payments. A high debt-to-equity ratio shows that a company relies on funds provided by creditors (2009).

Nike’s debt-to-equity ratio was 37.11 percent for 2008 compared to 34.39 percent for 2009. The 3 percent decline year over year can be attributed to Nike reducing their total liabilities as well as increasing stockholder equity (Stevens, J, 2010).

Under Armour’s debt-to-equity ratio was 32.09 percent for 2008 compared to 26.69 percent for 2009 (Stevens, J, 2010). The significant drop year over year can be attributed to reducing their total liabilities by almost \$11 million and increasing stockholder equity by almost \$70 million (2010).

The times interest earned calculations is used to determine if a company is generating enough profit to meet their current interest obligations (Libby, Libby, Short, 2009). A high ratio signals to analysts “extra margin of protection in case profitability deteriorates,” (2009, pg. 523). The failure of a company to meet its interest payments could result in bankruptcy (2009).

Nike has seen a drastic increase in interest coverage from 33.46 in 2008 to 206.95 in 2009 (Stevens, J, 2010). This proves to analysts that Nike has a safety net of margin should the economy continue to deteriorate. The drastic increase can be attributed to the decrease in interest expenses Nike paid in 2008 (\$77 million) compared to 2009 (\$10 million) (2010).

Under Armour, unlike Nike showed a decrease in interest coverage from 81.24 in 2008 compared to 36.16 in 2009 (Stevens, J, 2010). This decrease is attributed to an increase in interest expenses of almost \$1.5 million year over year (2010). Analysts would normally consider this drop worrisome, however Under Armour's business strategy for aggressive expansion details this decrease for analysts (Libby, Libby, Short, 2009). Thus, it is seen as favorable as Under Armour continues to expand and use resources to do so.

### **Efficiency Ratios**

Efficiency ratios measure how effective a company is at using their assets and liabilities (Libby, Libby, Short, 2009). The three ratios this section will discuss are: inventory turnover, accounts payable turnover, accounts receivable turnover.

The inventory turnover ratio shows how efficient a company is at managing their inventory levels (Libby, Libby, Short, 2009). This ratio indicates how quick inventory moves through production to the end consumer. It is paramount to move inventory as efficiently as possible to reduce storage and carrying costs. The higher the ratio, the quicker the inventory moves through the process to the end consumer alleviating these costs (2009).

Nike proves to be moving inventory efficiently although their turnover ratio decline slightly from 4.49 in 2008 to 4.41 in 2009 (Stevens, J, 2010). This slight decrease can be attributed to the increase in cost of goods sold and in an increase in average inventory or probably the most notable, the diminishing economy. One could venture to guess that the latter is more proven as they are holding

seasonal items longer in 2009 compared to 2008 or the demand for their product given the economic climate is decreasing.

Under Armour shows signs of increasing efficiency in inventory with a slight increase from 2.13 in 2008 compared to 2.68 in 2009 (Stevens, J, 2010). Although their costs of goods increased drastically by over \$73 million their average inventory fell by \$9 million year over year (2010). This is a sign that Under Armour is implementing inventory management strategies to move their product swiftly and the demand for their product is increasing.

The next efficiency ratio, accounts payable turnover, shows how efficient a company is at paying their supplier (Libby, Libby, Short, 2009). This ratio measures how quick a company can pay their accounts to suppliers. A high ratio signals that a company is paying their suppliers in a timely fashion (2009). A low ratio questions the liquidity of a company. However, this is a snapshot of all accounts thus a company could pay some accounts in a timely fashion and late with others (2009).

Nike has relatively unchanged accounts payable turnover of 9.07 in 2008 compared to 9.04 in 2009. The average age of the payable is 40 days (365 days in a year/accounts payable turnover ratio) for both 2008 and 2009 (Stevens, J, 2010). This means on average it takes Nike 40 days to pay an account, generally accounts are do within 30 days however, Nike may have special terms with certain accounts thus affecting the payable date or pay some accounts sooner than others, as mentioned above.

Under Armour has a payable turnover of 6.06 in 2008 compared to 5.80 in 2009 (Stevens, J, 2010). Thus it takes Under Armour on average (using the formula from above) 60 days in 2008 to pay an account compared to 63 days in 2009. This could be a sign that either Under Armour has a) cash flow issues or b) different payment terms with certain accounts. The latter is more believable as cash flows from operating activities increased by \$8.5 million from 2008 to 2009 (Under Armour 10K, 2009). Thus Under Armour has enough cash flow to meet their current and future obligations.

The accounts receivable turnover “reflects how many times average trade receivables are

recorded and collected during the period” (Libby, Libby, Short, 2009, pg. 297). A high ratio signals a faster collection of receivables (2009). This benefits a company because the receivable can be invested to earn interest, reduce borrowing from creditors or reduce interest expense (2009). A decline in this ratio might suggest that a company is extending their payment deadlines (2009).

Nike’s receivable turnover slightly decreased from 7.04 in 2008 to 6.75 in 2009 (Stevens, J, 2010). Thus the average collection period was 52 days (365 days/receivable turnover ratio) in 2008 compared to 54 days in 2009. This slight decrease year over year could be attributed to Nike extending payment deadlines to boost sales (Libby, Libby, Short, 2009).

Under Armour increased their receivable turnover from 8.30 in 2008 to 10.66 in 2009 (Stevens, J, 2010). This increase suggests that Under Armour is collecting accounts more efficiently than they were in 2008. The average collection period was 44 days in 2008 compared to 34 days in 2009. The extra time allows Under Armour to receive their payables quicker to invest the money, reduce borrowings (for expansion) or reduce interest expenses (Libby, Libby, Short, 2009). In comparison with Nike, Under Armour is more efficient at collecting receivables thus having money quicker to invest elsewhere which could prove beneficial in both the short term (paying off interest, reduce borrowing) and long-term (investing the money).

## **Trends**

The net sales/revenues for both Nike and Under Armour increased from 2008 to 2009. However, Nike’s increased modestly by 3 percent compared to Under Armour’s increase of over 18 percent. Nike’s modest increase is attributed to possibly a stagnate market, meaning that they are more internationally present in most markets compared to Under Armour who is in the international expansion stage. As mentioned earlier, Nike in 2009 was subject to a decrease in foreign currency exchange rates that dampened revenue by 1 percent (Nike 10K, 2009). Both Nike and Under Armour

will likely see sales revenues increase at a more modest amount (e.g. Nike's 3 percent) in the future.

Under Armour should be cognizant of their aggressive expansion plans making sure cash flow is sufficient to maximize expansion without heavy reliance on increasing debt to fund their future growth.

Both Nike and Under Armour's gross profit fell slightly year over year indicating that cost of goods sold for this industry is inflating while net sales are lagging with the inflation. Nike was subject to discounting products where as Under Armour too faced less margins as they introduced footwear in 2009. Both Nike and Under Armour will likely see gross profit modestly deteriorate until they can realize higher margins once the economy turns for the better. Under Armour is going to possibly see increasing net sales however, their gross profit is likely to fall depending on how reliant they are upon the footwear division as it carries lower margins than apparel as well as possible future discounts like Nike has been accustomed to during the economic downturn.

Selling and administrative expenses in 2009 decreased for Nike by 2 percent because of the same decrease in foreign exchange rates that decreased their gross profits. Nike did see an increase of operating overhead of 6 percent that is attributed to their investments in growth drivers (I.E opening retail stores, infrastructure, etc) (Nike 10K, 2009). It is hopeful that Nike will see some stabilization in wages expense given that they laid off over 5 percent of their workforce, which should decrease wages expenses in the long-term through operating leaner.

Under Armour has seen operating expenses increase, which is expected of a thriving company, as they continue to expand their business. The main driver of this increase was: increased marketing costs, the increase in selling costs, new product innovation and corporate service costs (new personnel to support growth) (Under Armour 10K, 2009). Under Armour is likely to continue to see their operating expenses increase in the future as they expand their global presence.

Both Nike and Under Armour has seen increases in operating income. Nike has seen growth in a particular segment (Jordan Brand), as they were able to increase the selling price per unit (Nike 10K,

2009). This is promising for future growth of this brand given that consumers are willing to pay a premium regardless of the economic climate (2009). Under Armour was able to increase their operating income through an increase in cash flow from operating activities and decreasing their inventory from effective inventory management strategies that were implemented (Under Armour 10K, 2009). As Under Armour matures as a company they are likely to operate and control their inventory more efficiently, which will benefit their operating income in the future.

Nike has seen a decrease in net income from 2008 to 2009 largely because of the economic climate and having to issue discounts on their products that normally would generate a premium (Nike 10K, 2009). Under Armour, unlike Nike posted an increase in net income year over year. As stated earlier, the main driver behind Under Armour's increase in net income was the introduction of footwear into Under Armour's arsenal of products. The trend moving forward is Nike most likely will see net income increase but at a much more modest increase than Nike is anticipating, which is in the high single digits (2009). Under Armour will likely issue discounts in the future that Nike is incurring now because the economic climate will likely catch up to their footwear division (the new will wear off of this product). The reason being is that Under Armour, if the economy remains unchanged, will likely be seen as another "product" and not as a "must have" amongst consumers thus affecting their net income in the future.

Both Nike and Under Armour increased their total assets from 2008 to 2009 while decreasing their total liabilities. This signals that they are investing in future operations without incurring a tremendous amount of debt to support the expansion of operations. Nike has sufficient funds and investments to support this type of future expansion; Under Armour needs to be cautious of how they are investing their cash, as they are not as established as industry leader Nike.

Both Nike and Under Armour increased their stockholder's equity. However, Nike issues dividends whereas Under Armour does not. This signals that Nike is increasing equity by selling more

shares and retaining less than Under Armour. The future trend could be that Nike will continue to pay dividends and Under Armour will continue to reinvest their equity, which could drive stock prices/equity higher in the future which will benefit long-term investors.

## **Cash Flow Trends**

Nike shows a significant decrease in cash flow from operating activities of almost \$200 million, which is attributed to the decrease in net income seen from year 2008 compared to 2009 (Nike 10K, 2009). Nike also decreased their inventory unlike Under Armour who increased inventories in 2009. This decrease in inventory could signal to analysts that they are liquidating old inventory, not reinvesting as heavily in new inventory or a combination of both. Under Armour showed an increase in cash flow from operating activities of almost \$50 million, which again is attributed to the increase in net income and increase in inventory (Under Armour 10K, 2009). Nike more than likely will see an increase in cash provided by operations in the future as the economy improves as will Under Armour as long as both companies can control their receivables, payables and inventory, which Under Armour has proven on the latter.

Cash flows from investing are inflows and outflows of cash related to property, plant, equipment and investments in securities and other companies (Libby, Libby, Short, 2009). Nike shows an increase in investing from 2008 to 2009 by over \$300 million (Nike 10K, 2009). The majority of this increase was from purchases of short-term investments year over year. This could prove beneficial to Nike over the next twelve months should they need cash to supplement their operating activities should sales decrease. Under Armour, unlike Nike, shows a decrease in investing activities year over year by over \$20 million (Under Armour 10K, 2009). This is likely attributed to Under Armour readying themselves in 2008 for the launch of their footwear division in 2009. However, Under Armour's decrease in investing could prove worrisome given their optimistic global expansion plans. It is likely trend that

Nike will continue to invest in other companies while Under Armour focuses on their expansion to hopefully put themselves in a financial position like Nike. It would benefit Under Armour to reinvest some of their funds in outside securities to diversify their portfolio should the economy continue to deteriorate.

Cash flows from financing are inflows and outflows of cash are borrowing/paying creditors, issuing stock to owners, repurchasing stock and payment of dividends (Libby, Libby, Short, 2009). Nike unlike Under Armour paid dividends in 2009 thus affecting cash outflow from financing activities to the tune of almost \$470million thus affecting their retained earnings as well (Nike 10K, 2009). In addition to the dividends Nike repurchased common stock of almost \$650 million (2009). This could benefit Nike in the long run when stock prices increase thus increasing Nike's investment on the repurchase. Under Armour unlike Nike did not issue dividends or repurchase common stock thus increasing their retained earnings. Under Armour shows more reliance on long-term debt than Nike, which could be problematic in the future, given the current economic climate, for Under Armour when the loans mature.

### **Financial Analysis**

Nike is in a better financial position for a variety of reasons, not the obvious size of Nike which is a given. Nike has higher profit margins, higher return on assets, higher return on equity, higher inventory turnover and is in a better cash position than Under Armour.

Nike continues to earn higher profit margins, 7.75 percent in 2009 compared to Under Armour's 5.46 percent which translates to more cash flow from operating activities (Stevens, J, 2010). This shows Nike's resiliency in adapting to the economic climate through effectively discounting their products and carrying less inventory.

Nike shows through their higher return on assets (ROA) that they are doing a better job at

selecting new investments compared to Under Armour (Libby, Libby, Short, 2009). In addition Nike is more effectively managing their stockholder's equity compared to Under Armour (2009). Nike is managing their equity more effectively and earning more than Under Armour for their stockholders.

Nike's is managing their inventory more effectively than Under Armour. Through effective inventory management, getting the product to the end consumer more quickly than Under Armour, Nike is ultimately reducing storage and obsolescence costs (Libby, Libby, Short, 2009).

Nike's return on equity of 18.00 percent in 2009 compared to Under Armour's 12.80 percent is significantly higher. The return on equity addresses the overall profitability of a company (Libby, Libby, Short, 2009). As one can see the investment return Nike offers is much more appealing to an investor than Under Armour. However, Nike's ROE declined year over year where as Under Armour's increased slightly. Furthermore, Nike has a higher financial leverage (ROE-ROA) of 6.43 percent compared to Under Armour's 3.74 percent suggesting that Nike is more efficient at borrowing money at a lower interest rate and investing the money at a higher rate compared to Under Armour (2009).

Finally, Nike is in a better cash position than Under Armour. Nike has \$187 million in cash and cash equivalents in 2009 compared to Under Armour's almost \$2.3 million (Nike 10K, 2009, Under Armour 10K, 2009). It is obvious that Nike is going to have more cash than Under Armour, as they are a much larger company. However, Nike invests their cash more wisely compared to Under Armour. Under Armour is operating very one dimensional and focusing just on Under Armour during their aggressive expansion. Nike on the other hand is investing in multiple companies and securities thus further safeguarding Nike in the future should the economic climate worsen.

In conclusion, Nike is in a better financial position than Under Armour as previously stated. However, Under Armour is likely to be a key player in the sports apparel/footwear industry as they continue to reinvest in the company, continue expansion and receive global brand recognition like Nike. It is also likely that as Under Armour expands and gains further exposure from the international

market, Nike is likely to face some repercussions as their competition will likely rise. Under Armour although not as financially strong as Nike could payoff for investors should they continue to grow and continue to see improvements in the future.

## References

Libby, P., Libby, R., Short, D. (2009). *Financial Accounting* (6<sup>th</sup> ed.). New York. McGraw-Hill

Nike. (2009). SEC Form 10-K for the Year Ended May 31, 2009. Retrieved on June 1, 2010 from:  
[http://media.corporate-ir.net/media\\_files/irol/10/100529/AnnualReport/nike-sh09-rev2/index.html](http://media.corporate-ir.net/media_files/irol/10/100529/AnnualReport/nike-sh09-rev2/index.html)  
Nike.

Stevens, J (2010). Table 1. Financial Totals for 2008 & 2009/Calculated ratios. McHenry, Illinois.

Under Armour. (2009). SEC Form 10-K for the Year Ended December 31, 2009. Retrieved on June 1, 2010 from: <http://www.uabiz.com/annual-proxy.cfm>