NIKE: SUSTAINABILITY AND LABOR PRACTICE 1998-2013

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Executive Summary

Key issues:

• **Starting Running**: Where should Nike move its production?

• **Keep Running**: Recommend ways that Nike could implement traceability of its supply chain for collegiate apparel.

• **Sprinting**: How should Nike build consumer awareness of its commitment to sustainability and improved labor practices?

Recommendations:

• **Nicaragua India Vietnam**

• **"UP UP" Strategy** ⟹ **U**nion power by cooperating with H&M

Process tracing map by developing the App 'Traveler'

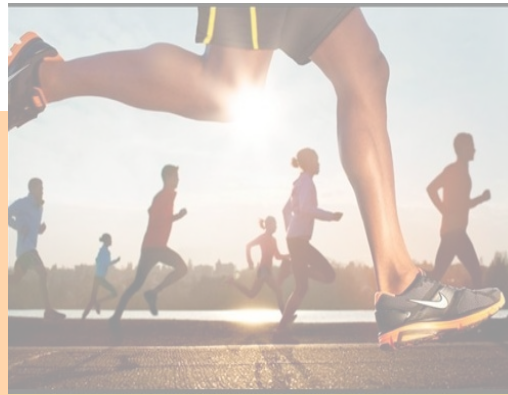**U**tilization of used clothing

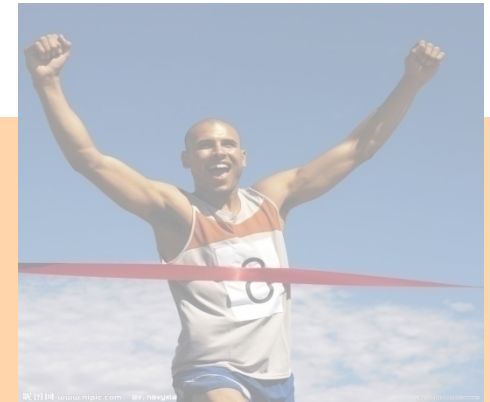**P**lay the game for yourself and people in need

NPV IN 5 YEARS: $7.05B

Start Running

Keep Running

Sprinting

Identify three countries

"UP" Strategy- Implement traceability

"UP" Strategy- consumer awareness

China Facing Challenges from SE Asia

Major Groups of Apparel Exporters

SE Asia is rapidly challenging China's position in the sourcing of apparel products.

South Asia: Bangladesh's low labour costs have made it desirable location for textile and clothing manufacturers; India is developing comprehensive advantages over China

- Steady Growth Suppliers
- Split Market Suppliers
- MFA-era Suppliers
- Past-prime Suppliers
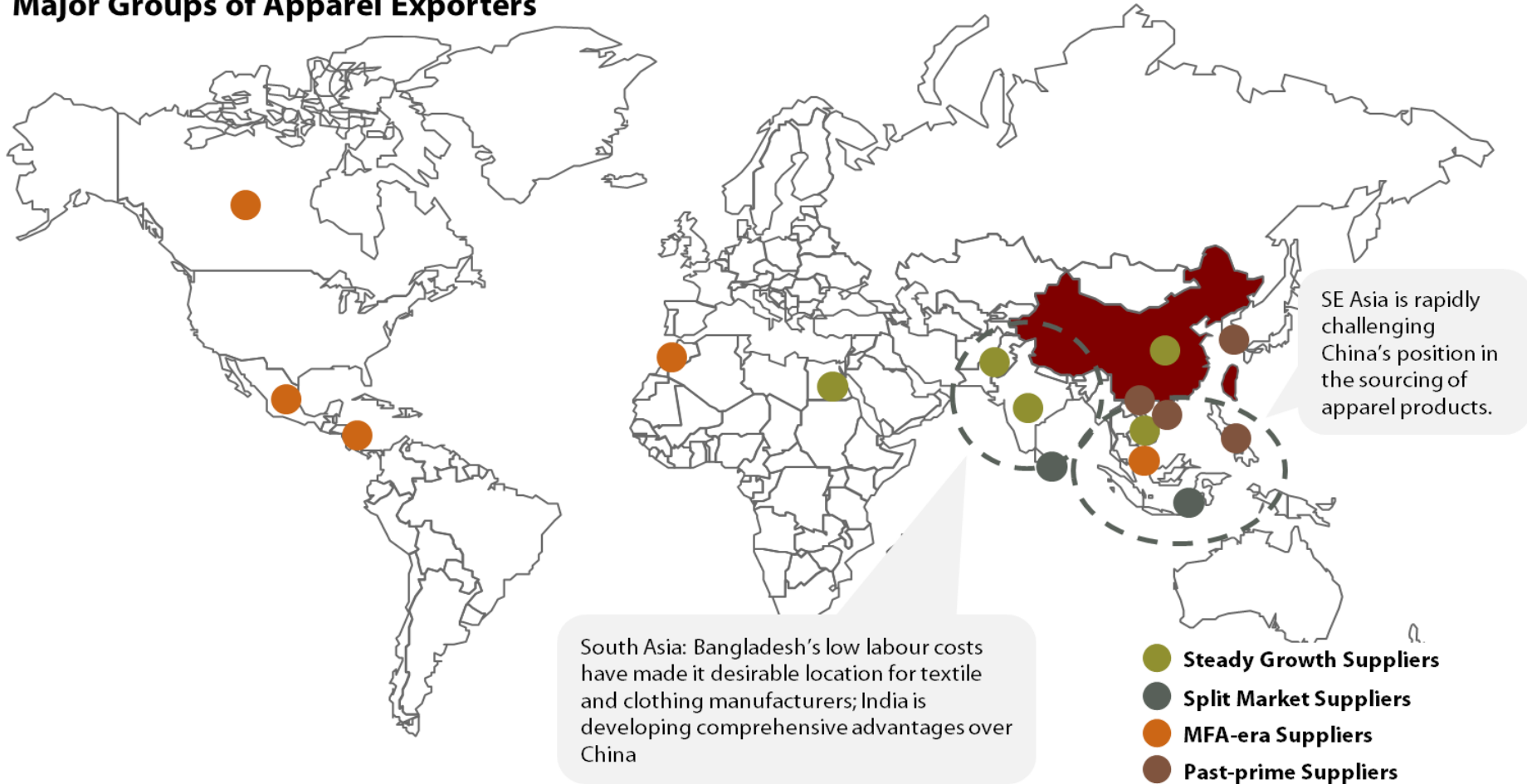
Source: The World Bank

Regions- Selected Countries

Regions	Countries
East Asia	China, Korea
South Asia	India, Pakistan, Bangladesh, Sri Lanka
ASEAN	Indonesia, Philippines, Thailand, Malaysia, Vietnam, Cambodia
Mexico	Mexico
CBERA	Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Haiti, Jamaica
ANDEAN	Colombia, Peru, Bolivia, Ecuador
Turkey	Turkey
Egypt	Egypt
Israel & Jordan	Israel & Jordan
SUB-SAHARAN Africa	Kenya, Lesotho, Madagascar, Mauritius, South Africa

Source: OTEXA

Criteria for Selecting Supplying Countries

Political stability

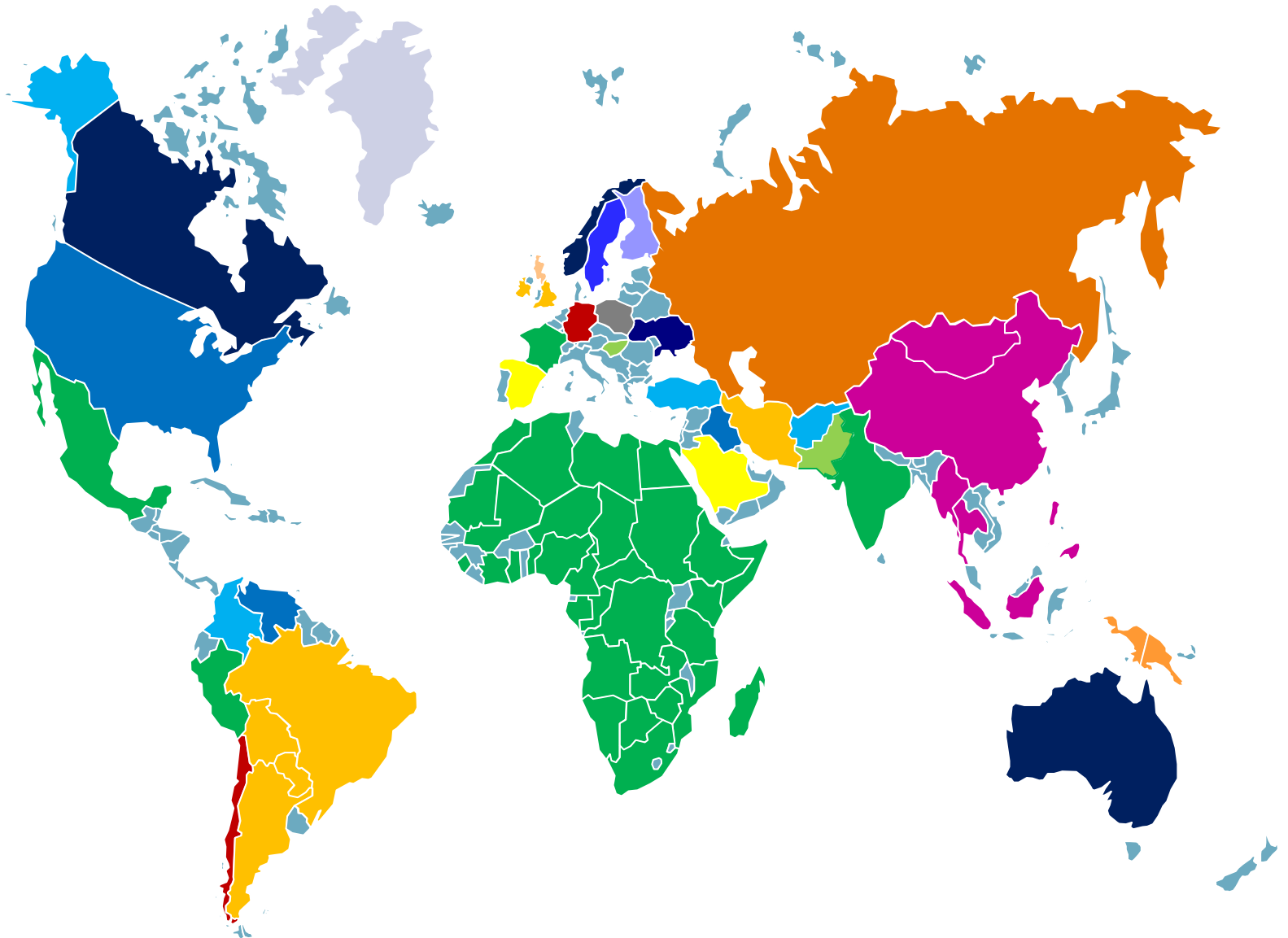Labor wage & Price

Volume & Compliance

➢Corruption
➢Government effectiveness
➢Protests

✓GNI per capital
✓Inflation

◆Export volume of apparel to U.S.
◆Government support

Along with other indicators to eliminate unqualified countries, we focus on those who have sustainability and potential to meet with our CI standards.
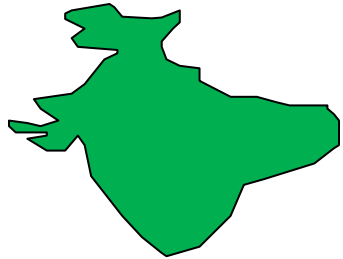
Selecting Supplying Countries

Selecting supplying countries

Pros and Cons of Selected Countries

	Pros	Cons
India	✓Cotton production ✓Low labor wages ✓Stable politic environment	☐Server water pollution ☐Infrastructure drawbacks
Vietnam	➤Government compliance ➤Booming textile industry ➤Stable economy	•Poor economy •Low complexity equipment
Nicaragua	✓High productivity rates ✓Competitive labor costs ✓Government investment	☐Poor economy ☐Low contingency ability

Start Running

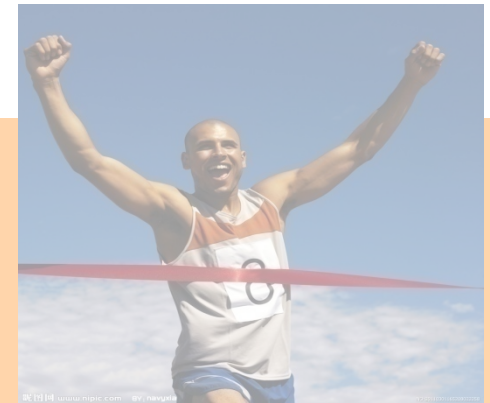**Identify three countries**

Keep Running
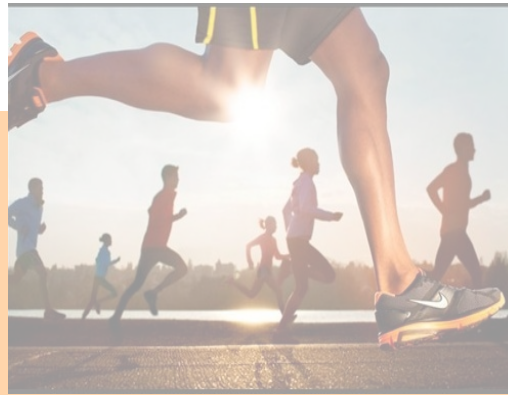
"UP" strategy- implement traceability

Sprinting

"UP" strategy- consumer awareness

Recommendation

"UP" Strategy
For Traceability

Union tracing power

Process tracing map

Traceability for Nike

Individual tracing power

Nike requires suppliers to carry out the tracing implementation by itself

No ✖

- Free to design to the implementation
- Hard to manage
- The situation may be nationwide
- Heavy lifting

Union tracing power

Nike cooperates with **H&M** to develop the power over the supply chain tracing implementation

Yes ✔

- Apparel companies are sharing suppliers
- Nike has already had some connections with H&M
- H&M has done successfully in sustainability process.

Process Tracing Map

Every piece of Nike clothing has a story

NIKE

Traveler

India

This is where your clothing comes from!

Start Running

Keep Running

Sprinting

Identify three countries

"UP" strategy- implement traceability

"UP" strategy- consumer awareness

Recommendation

"UP" Strategy
for Consumer Awareness

Utilization of used clothing

Play the game for yourself and people in need

Utilization of Used Clothing

10,000-30,000 liters of water

Additional CO_2 emissions of **3.6 kg**

5 to 10 percent of these quantities are used or produced!

Source: I:CO

REWEAR

Reuse

Recycle

Energy
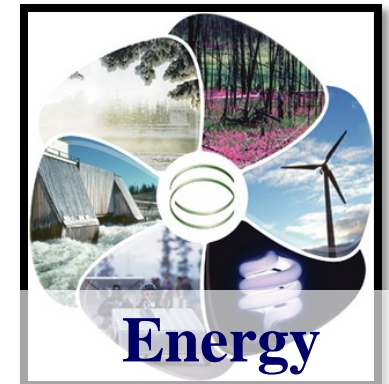
Utilization of Used Clothing

10% off

- **Maintain sustainability**
- **Care for next generation**

Traveler: Play the Game

India

Bingo !
Get 1 credit & & 1 cent bonus for our workers in India

Get 1 credit for gift exchange & 1 cent bonus for our workers in India

Show concern about the labor practice and take action on it

Implementation
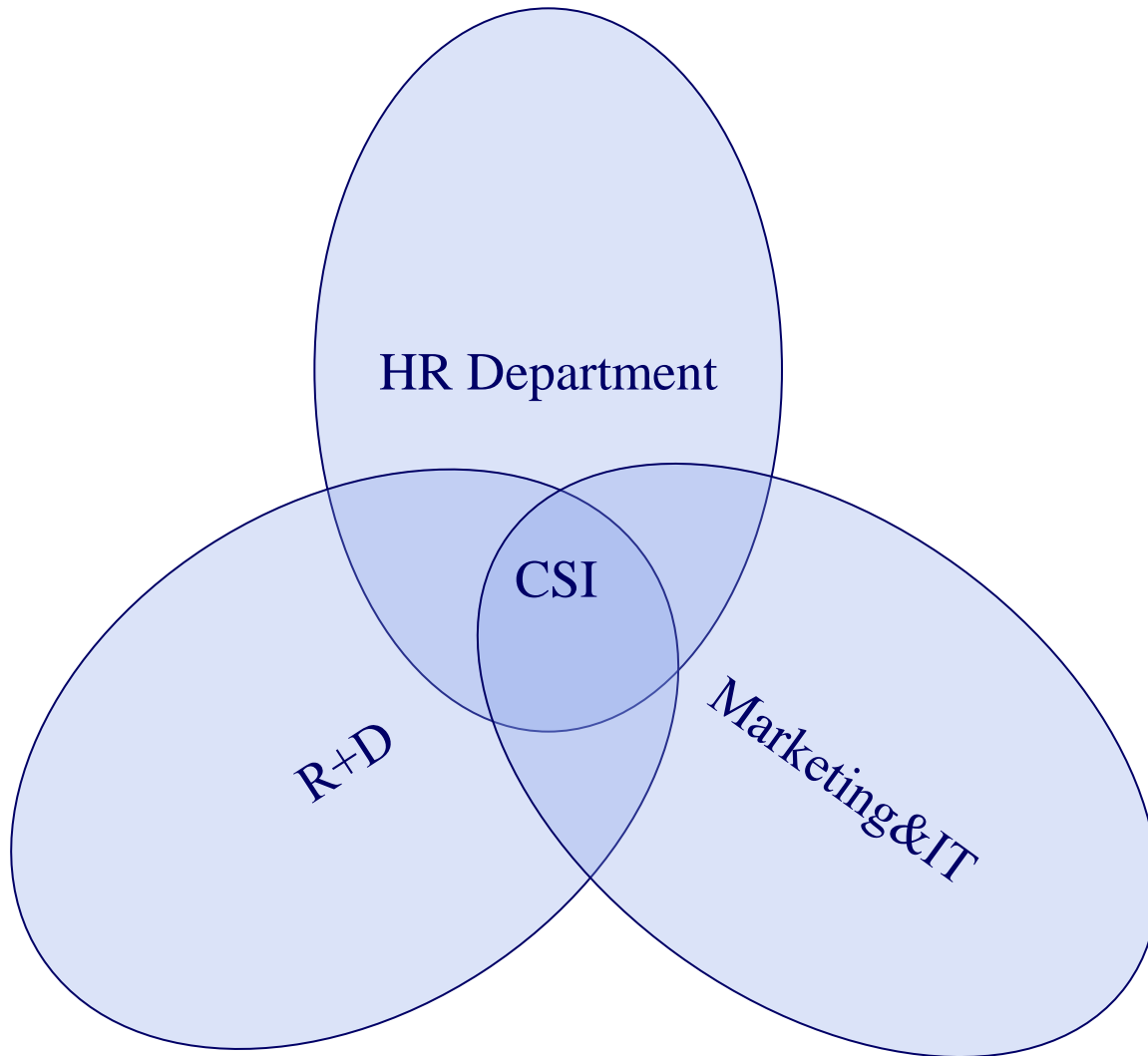
Immediate(1Y-2Y)
-shift supply chain
-conbine supply
chain innovation
with Marketing &
branding

Middle-term(3Y-5Y)
-develop well& low
cost& 3P Program

Further Growth
-achieve the Double
UP expectation

Implementation- Supply Chain Shifting

China ▸ Nike
218 factories
$0.80/hr min wage

India ▸ Nike
23 factories
$0.28/hr min wage

Vietnam ▸ Nike
71 factories
$0.23/hr min wage

Nicaragua ▸ Nike
2 factories
$0.56/hr min wage
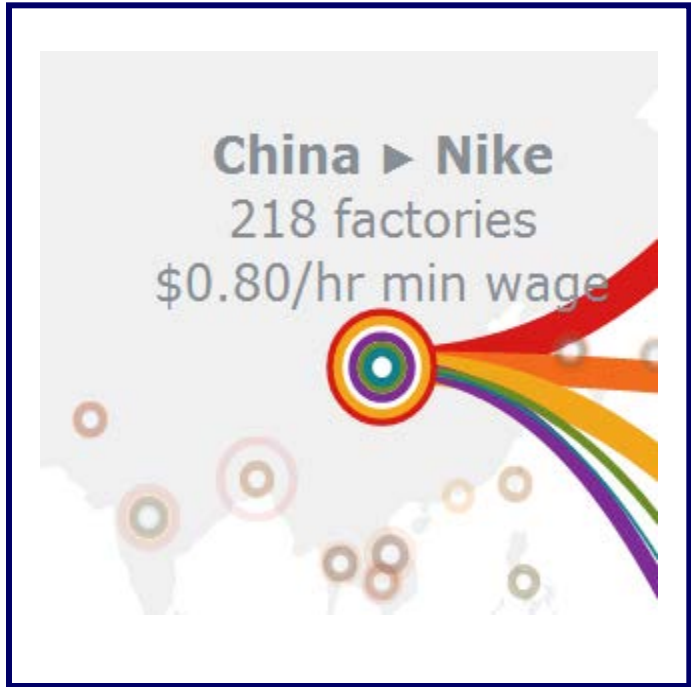
Shift **218** factories

SAVE:49.5% ($230046000)

40% to India

30% to Vietnem

30% to Nicaragua

Implementation Timeline

The 3P program will be operational by mid-2015

Initative	2014	2015	2016	2017	2018
	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4

Supply Chain (Transferring)

- Location Evaluation
- Suppliers Evaluation
- Probation period
- Roll out program
- New suppliers expansion

Supply Chain (Developing)

- Q
- Q
- Q
- Q
- 2Y
- 2Y
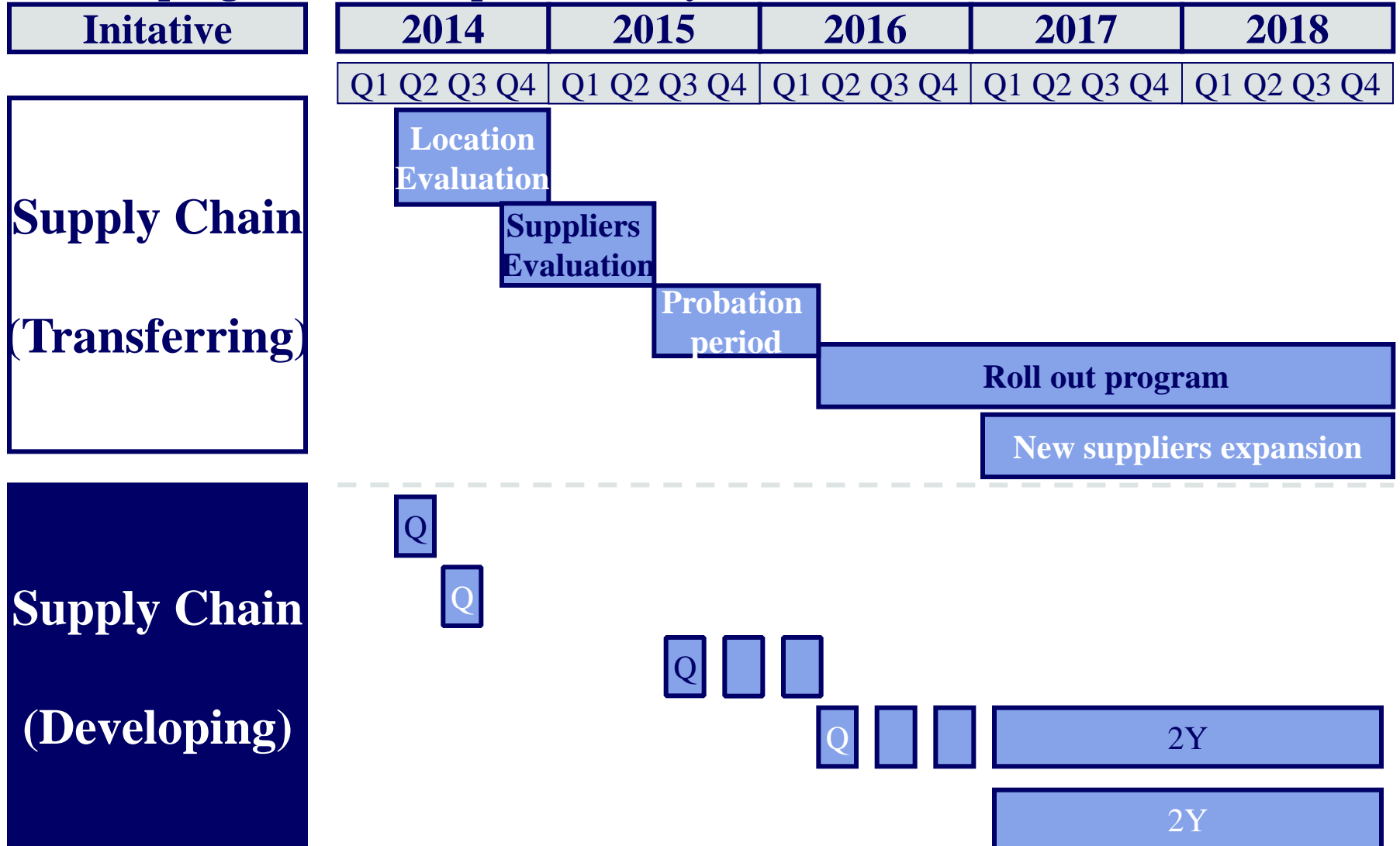
Implementation Timeline

The Double UP program will be operational by mid-2014

Initative	2014	2015	2016	2017	2018
	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4

UP1 Program (Traceability)

- Seek corparation
- Develop APPs
- Roll out program
- Marketing
- Combine with loyality rewards

UP2 Program (Marketing)

- Corparation W/ H&M.ICO
- Establish recycle program
- Develop gamification
- Improve & Marketing gamification
- Social ativities engagement
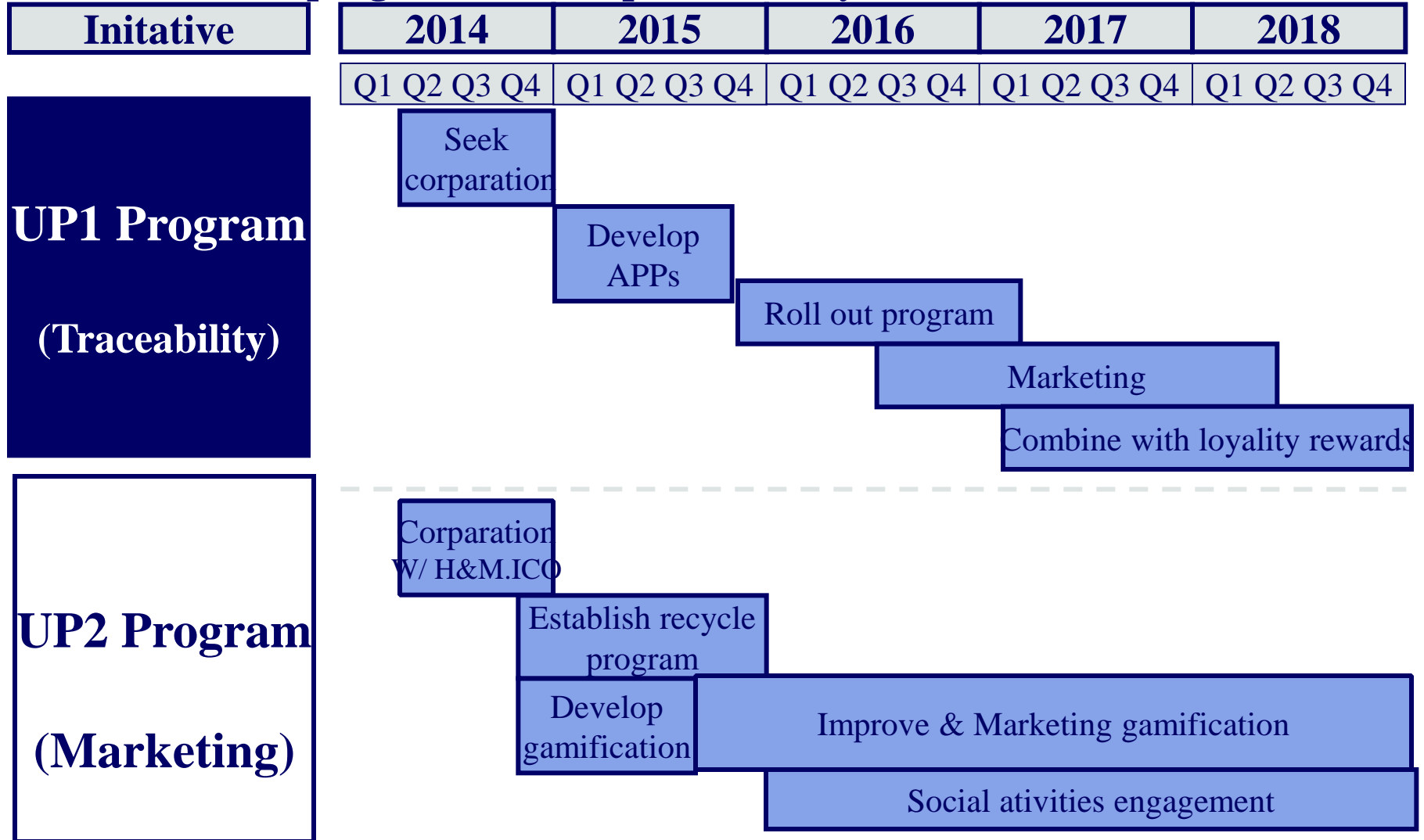
Financial Metrics

Assumption

Case-by-case analysis shows that the "UP UP" strategy have great fiancial performance

-**Timing**-benefits begin in 2014 and ramp up over time
-**Conservative** -case studies make success likely ;however, base case is average
-**Expenses**- Staff and SG&A expenses could increase significantly
-**Revenues** -low case can lose ARPU and customer growth
-**Discount Rate**-12%; due to low cost of debt and high leverage

NPV in 5 Years: $7.05B

UP 1	low	base	high
ROI	80%	100%	145%
NPV			$7.05B
Profit margin	42%	43%	46.25%

Financial Evaluation

Increase Revenue & Improve Margin

CAGR 9.87%

Stable   Regular   Potential

8.87%

7%

7.74%

9.87%

07 08 09 10 11 12 13 14 15 16 17 18

Total Revenue :in millions
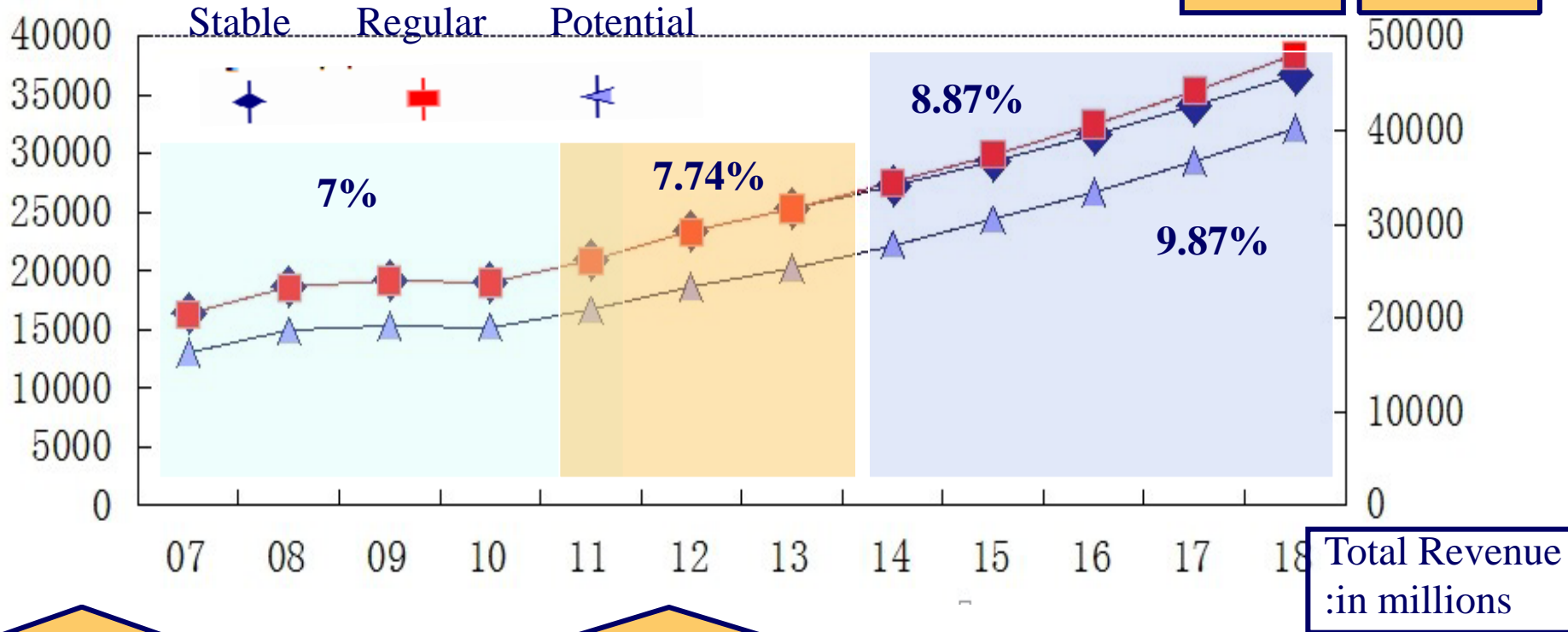
5 Y 58%   Net revenue   5 Y 46.25%   Gross margins   2007-2013 CAGR 7.74%

Risks Mitigation

	Risks	Mitigation	Contingency
1	Target suppliers can not achieve the expectation	Flexible short-term contract	Save partical order in past supply
2	Corporation with I.CO can not be achieved	Aleady from potential parters list	Contract with a backup NGO
3	Low involvment rates in marketing &traceability	Replicate relevant events&activities and add incentive	Engage public to generate ideas for events through social media
4	Corporation with H&M can not be achieved	Seek other partners: eg:Local government	Unite with other parters

Thank you!

Team Phoenix： Herd Hu
　　　　　　　 Eva Wang
　　　　　　　 Stella Cai
　　　　　　　 Cindy Zou

Appendix

Appendix- Finance & Implementation

Current Gross Profit Margins
Forcast Gross Profit Margins
Current EBITDA
Forecast EBITDA
UP1—Ultilazation
Financial Evaluation
H&M LCA Methodology Impact Evaluation
UP1 Marketing
Financial Evaluation
Financial Data
3P Program
DPS&PV
UP1 Marketing
Collegiate licensing Ranking
TOP 75 University Collegiate Licensing
Collegiate licensing Ranking
TOP1-TEXAS
TOP2-Alabama
TOP3-Notre Dame
TOP4-Michigen
TOP5-Kentucky

Collegiate Licensing Current Costs
Costs saves after the SC shift
APPENDIX--Labor Costs saved after the SC shift
APPENDIX--Nike Current market share in US collegiate apparel market
Impact Evaluation
DPS&PV
UP1 Marketing
Collegiate licensing Ranking
TOP 75 University Collegiate Licensing
Collegiate licensing Ranking
TOP1-TEXAS
TOP2-Alabama
TOP3-Notre Dame
TOP4- Michigen
TOP5- Kentucky
Collegiate Licensing Current Costs
Costs saves after the SC shift
Labor Costs saved after the SC shift
Nike Current market share in US collegiate apparel market
Impact Evaluation

Major Groups of Apparel Exporters

SE Asia is rapidly challenging China's position in the sourcing of apparel products.

South Asia: Bangladesh's low labour costs have made it desirable location for textile and clothing manufacturers; India is developing comprehensive advantages over China

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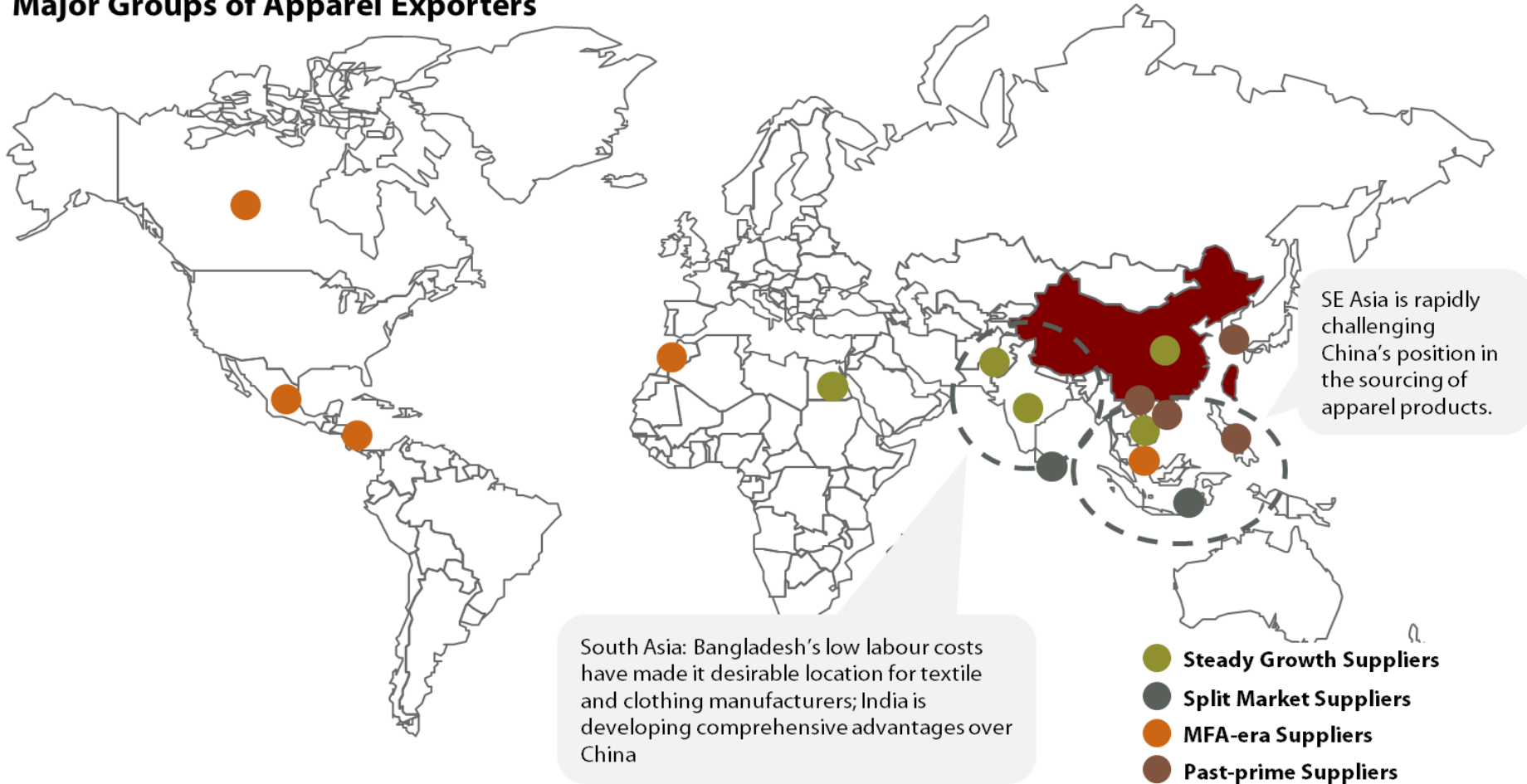
Source: The World Bank

Criteria for Selecting Countries

Market access	Border administration	Telecom and transport infrastructure	Business environment
1. Domestic and foreign market access - Quotas - Import fees – not tariffs (e.g. tax schemes) - Local content requirements - Rules of origin - Technical, sanitary and phytosanitary measures or other requirements - Import/export licenses	**2. Efficiency of customs administration** **3. Efficiency of import-export procedures** (e.g. coordination between border agencies; administration burden of complying with standards) **4. Transparency of border administration** (e.g facilitation payments)	**5. Availability and quality of transport infrastructure** **6. Availability and quality of transport services** **7. Availability and use of information and communication technologies** (e.g. tracking, electronic-tolls, communication)	**8. Regulatory environment** - Investment policy - Hiring foreign workers - Other regulatory environment issues (including trade finance) **9. Physical security**

Import of Textile and Apparel by Country

U.S. 2012 IMPORT OF TEXTILE & APPAREL BY COUNTRY

Rest of the World, USD 29.34 B, 29%

China, USD 40.58 B, 40%

Pakistan, USD 3.0 B, 3%

Mexico, USD4.63 B, 4.8%

Bangladesh, USD 4.6B, 4%

Indonesia, USD 5.2 B, 5.2%

India, USD 5.90B, 6%

Vietnam, USD7.66B, 8%
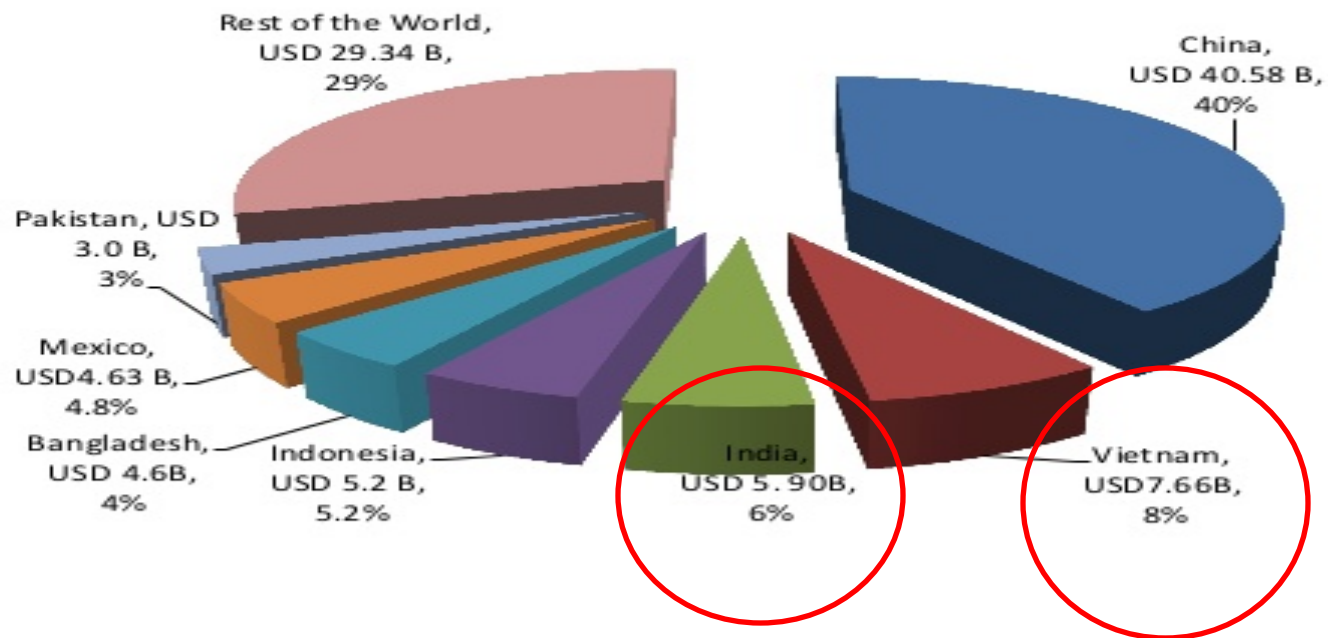
Apparel Market Outlook : Global & U.S.

P 12

Criteria: Cotton Production

2010/2011 Cotton Production

Production
(1000 480lb Bales)

- 20,001 - 50,000
- 10,001 - 20,000
- 1,001 - 10,000
- 501 - 1,000
- 0 - 500

Source: PSD Online (Updated: April 18, 2011)
(http://www.fas.usda.gov/psdonline)

Linking U.S. Agriculture
FAS to the World
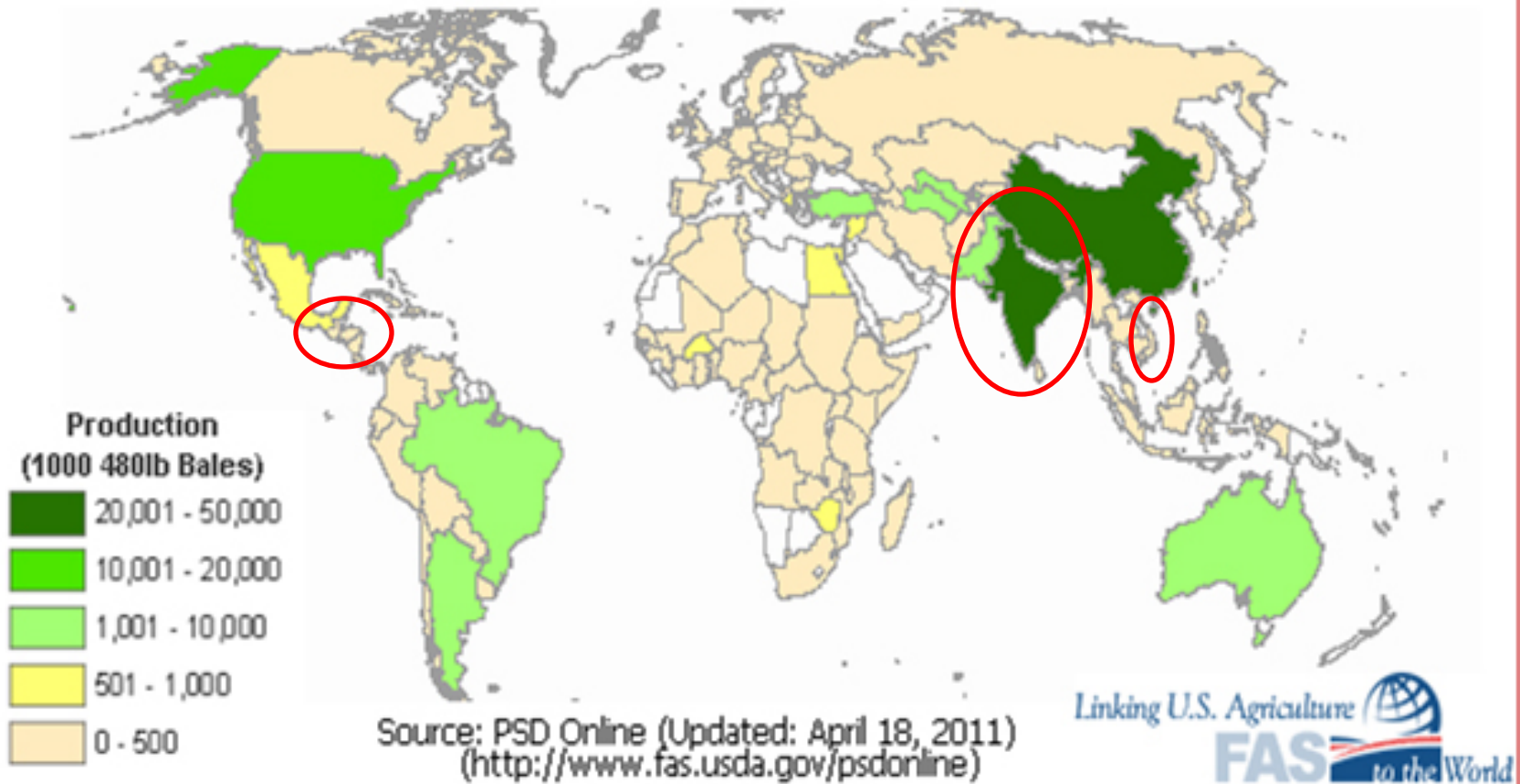
Cost saving on raw material and easy transportation.

Regions- Selected Countries

Regions	Countries
East Asia	China, Korea
South Asia	India, Pakistan, Bangladesh, Sri Lanka
ASEAN	Indonesia, Philippines, Thailand, Malaysia, Vietnam, Cambodia
Mexico	Mexico
CBERA	Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Haiti, Jamaica
ANDEAN	Colombia, Peru, Bolivia, Ecuador
Turkey	Turkey
Egypt	Egypt
Israel & Jordan	Israel & Jordan
SUB-SAHARAN Africa	Kenya, Lesotho, Madagascar, Mauritius, South Africa

Source: OTEXA

Criterion 1: Political Stability

Failed States Index 2013	Legitimacy of the State	External Intervention	Security Apparatus	Political stability
2 Sudan	9.6	10.0	9.8	9.8
3 Congo (D. R.)	9.6	9.7	10.0	9.7
4 Afghanistan	9.4	10.0	9.9	9.7
5 Somalia	9.5	9.4	9.7	9.5
6 South Sudan	9.1	10.0	9.6	9.5
7 Guinea Bissa	9.7	9.0	9.5	9.4
8 Cote d'Ivoire	9.3	9.7	9.1	9.3
9 Central Africa	9.0	9.4	9.7	9.3
10 Yemen	9.3	8.7	9.8	9.3
11 Syria	9.6	8.1	9.8	9.2
12 Pakistan	8.4	9.6	9.8	9.2
13 Chad	9.7	7.9	9.4	9.1
14 North Korea	9.8	8.4	8.4	9.0
15 Iraq	8.6	8.5	10.0	9.0

Criterion 1: Political Stability

Failed States Index 2013	Legitimacy of the State	External Intervention	Security Apparatus	Political stability
16 Haiti	8.8	9.9	7.9	8.8
17 Guinea	9.8	7.0	9.1	8.8
18 Libya	8.4	8.8	8.9	8.7
19 Zimbabwe	9.2	7.8	8.4	8.5
20 Iran	8.9	7.5	8.6	8.4
21 Eritrea	8.7	8.6	7.5	8.3
22 Kenya	8.3	8.5	8.1	8.3
23 Niger	8.1	8.5	8.3	8.3
24 Burundi	8.4	8.7	7.7	8.3
25 Nigeria	8.8	6.3	9.5	8.3
26 Timor-Leste	8.0	8.5	8.3	8.2
27 Georgia	8.6	7.9	7.9	8.2
28 Uganda	8.1	8.2	8.2	8.2
29 Egypt	8.9	7.7	7.3	8.0

Source: Failed States Index 2013, FFP

Unqualified countries list.

Indicators Specifications

State Legitimacy [SL]

Corruption and a lack of representativeness in the government directly undermine the social contract. *Includes pressures and measures related to:*

- Corruption
- Government Effectiveness
- Political Participation
- Electoral Process
- Level of Democracy
- Illicit Economy
- Drug Trade
- Protests and Demonstrations
- Power Struggles

Security Apparatus [SEC]

The security apparatus should have a monopoly on the use of legitimate force. The social contract is weakened where this is affected by competing groups. *Includes pressures and measures related to:*

- Internal Conflict
- Small Arms Proliferation
- Riots and Protests
- Fatalities from Conflict
- Military Coups
- Rebel Activity
- Militancy
- Bombings
- Political Prisoners

Human Rights and Rule of Law [HR]

When human rights are violated or unevenly protected, the state is failing in its ultimate responsibility. *Includes pressures and measures related to:*

- Press Freedom
- Civil Liberties
- Political Freedoms
- Human Trafficking
- Political Prisoners
- Incarceration
- Religious Persecution
- Torture
- Executions

Source: Failed States Index 2013, FFP

Political stability: 40% state legitimacy+30% Security Apparatus+30% Human Rights and Rule of Law

Criterion 2:High Inflation Countries

Belarus	74.85
Sudan	36.87
Ethiopia	34.19
Uganda	24.13
Iran, Islamic Rep.	22.21
Malawi	18.49
Burundi	15.42
Argentina	15.30
Uzbekistan	14.82
Venezuela, RB	14.06
Timor-Leste	13.92
Ghana	13.26
Seychelles	13.09
Guinea	12.89
Egypt, Arab Rep.	12.42
Mongolia	12.00
Sierra Leone	11.97
Tajikistan	11.86
Suriname	11.67
Namibia	11.50
Tanzania	11.47
Equatorial Guinea	11.15
Vietnam	10.93
Eritrea	10.79
Sao Tome and Principe	10.37
Kenya	10.15

Source: The World Bank, 2012; Indicator: Inflation, GDP deflator (annual %)

Why not Bangladesh?

Inflation, GDP deflator (annual %)Bangladesh
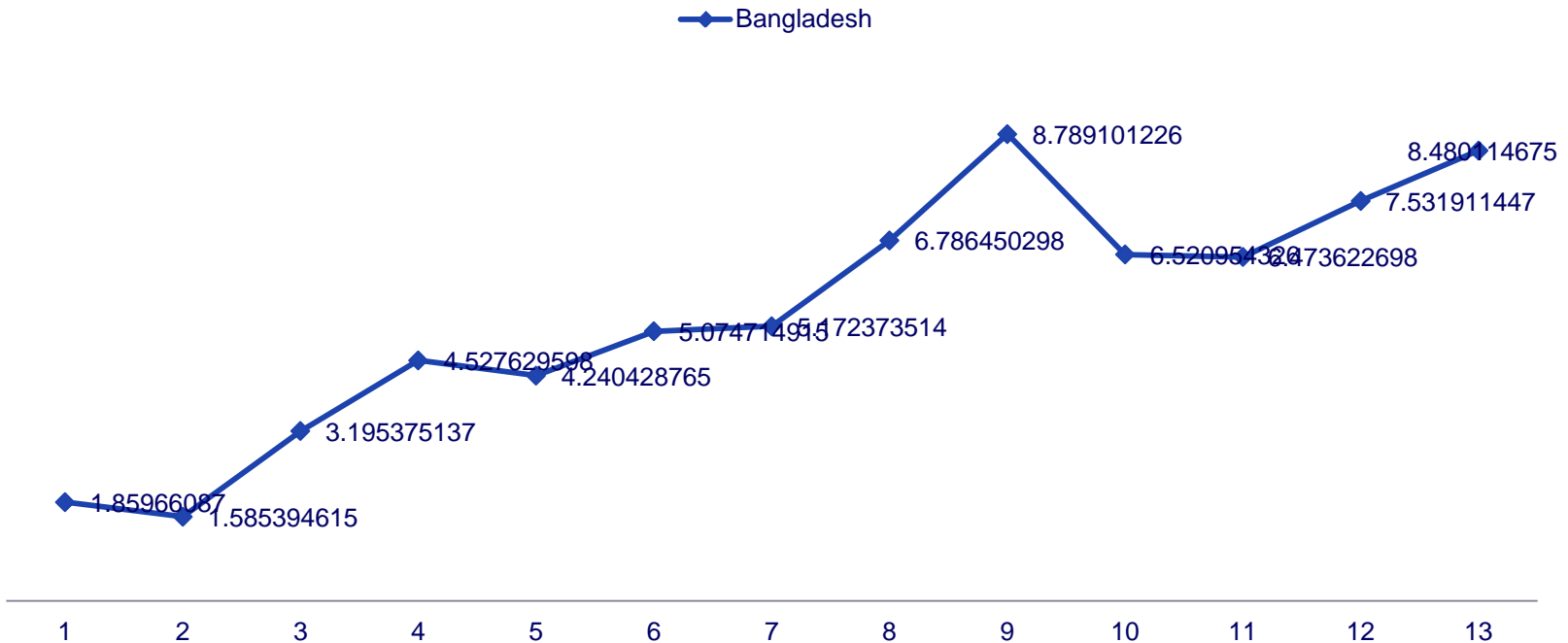
1. Low awareness of sustainability;
2. Dismiss human right of labor;
3. Price(cost) is expected to raise in the future.

Competitive Price of Cotton in India
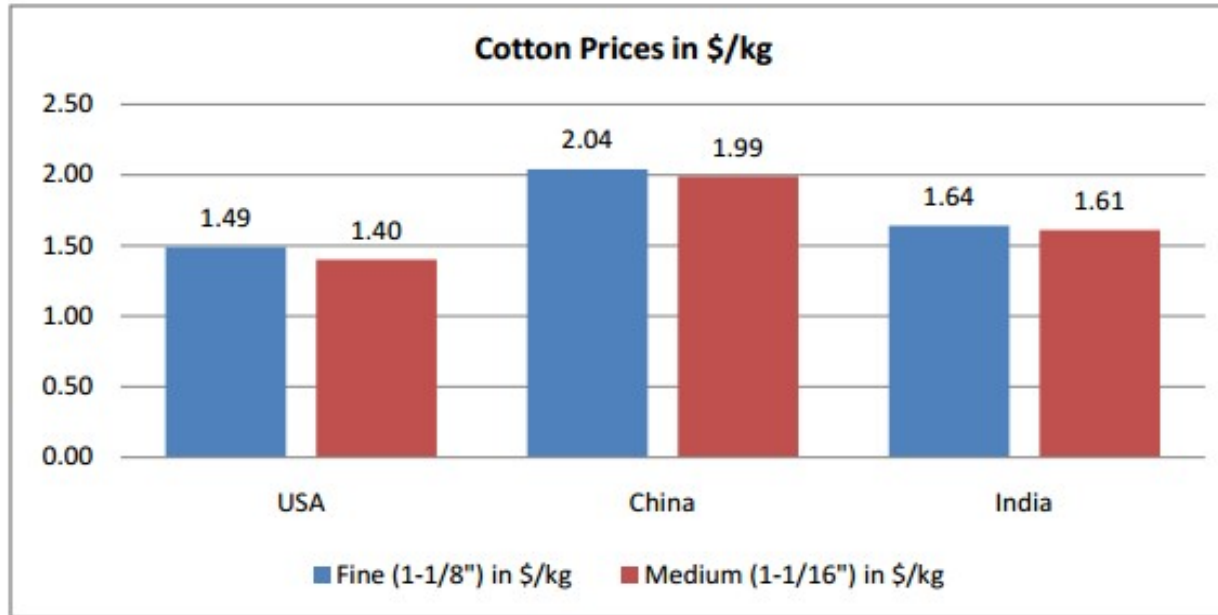

Figure 4.3 - Cotton Prices (ITMF, 2008)

Old and Emerging Players: The Global Landscape

The World Bank has identified four basic types of apparel exporting countries in the world, with the largest share of production occurring in Asia:

●Steady Growth Suppliers: China, Bangladesh, India, Vietnam, and Cambodia (Pakistan and Egypt can also be included on this list, but with smaller market shares)

●Split Market Suppliers: Indonesia (which is increasing its market share in the US and Japan, and decreasing its share in the EU), Sri Lanka (which is increasing its market share in the EU and decreasing in the US)

Old and Emerging Players: The Global Landscape

● MFA-era Suppliers*: Canada, Mexico, the Central America Free Trade Agreement, (commonly known as DR-CAFTA, a free trade agreement including the US and the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, Dominican Republic and Nicaragua), EU-12, Tunisia, Morocco and Thailand (all of which have all registered sharp declines in textile and apparel exports after the MFA quotas were abolished in 2005)

● Past-prime Suppliers: Hong Kong, South Korea, Malaysia and other countries with decreasing market shares since the 1990s such as the Philippines and Singapore

GNI per capital

Norway	67450	European Union	34073.5875
Luxembourg	60950	New Zealand	32620
Singapore	60110	Spain	31760
Switzerland	55000	Israel	30370
United States	52610	Korea, Rep.	30180
Hong Kong SAR, China	52190	Cyprus	29840
North America	51589.6323	High income: nonOECD	29502.732
Denmark	44070	Bahamas, The	29020
Sweden	43960	Slovenia	28240
Austria	43850	Malta	26930
Netherlands	43750	Europe & Central Asia (all income levels)	26633.2524
Germany	43720	Greece	26170
Australia	42540	Barbados	25670
Canada	42270	Seychelles	25580
United Arab Emirates	41430	Czech Republic	25480
High income: OECD	40958.8156	Slovak Republic	25430
Belgium	40680	Portugal	25330
Finland	39150	Lithuania	23540
High income	38522.4474	Estonia	23280
France	37420	Trinidad and Tobago	22860
OECD members	37081.3691	Russian Federation	22800
Euro area	37071.0793	Latvia	21820
Japan	36750	Poland	21760
Ireland	35790	Hungary	21350
United Kingdom	35620	Chile	20450
Iceland	34770	Croatia	20200
Italy	34700	Antigua and Barbuda	18920

GNI per capital

Equatorial Guinea	18570
Turkey	18390
Romania	17650
St. Kitts and Nevis	17630
Palau	16870
Malaysia	16270
Mexico	16140
Botswana	16060
Bulgaria	15450
Uruguay	15310
Panama	15150
Mauritius	15060
Belarus	14960
Montenegro	14590
Lebanon	14160
Gabon	14090
Venezuela, RB	12920
Caribbean small states	12592.1225
Costa Rica	12500
Latin America & Caribbean (all income leve	12353.1746
World	12209.3487
Dominica	11980
Europe & Central Asia (developing only)	11946.1653
Kazakhstan	11790
Latin America & Caribbean (developing only	11787.3284
Macedonia, FYR	11540
Brazil	11530

Serbia	11430
St. Lucia	11300
East Asia & Pacific (all income levels)	10925.9712
St. Vincent and the Grenadines	10870
South Africa	10780
Upper middle income	10620.7313
Grenada	10350
Peru	10090
Colombia	9990
Dominican Republic	9660
Bosnia and Herzegovina	9650
Ecuador	9490
Azerbaijan	9310
Albania	9280
Thailand	9280
Tunisia	9210
Turkmenistan	9070
China	9040
Small states	8694.60934
Suriname	8380
Algeria	8360
East Asia & Pacific (developing only)	7758.2915
Other small states	7650.01033
Belize	7630
Maldives	7560
Iraq	7460
Namibia	7240

GNI per capital

Ukraine	7180
Middle income	7166.60448
Armenia	6860
El Salvador	6720
Egypt, Arab Rep.	6450
Low & middle income	6310.95213
Timor-Leste	6230
Bhutan	6200
Sri Lanka	6030
Jordan	5980
Georgia	5790
Paraguay	5720
Angola	5400
Morocco	5060
Mongolia	5020
Tonga	5020
Cabo Verde	4930
Bolivia	4880
Guatemala	4880
Swaziland	4760
Indonesia	4730
Fiji	4690
Philippines	4380
Vanuatu	4300
Samoa	4250
Pacific island small states	4085.6462
Micronesia, Fed. Sts.	3920

Nicaragua	3890
Honduras	3880
Lower middle income	3876.61412
Kiribati	3870
India	3820
Uzbekistan	3670
Moldova	3630
Vietnam	3620
South Asia	3503.18353
Congo, Rep.	3450
Guyana	3340
Pakistan	2880
Papua New Guinea	2740
Lao PDR	2690
Mauritania	2480
Nigeria	2400
Cambodia	2330
Yemen, Rep.	2310
Cameroon	2270
Sub-Saharan Africa (all income levels)	2240.43919
Sub-Saharan Africa (developing only)	2227.20891
Kyrgyz Republic	2220
Tajikistan	2180
Lesotho	2170
Solomon Islands	2130
Sudan	2070
Bangladesh	2030

GNI per capital

Cote d'Ivoire	1920
Ghana	1910
Senegal	1880
Gambia, The	1830
Sao Tome and Principe	1810
Kenya	1730
Chad	1620
Zambia	1590
Afghanistan	1560
Tanzania	1560
Benin	1550
Least developed countries: UN classificati	1516.29709
Burkina Faso	1480
Nepal	1470
Heavily indebted poor countries (HIPC)	1399.34724
Low income	1383.44773
Sierra Leone	1340
Rwanda	1320
Uganda	1300
Haiti	1220
Comoros	1210
Mali	1140
Ethiopia	1110
Guinea-Bissau	1100
Central African Republic	1080
Mozambique	1000
Guinea	970

Madagascar	930
Togo	900
Niger	760
Malawi	730
Liberia	580
Burundi	550
Eritrea	550
Congo, Dem. Rep.	390

Source: The World Bank, 2012

Top 10 Apparel Exporters

1. China ($153B)
2. Hong Kong ($24.5B)
3. Italy ($23.2B)
4. Bangladesh ($20B)
5. Germany ($19.6B)
6. India ($14.4B)
7. Turkey ($14B)
8. Vietnam ($13.1B)
9. France ($11B)
10. Spain ($9.3B)

Source: World Trade Organization, 2013

Remaining Countries after Elimination

South Asia: India, Sri Lanka
ASEAN: Vietnam, Indonesia, Thailand, Cambodia, Philippines
CBERA: El Salvador, Guatemala, Honduras, Nicaragua, Jamaica
ANDEAN: Colombia, Peru, Bolivia, Ecuador
Jordan: Jordan
SUB-SAHARAN Africa: Lesotho, Mauritius, South Africa

Filters: cotton production, whether is close to countries that produce raw material, government compliance(according to news)

Vietnam, India, Nicaragua(Primary choices, for some of the countries lack of government compliance)

Potential Supplying Corporate in Vietnam

In Thousands of U.S. Dollars, by Selected Countries
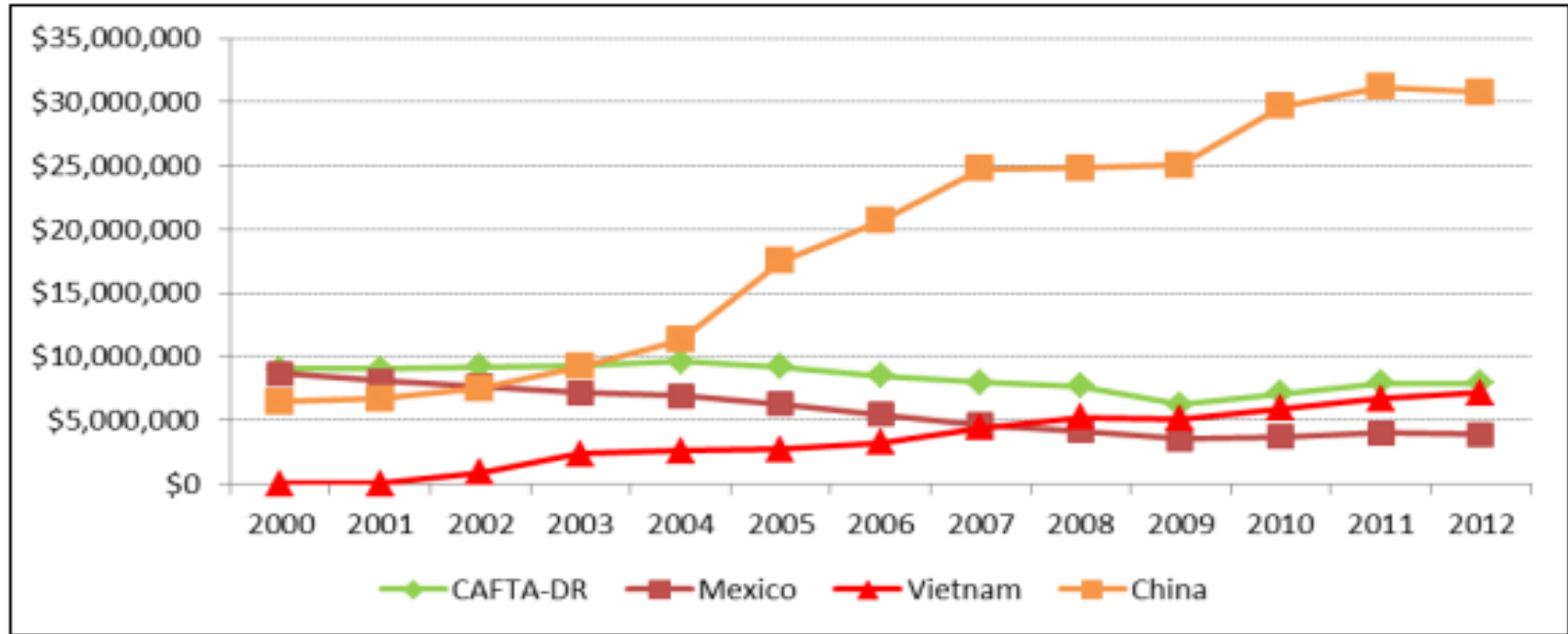
Source: OTEXA.

The Vietnam National Textile and Garment Group, or Vinatex, is Vietnam's largest textile and apparel corporation, accounting for 40% of apparel production and 60% of textile production.68 In 2010, it shipped 18.75% of Vietnam's total textile and garment exports.

FLA Participating Companies

FLA Participating Companies

H&M Sustainability Practice

H&M Sustainability Practice

MEMBERSHIPS UN GLOBAL COMPACT (UNGC)

We are signatories to the United Nations Global Compact. The Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles concerning human rights, labour, environment and anti-corruption. H&M is also a signatory to the CEO Water Mandate, a voluntary initiative from the UNGC addressing the urgent issue of water scarcity.

FAIR LABOR ASSOCIATION (FLA)

We are accredited members of the Fair Labor Association (FLA), a non-profit organisation dedicated to improving working conditions in factories worldwide. The FLA conducts independent audits of suppliers that we use in China and Turkey and publishes results on its website. Read more about independent monitoring and verification at www.fairlabor.org. Our brand, Cheap Monday, is member of the Fair Wear Foundation (FWF) and its suppliers are subject to independent monitoring under their scope www.fairwear.org.

SUSTAINABLE APPAREL COALITION (SAC)

As a group of sustainability leaders in the apparel sector, including H&M, the coalition works on a collaborative approach to improve the environmental and social impacts of apparel and footwear products. Read more about our involvement on page 21.

FTSE4GOOD INDEX

H&M has been independently assessed according to the FTSE4Good criteria and has satisfied requirements to become a constituent of the FTSE4Good Index Series. Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent social and environmental criteria and are positioned to capitalise on the benefits of responsible business practices.

Other responsible investment indices of which H&M is a constituent of, include: the Dow Jones Sustainability Index Nordic; ECPI Ethical Index Euro; ECPI Ethical Index Global; and the OMX GES Sustainability Nordic Index.

BUSINESS FOR SOCIAL RESPONSIBILITY (BSR)

H&M has been a member of Business for Social Responsibility (BSR) for several years. BSR is a global network of more than 250 member companies, which aims to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration www.bsr.org.

Source: H&M Conscious*Action Sustainability Report 2010
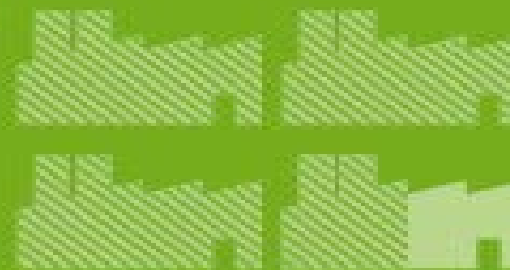
H&M Sustainability Practice

H&M Sustainability Practice

300,000 — More than 300,000 garments workers in Bangladesh have been educated on their rights through short films since 2008

1,938 — 1,938 audits on active factories

Average of 3.5 sustainability activities per active factory

Source: H&M Conscious*Action Sustainability Report 2010

All American Clothing Co.

Every pair of jeans has a story:

Traceability is all about the truth of where your jeans come from and offers some recognition to the hard working Americans who are involved in making your jeans. We are one of the **first** jean companies in the world that can trace your jean all the way back to the American farmers who grew the cotton used in your jean.

Each jean comes with a 'Certificate of Authenticity' that includes a traceability number. Enter the traceability number on our website and we will tell you exactly which farmers and mill were involved in producing your jean!

All American Clothing Co.

1
- .Meet the Farmers
- This is Where Your Jeans Were Born.

2
- The Mill
- Here Is Where We Turn the Cotton Into Denim

3
- Cut & Sew
- Here is Where We Turn the Denim into Jeans

4
- All American Clothing Co
- Here is where we design, warehouse and ship the jeans.

All American Clothing Co.

IBM Omni Consumer Analysis

FIGURE 1.
The Omni Consumer has a new set of drivers that influence purchasing decisions.

"Omni Consumer"
- *Omniscient:* informed, aware and concerned about products
- *Omnipotent:* has power and capability to tune messages in or out
- *Omnipresent:* purchases products through an ever growing, changing number of channels
- *Omnivorous:* consumes wider range of products than ever
- *Omnifarious:* doesn't fit in neat boxes or descriptions

Source: IBM Institute for Business Value.

Product and packaging
- Does it deliver health benefit?
- Does it contain trans fats, whole grain, peanuts…?
- Is packaging recyclable ?

Retailer
- Does it stock healthy, organic products?
- Are employees paid fairly?
- What product info is available?
- Do I feel good shopping there?

Consumer Products company
- Is it environmentally sensitive?
- What do nongovernmental organizations say?
- Is management responsible?
- Do actions match message?

Suppliers
- How are animals treated?
- Are growers paid fairly?
- Is harvesting sustainable?
- Who certifies operations?

Traceability for Customers

Profile of college students-Why the APP works?

"Omni Consumer"
- **Omniscient**: informed, aware and concerned about products
- **Omnipotent**: has power and capability to tune messages in or out
- **Omnipresent**: purchases products through an ever growing, changing number of channels
- **Omnivorous**: consumes wider range of products than ever
- **Omnifarious**: doesn't fit in neat boxes or descriptions

Suppliers
- Are growers paid fairly?
- Is harvesting sustainability?
- Who certifies operation?

Product and packaging
- Does it contain excess chemical?
- Is it recyclable?

Nike
- Is management responsible?
- Do actions match message?
- What do NGOs say?
- What products info. is available

Source ：IBM Institute for Business Value

Top-25 Apparel Licensees for 2012-13

(1.) **NIKE USA Inc.**

(2.) Knights Apparel Inc.

(3.) Gear for Sports

(4.) Sports Licensed Division of the adidas Group

(5.) Top of the World

(6.) Colosseum Athletics Corporation

(7.) Outerstuff Ltd.

(8.) Twins Enterprise Inc.

(9.) College Concepts LLC

(10.) VF Imagewear Inc (Section by Majestic)

(11.) Haddad Brands.

(12.) Russell Brands LLC

(13.) J. America

(14.) 5th & Ocean Clothing LLC

(15.) MJ Soffe LLC

(16.) JanSport division of VF Outdoor Inc.

(17.) Lakeshirts Inc. dba Blue 84

(18.) T-Shirt International Inc.

(19.) New Era Cap Co. Inc

(20.) Columbia Sportswear

(21.) New Agenda

(22.) Tailgate Clothing Co. dba T-University

(23.) New World Graphics

(24.) Cutter & Buck)

(25.) Zephyr Graf-X

Source: The Collegiate Licensing Company (CLC)

College Student Spending Power

College Student Spending
(US$ billions, in 2013 dollars)
2009-2013

	2009	2010	2011	2012	2013
Total spending	$359	$380	$390	$409	$404
Non-discretionary spending	$269	$288	$303	$288	$287
Discretionary spending	$89	$92	$87	$121	$117

Source: re:fuel

MARKETINGCHARTS.COM
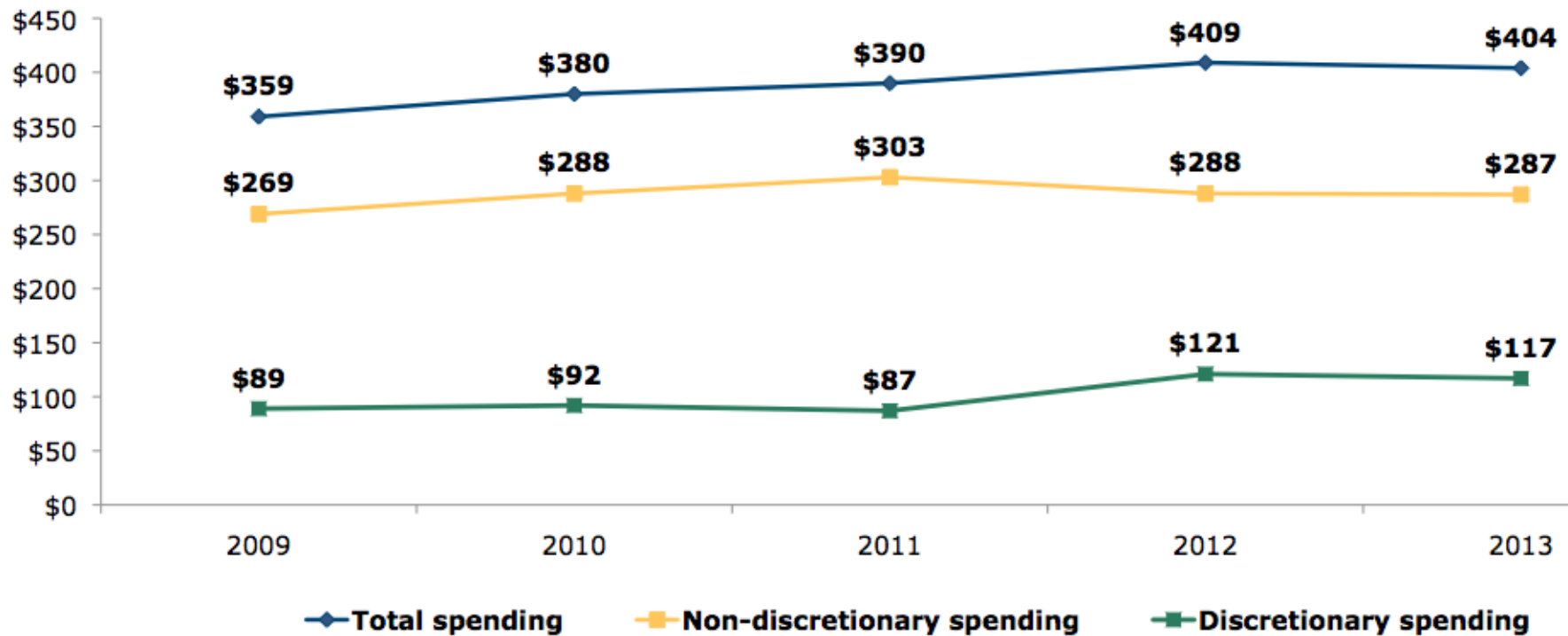
College Student - Share of Discretionary Spending

Share of Discretionary Spending
(US$ billions, in 2013 dollars)
($117 billion in discretionary spending power)

Pie chart:
- Food: 36%
- Automotive: 15%
- Clothing and shoes: 11%
- Cellphone/smartphone: 8%
- Entertainment: 8%
- Technology: 7%
- Personal care products: 7%
- Cosmetics: 4%
- Others: 4%

Legend:
- Food
- Automotive
- Clothing and shoes
- Cellphone/smartphone
- Entertainment
- Technology
- Personal care products
- Cosmetics
- Others
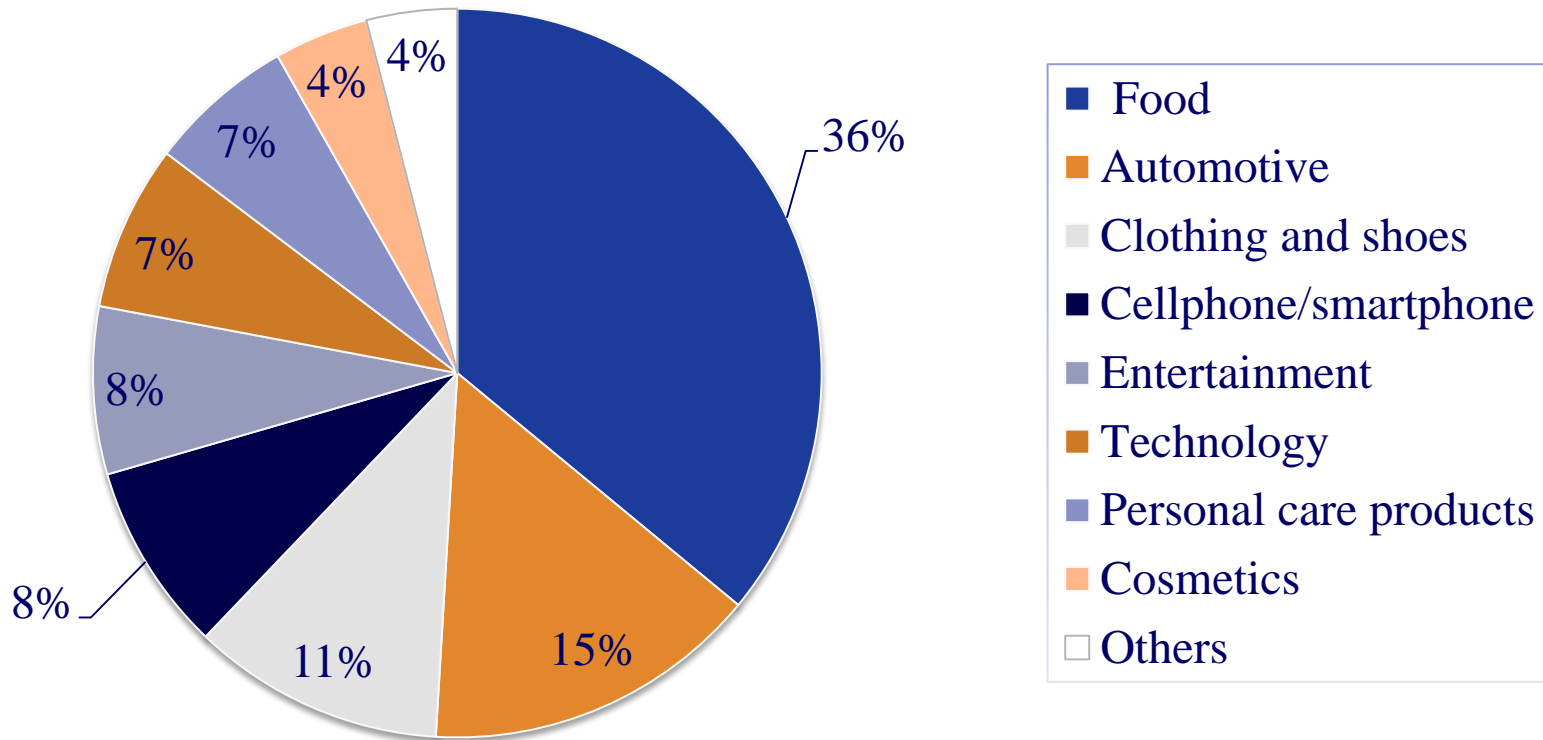
Source: marketingcharts.com

The Top Sharing Channels

The top sharing channels, in order of overall shares, were:
1. Facebook;
2. Twitter;
3. Pinterest;
4. LinkedIn;
5. **Reddit**.

- Twitter (+43%) saw the fastest growth rate in Q1 sharing, with most activity by 31-35-year-olds;
- Sharing to Reddit (+25%) also grew quickly, with the heaviest activity in the 18-30 age group;
- Sharing to Facebook (+14%) and LinkedIn (+12%) was led by older users (50+ and 41-50, respectively); and
- After rapid growth last year, sharing to Pinterest increased by only 5% in Q1.

Source: MarketingCharts

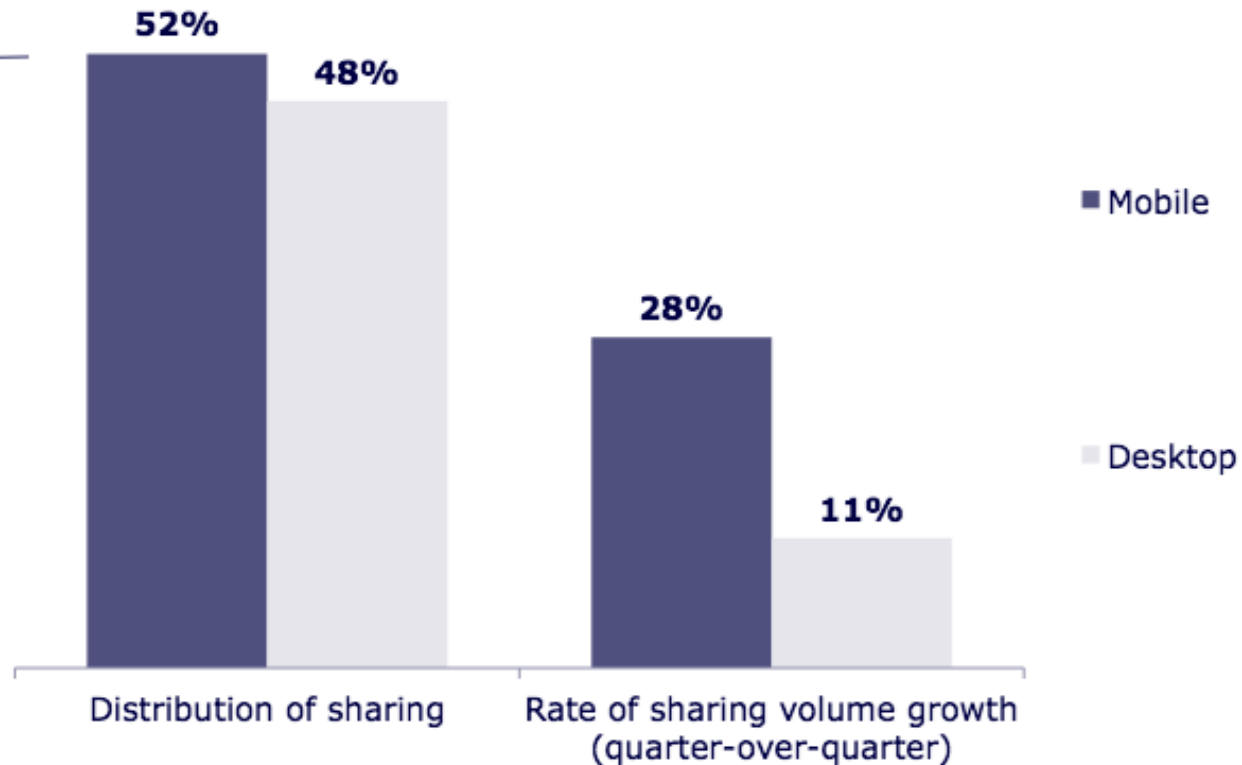# Majority of Content Sharing to Social Networks Now Occurs via Mobile

Content Sharing Trends, Mobile vs. Desktop

based on website content shared to social networks and email using ShareThis tools

in Q1 2014

iPhone: 25%

Android smartphones: 17%

52% 48%

28% 11%

Distribution of sharing

Rate of sharing volume growth (quarter-over-quarter)

■ Mobile

■ Desktop

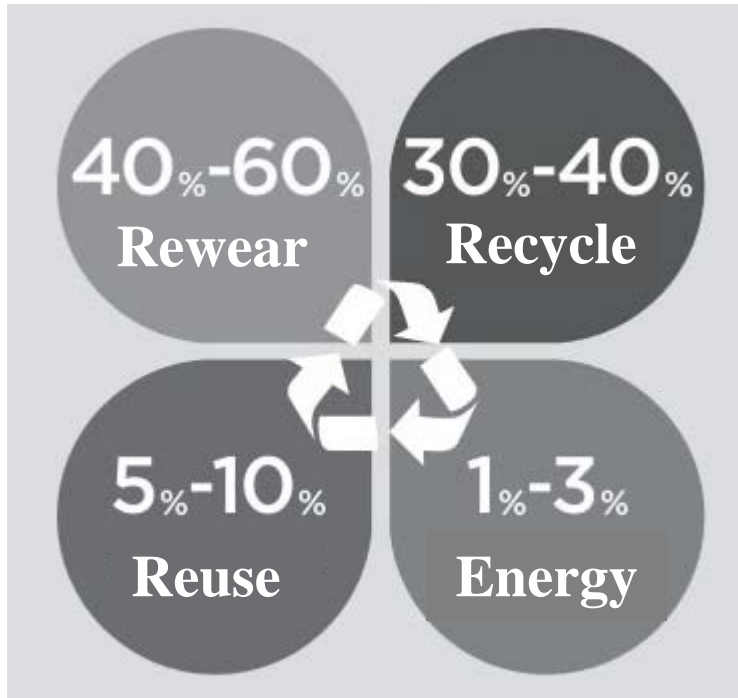MC MARKETINGCHARTS.COM

Source: ShareThis

Reuse-a-Shoe

Nike takes worn out athletic shoes and grinds them down to create a new material called Nike Grind, which is used to make high-quality sports surfaces including courts, turf fields, tracks and more.

Assessment of Recycle Clothing by I:Co

40%-60% **Rewear**

30%-40% **Recycle**

5%-10% **Reuse**

1%-3% **Energy**

Source: www.21cbh.com

Rewear: clothing that is good enough for reuse will be sold

Reuse: textiles that can easily be converted can find a second life as cleaning cloths

Recycle: some clothes will be broken down and repurposed into new textile fabrics

Energy: clothing that can not be reused or repurposed will be burned to create energy.

Process of Recycling Clothing by Nike

1. **Consumers package the old clothes**
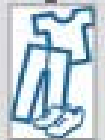
2. **Sent to the retail stores**

3. **Nike collects clothes together**

4. **Sort out used clothing**

5. **Assessment and fabrication**

6. **Sale the products to vintage clothing store or energy market**

Company Profile of I:CO

- The production of a T-shirt consumes between 10,000 and 30,000 liters of water = additional CO_2 emissions of 3.6 kg.
- With a recycling process, only 5 to 10 percent of these quantities are used or produced!

I:CO stands for "I collect"

The world's largest and most senior textile recycling company

I:Collect AG is part of the SOEX GROUP

SOEX GROUP has more than 2,000 employees worldwide

Processes around 700 tons of used items every day in more than 90 countries.

I:CO trade partners

Other Textile Recycling Companies

American Textile Recycling Services
Your Neighborhood Recycler

- Local company

cleanScapes
a Recology company

- Local company in the western United States

usagain
use it again

- Employs over 220 people
- 11 division offices
- Collects unwanted textiles and resells them in the U.S. and abroad

CYCLA, LLC
Thrift Recycling Professionals

- Established in 2007

Limitation of Playing Game

☆☆☆☆☆

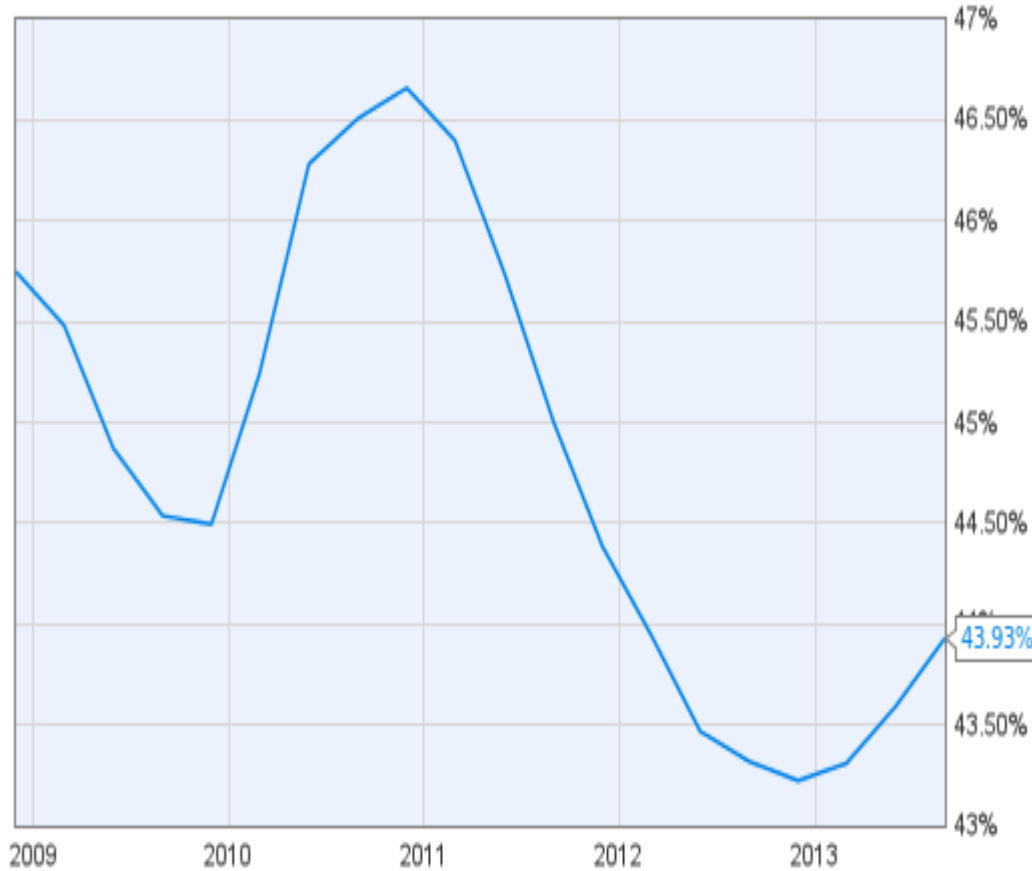- One star stands one chance to play the game

- Once five stars are used　up, you need to wait for 5 minutes to get one more star

- Or you can ask your friends to give stars to you

- Every player gets 3 stars as a gift to other player

- The highest record for playing this game will be 50 times

- To shorten the frozen time, you need to pay fees

Current Gross Profit Margins
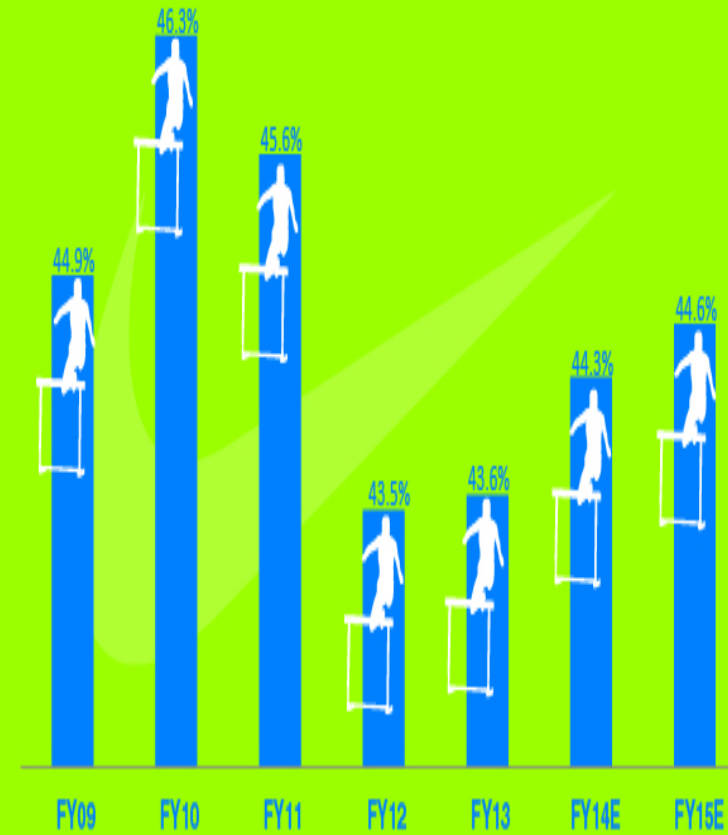
Current EBITDA

UP1- Ultilazation
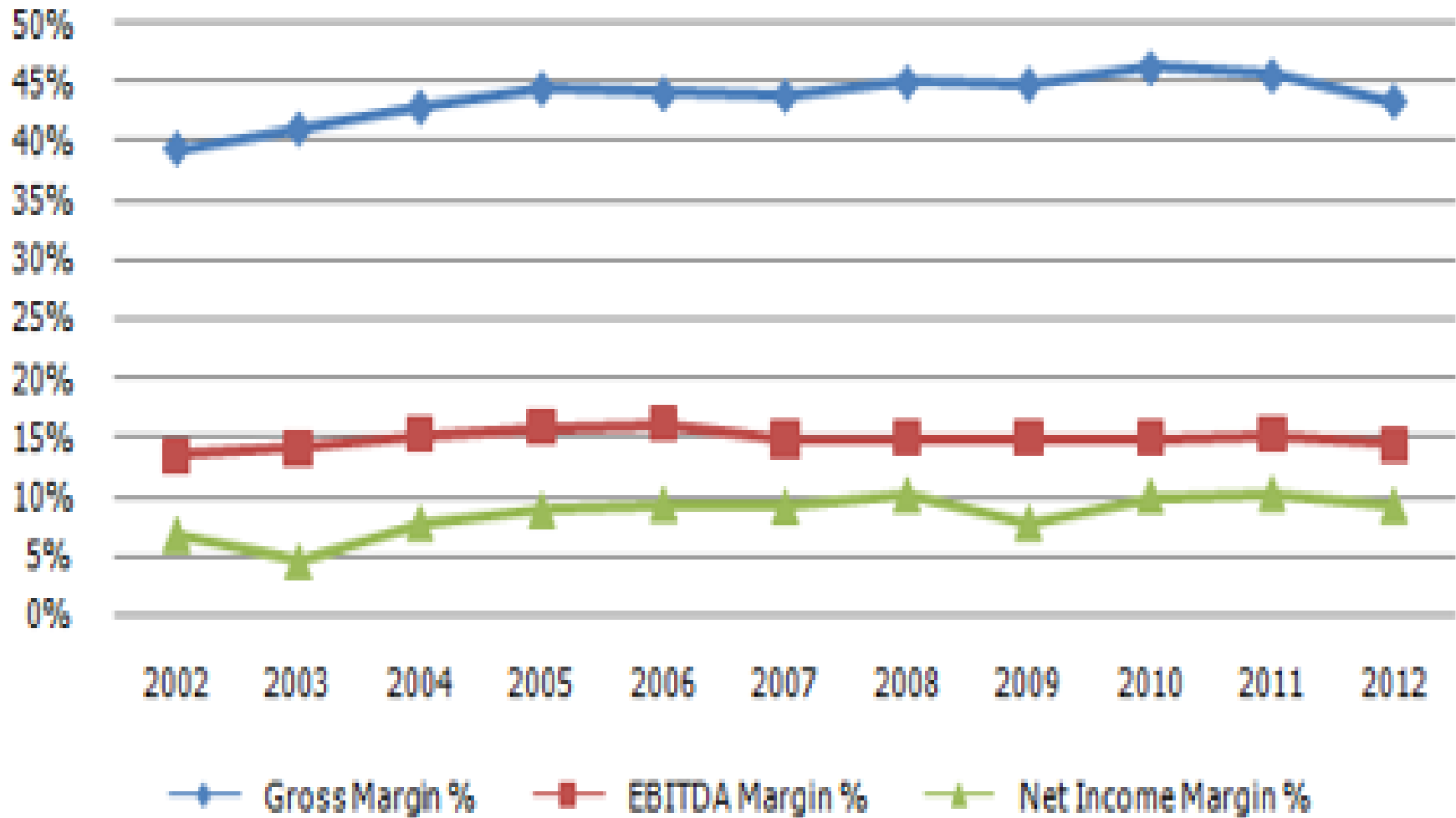
Ultilazation Plan						
Income item	Total Amount	Revenues(or donation)	Notes	Target population	Target ingagement Rate	Each donate 5 units
Forcast results	69583200 unit(31562ton)	$80,000	Refer to H&M program	17,958,000(July 2014 est.from Institute ofInternational Education)	8%	
Donation(1kg=$0.0278, 1 click=$0.01)	clothes:$877423.6 ; web:$14366.4	$891,789.60				

Financial Evaluation

2007-2013 CAGR =(25313/16326)^(1/6)-1= **7.74%**
2013-2018 CAGR: Stable: 7.74%
                         Regular: 8.7%
                         Protential:9.87%

5 Y Net Revenue:
5 Y Gross Margins:

Nike: The real growth story is about to start
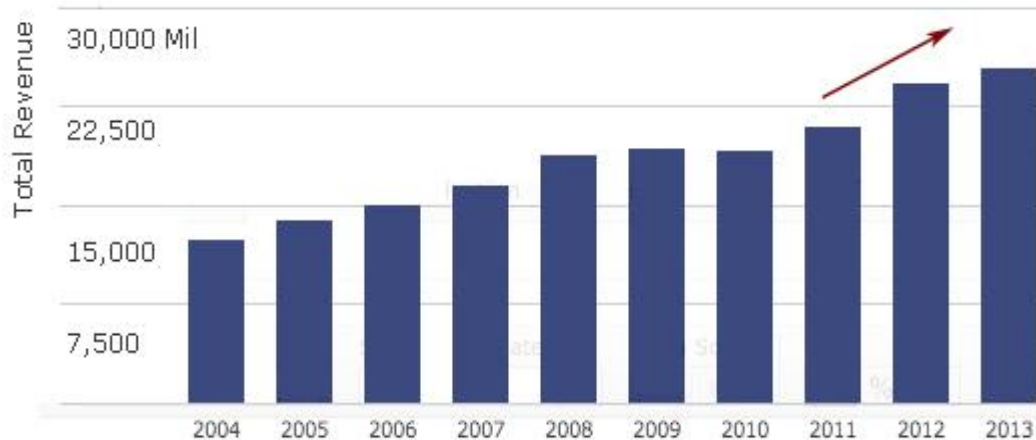
NIKE, Inc. Revenue Performance

Fiscal Years 2007-2011 Five-year CAGR 7%*

Revenue in millions

$16,326 $18,627 $19,176 $19,014 $20,862

2007   2008   2009   2010   2011
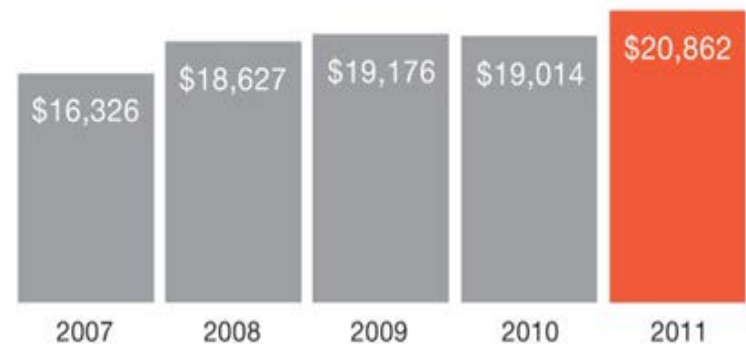
* 5-Year Compound Annual Growth Rate (CAGR) based on Fiscal Year 2006 Revenue of $

Source: NIKE INC. ANNUAL REPORT 2008-2013

DESIGN

RAW MATERIALS

FABRIC PRODUCTION

GARMENT PRODUCTION

Influence	Climate impact	Water impact
MEDIUM	6%	1%

TRANSPORT

Influence	Climate impact	Water impact
MEDIUM	6%	0%

SALES

Influence	Climate impact	Water impact
HIGH	10%	0%

USE

Influence	Climate impact	Water impact
LOW	26%	8%

UP1 Marketing

Nike Apparel Market Share Forecast

Figure 1: Nike Apparel Market Share

Financial Data

Nike Inc., PRAT model

	Average	May 31, 2013	May 31, 2012	May 31, 2011	May 31, 2010	May 31, 2009	May 31, 2008
Selected Financial Data (USD $ in millions)							
Dividends on common stock		727	639	569	515	475	433
Net income		2,485	2,223	2,133	1,907	1,487	1,883
Revenues		25,313	24,128	20,862	19,014	19,176	18,627
Total assets		17,584	15,465	14,998	14,419	13,250	12,443
Total shareholders' equity		11,156	10,381	9,843	9,754	8,693	7,825
Ratios							
Retention rate		0.71	0.71	0.73	0.73	0.68	0.77
Profit margin		9.82%	9.21%	10.22%	10.03%	7.75%	10.11%
Asset turnover		1.44	1.56	1.39	1.32	1.45	1.50
Financial leverage		1.58	1.49	1.52	1.48	1.52	1.59
Averages							
Retention rate	0.72						
Profit margin	9.88%						
Asset turnover	1.44						
Financial leverage	1.53						
Dividend growth rate	15.75%						

3P Program

Nike Inc., required rate of return

Assumptions

Rate of return on LT Treasury Composite	3.24%
Expected rate of return on market portfolio	13.31%
Systematic risk (β) of Nike's common stock	1.01
Required rate of return on Nike's common stock	13.44%

DPS & PV

Year	Value	DPS(t) or TV(t)	Present value at 13.44%
0	DPS(0)	0.81	
1	DPS(1)	0.94	0.83
2	DPS(2)	1.08	0.84
3	DPS(3)	1.23	0.84
4	DPS(4)	1.39	0.84
5	DPS(5)	1.56	0.83
5	TV(5)	139.25	74.13

Intrinsic value of Nike's common stock (per share)

Current share price

UP1 Marketing

Nike Inc., H-model

Year	Value	g(t)
1	g(1)	15.75%
2	g(2)	14.86%
3	g(3)	13.97%
4	g(4)	13.08%
5 and thereafter	g(5)	12.19%

Source: www.stock-analysis-on.net

Collegiate Licensing Ranking

Pac-12	Company	Annual Cash	Annual Product	Minimum Total	Maximum Total
UCLA	Adidas	$3.5 million	$35,000-$2 million	$ 3,535,000	$ 5,500,000
Washington	Nike	$400,000-$850,000	$2.4-$2.8 million	$ 2,800,000	$ 3,650,000
Oregon	Nike	$250,000-$600,000	$1.4-$2.2 million	$ 1,650,000	$ 2,800,000
Utah	Under Armour	$550,000-$600,000	$2-$1.8 million	$ 2,550,000	$ 2,400,000
Oregon State	Nike	$0	$2-$2.35 million	$ 2,000,000	$ 2,350,000
Colorado	Nike	$400,000	$1.365-$1.565 million	$ 1,765,000	$ 1,965,000
Arizona State	Nike	$225,000-$350,000	$1.35-$1.6 million	$ 1,575,000	$ 1,950,000
California	Nike	$200,000-$150,000	$1.3-$1.8 million	$ 1,500,000	$ 1,950,000
Washington State	Nike	$150,000-$200,000	$1.4-$1 million	$ 1,150,000	$ 1,600,000

TOP 75 University Collegiate Licensing

Top-75 Universities

(1.) **The University of Texas at Austin** (2.) The University of Alabama (3.) University of Notre Dame (4.) The University of Michigan (5.) University of Kentucky (6.) Louisiana State University (7.) University of Florida (8.) University of Georgia (9.) University of North Carolina (10.) The University of Arkansas, Fayetteville (11.) The University of Oklahoma (12.) Texas A&M University (13.) University of Wisconsin (14.) University of Nebraska (15.) University of Tennessee (16.) University of South Carolina (17.) West Virginia University (18.) Auburn University (19.) The Pennsylvania State University (20.) University of Missouri (21.) Florida State University (22.) The University of Kansas (23.) Oklahoma State University (24.) Clemson University (25.) University of Louisville (26.) Texas Tech University (27.) Virginia Tech (28.) University of Illinois (29.) The University of Arizona (30.) Arizona State University (31.) Syracuse University (32.) UCLA (33.) University of Washington (34.) Duke University (35.) Purdue University (36.) University of Utah (37.) University of Miami (38.) Boise State University (39.) Oregon State University (40.) University of Minnesota (41.) University of California, Berkeley (42.) Stanford University (43.) Washington State University (44.) The University of Mississippi (45.) University of Maryland (46.) Texas Christian University (47.) The University of Virginia (48.) University of Cincinnati (49.) Brigham Young University (50.) University of Colorado (51.) Georgia Institute of Technology (52.) University of Pittsburgh (53.) University of Conneticut (54.) East Carolina University (55.) University of Montana (56.) Boston College (57.) State University of New Jersey (58.) Vanderbilt University (59.) Georgetown University (60.) U.S. Military Academy (61.) University of Central Florida (62.) University of Wyoming (63.) University of South Florida (64.) University of Nevada (65.) University of New Mexico (66.) The University of Memphis (67.) Northwestern University (68.) Texas State University- San Marcos (69.) Fresno State (70.) Louisiana at Lafayette (71.) Colorado State University (72.) Marshall University (73.) Gonzaga University (74.) James Madison University (75.) Montana State University

Collegiate Licensing Ranking

Team	Company	Annual Cash	Annual Product	Minimum Total	Maximum Total
Michigan	Adidas	$3.8 million	$2.2 million	$ 6,000,000	$ 6,000,000
Texas	Nike	$2.43-$2.53 million	$3.13-$3.23 million	$ 5,560,000	$ 5,760,000
UCLA	Adidas	$3.5 million	$35K-$2 million	$ 3,535,000	$ 5,500,000
LSU	Nike	$1 million	$3.1-$3.5 million	$ 4,100,000	$ 4,500,000
Florida State	Nike	$1.4-$1.5 million	$2.8-$3 million	$ 4,200,000	$ 4,500,000
Ohio State	Nike	$1.19-$1.49 million	$2.41-$2.71 million	$ 3,620,000	$ 4,220,000
Kansas	Adidas	$1.5-$1.8 million	$2.3-$2.4 million	$ 3,800,000	$ 4,200,000
Alabama	Nike	$780,000	$2.39-$3.09 million	$ 3,170,000	$ 3,870,000
Washington	Nike	$400,000-$850,000	$2.4-$2.8 million	$ 2,800,000	$ 3,650,000
North Carolina	Nike	$150,000	$2.8-$3.4 million	$ 2,950,000	$ 3,550,000
Kentucky	Nike	$1.7-$1.8 million	$1.5-$1.6 million	$ 3,200,000	$ 3,400,000
Maryland	Under Armour	$1.475 million	$1.9 million	$ 3,375,000	$ 3,375,000
Oklahoma	Nike	$550K-$1.05 million	$1.325-$2.3 million	$ 1,875,000	$ 3,350,000
Auburn	Under Armour	$850K-$1.85 million	$550K-$1.25 million	$ 1,400,000	$ 3,100,000
Connecticut	Nike	$200K-$1.43 million	$1.35-$1.55 million	$ 1,550,000	$ 2,980,000
Oregon	Nike	$250K-$600K	$1.4-$2.2 million	$ 1,650,000	$ 2,800,000
Texas A&M	Adidas	$805K-$1.5 million	$1.2-$1.03 million	$ 2,005,000	$ 2,530,000
Illinois	Nike	$325,000	$1.1-$2.2 million	$ 1,425,000	$ 2,525,000
Nebraska	Adidas	$1 million	$1.5 million	$ 2,500,000	$ 2,500,000
Utah	Under Armour	$550K-$600K	$2-$1.8 million	$ 2,550,000	$ 2,400,000
Oregon State	Nike	$0	$2-$2.35 million	$ 2,000,000	$ 2,350,000

TEXAS AT AUSTIN, THE UNIVERSITY OF

Location: Austin, TX
Founded: 1883
Primary Athletic Conference: Big 12 Conference
Nickname: Longhorns
Colors: Burnt Orange, White
Mascot Name: Bevo
Institution Website: www.utexas.edu/trademarks
Fan Shop: shop.texassports.com
Bookstore: www.coop-bookstore.com
Famous Alumni: Matthew McConaughey (Actor) Roger Clemens (MLB) Earl Campbell (NFL) Vince Young (NFL) Renee Zellweger (Actress)
Fun Fact: The University of Texas "Hook em Horns" sign was created by head cheerleader Harley Clard in 1955. It was voted top hand sign by Sports Illustrated.

Licensing Information

Royalty Rate: 12%

Advanced Fees
Category A: $0
Category B: $2500
Category C: $2500

ALABAMA, THE UNIVERSITY OF

Location: Tuscaloosa, AL
Founded: 1831
Primary Athletic Conference: Southeastern Conference
Nickname: Crimson Tide
Colors: Crimson, White
Mascot Name: Big Al
Institution Website: www.ua.edu
Athletics Website: www.rolltide.com
Bookstore: www.supestore.ua.edu
Fan Shop: www.alabama.teamfanshop.com
Famous Alumni: Robert Horry (NBA) Shaun Alexander (NFL) Joe Namath (NFL) Ken Stabler (NFL)
Fun Fact: In 1882, University of Alabama's first football team was created. They were called the "Thin Red Line" which later became the "Crimson Tide." Alabama's student enrollment has increased each year during the past decade.

Licensing Information

Royalty Rate: 10%

Advanced Fees
Category A: $500
Category B: $300
Category C: $200

TOP3- Notre Dame

NOTRE DAME, UNIVERSITY OF

Location: Notre Dame, IN
Founded: 1842
Primary Athletic Conference: Independent
Nickname: Fighting Irish
Colors: Navy, Gold
Mascot Name: Leprechaun
Institution Website: www.nd.edu
Athletics Website: und.collegesports.com
Bookstore: www.nd.bkstr.com
Fan Shop: und.collegesports.com/store/nd-store.html
Famous Alumni: Joe Montana (NFL) Joe Thiesmann (NFL/TV Personality) Mike Golic (NFL/TV Personality) Brady Quinn (NFL) Hannah Storm (TV Personality) Condolezza Rice (Diplomat) Regis Philbin (TV Personality)
Fun Fact: Notre Dame's mascot was not always the Leprechaun. In the early days Irish terrier dogs represented the school.

Licensing Information

Royalty Rate: 0%

Advanced Fees
Category A: $0
Category B: $1000
Category C: $1000

MICHIGAN, THE UNIVERSITY OF

Location: Ann Arbor, MI
Founded: 1817
Primary Athletic Conference: Big Ten Conference
Nickname: Wolverines
Colors: Blue, Maize
Mascot Name:
Institution Website: www.umich.edu
Athletics Website: www.mgoblue.com
Bookstore: www.umichigan.bkstore.com
Fan Shop: www.mden.com
Famous Alumni: Gerald Ford (President) Tom Brady (NFL) Larry Page (Google Founder) Selma Blair (Actress) Michael Phelps (Olympian) Desmond Howard (NFL/TV Personality)
Fun Fact: The Michigan famed "Winged" helments was designed in 1938 by Coach Herbert O. "Fritz" Crisier. He wanted to give the team a new attitude.

Licensing Information

Royalty Rate: 12%

Advanced Fees
Category A: $1000
Category B: $500
Category C: $500

KENTUCKY, UNIVERSITY OF

Location: Lexington, KY
Founded: 1865
Primary Athletic Conference: Southeastern Conference
Nickname: Wildcats
Colors: Blue, White
Mascot Name: Wildcat
Institution Website: www.uky.edu
Athletics Website: www.ukathletics.com
Bookstore: www.bkstr.com/Home/10001-16403-1?demoKey=d)
Fan Shop: www.ukteamshop.com
Famous Alumni: Ashley Judd (Actress) Tayshaun Prince (NBA) Brandon Webb (MLB) Joe Blanton (MLB) Steve Flesch (PGA),
Fun Fact: Kentucky's nickname became official after a 6-2 victory over Illinois in 1909. Commandent Carbuiser said Kentucky "fought like Wildcats"

Licensing Information

Royalty Rate: 12%

Advanced Fees
Category A: $1000
Category B: $500
Category C: $300

Collegiate Licensing Current Costs

| Advanced Fees	Royalty Rate	
Category A: $0 Category B: $2500 Category C: $2500	Royalty Rate: 12%	
Category A: $500 Category B: $300 Category C: $200	Royalty Rate: 10%	
Category A: $0 Category B: $1000 Category C: $1000	Royalty Rate: 0%	
Category A: $1000 Category B: $500 Category C: $500	Royalty Rate: 12%	
Category A: $1000 Category B: $500 Category C: $300	Royalty Rate: 12%	

Costs Saves after the SC Shift

Rising costs

- Raw materials
- Wages
- Energy
- Logistics
- Exchange risk
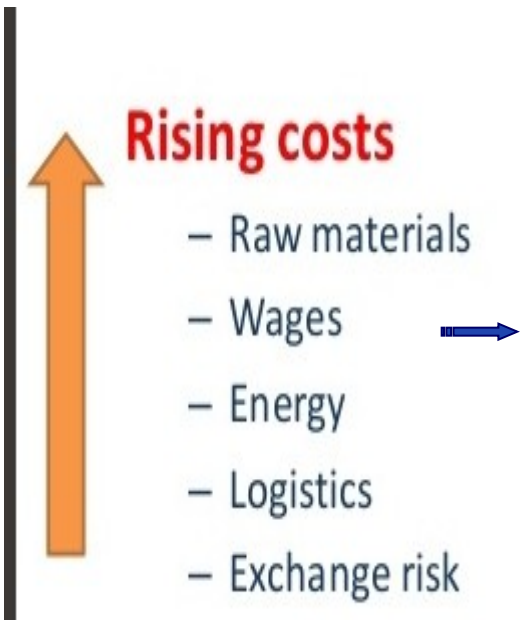
Countries	Labor Wages/year	GNI per capita, PPP (current international $)
China	$9,040	
Nicaragua	$3,890	
Vietnam	$3,620	
India	$3,820	

Table 4.4 - No. 6 Residual Fuel Oil Rates

	$/gal	Source
China	0.9648	Energy Information Administration
Colombia	1.1198	Energy Information Administration
Guatemala	1.1198	Energy Information Administration
India	0.9648	Energy Information Administration
United States	0.9079	Energy Information Administration
Vietnam	0.9648	Energy Information Administration

Table 4.3 - Water Rates

	$/m^3	$/ gal	Source
China	0.3600	0.0014	ITMF
Colombia	0.4099	0.0016	EPM
Guatemala	0.2496	0.0009	Industry data
India	0.3200	0.0012	ITMF
United States	0.3389	0.0013	Industry data
Vietnam	0.4588	0.0017	Look at Vietnam

Labor Costs Saved after the SC Shift

Labor costs taht 3P Program could saved			
Countries	Labor Wages/year	GNI per capita, PPP (current interna	TOTAL
China	$9,040		
Nicaragua	$3,890		
Vietnam	$3,620		
India	$3,820		
3P Program	suppose 200 people each facotry		ordinary:$464676000
	store*people*wages		future:$234630000
China	$394,144,000		SAVE:49.5% ($230046000)
ordinary	after shifting(stores numbers)		
Nicaragua	$1,556,000	67	$52,126,000
Vietnam	$51,404,000	136	$98,464,000
India	$17,572,000	110	$84,040,000

Nike Current Market Share in US Collegiate Apparel Market

US 2013 collegiate licensing total revenue: **$4.62billion**
apparel part revenue in total revenue: 65%($3.003billion)
Nike Current market share in apparel part:**68%($2.04204)**
2 year CAGR (2010-1013)=($2/2*46%)^(1/3)-1=0.292 (29.2%）

Nike has 68 percent of the collegiate licensed apparel business,
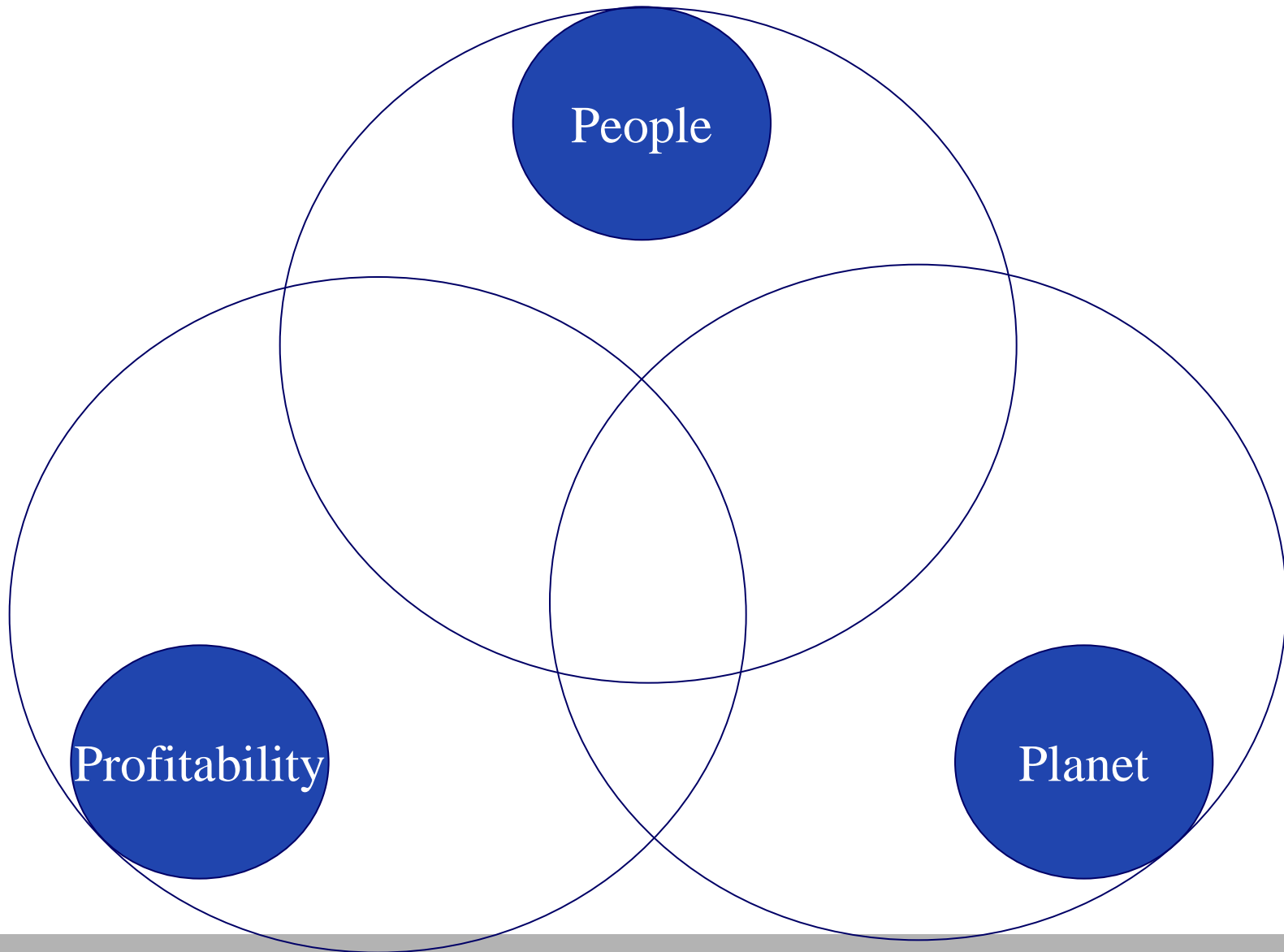up from 46 percent just two years ago.

source: sportonesource

SPORTSCAN**INFO**

Apparel sales account for approximately 65% of the total retail market for
collegiate licensed merchandise, which was estimated at $4.62 billion in 2012.
CLC partner institutions represent nearly 80% of total retail sales.
Royalties from licensed merchandise sales go back to the institutions to
fund scholarships and other valuable campus programs.

Monday, September 02, 2013

source: CLC COLLEGIATE LICENSING COMPANY

People

Profitability

Planet

Forcast Profit Margins & NPV

Expense	Total(000)	2014.Q2	2014.Q3	2014.Q4	2015.Q1	2015.Q2	2015.Q3	2015.Q4	2016.Q1	2016.Q2	2016.Q3	2016.Q4	2017.Q1	2017.Q2	2017.Q3	2017.Q4	2018.Q1	2018.Q2	2012018.Q
Locations Research	$48	$48,000																	
Suppliers Research	$48		$48,000																
SG&A	$510			$30,000	$10000*12				$10000*12				$10000*12				$10000*12		
total 3P-Program	$606		$126,000			$120,000				$120,000				$120,000				$120,000	

Apparel Reclying Operating Expense																			
(Gamification&APPS) IT Development(N1)				$30,000	$30000*4														
				$24,000	$24000*2														
SG&A (Marketing)												$36,000	$36,000	$36000*4			$36000*2		
UP 1 Stategy	$412		$54,000			$70,000				$72,000				$144,000				$72,000	

Operating Expense																			
(Gamification&APPS) IT Development(N1)																			
SG&A (Marketing)																			
UP 2 Stategy	$412																		
Revenue			$2.59Billion			$3.35Billion				$4.33B				$5.6B				$7.2B	
Extra revenue compare with the original supplier																			
Click Web Donation																			
sales(Growth Rate:10%)																			
Other expense&costs	$1,430																		

		Nike collegiate-licensing apparel Forecast		3P progran Double UP FY18
		Nike collegiate apparel annually revenue $2.04b	CAGR:29.2 $7.3b
		Gross Profit Margin 43.00% 46.25%	GP:$3.3b
		Expense $1.0925b decrease 3.25% (laba) $3.92b
		$0.764b

| Gross Profit Margin | | | 43% | | | 44% | | | | 45% | | | | 46% | | | | 46.25% | |

| Profits | | 2.59b*43%-126000-54000=$1.1b | | | $1.47b | | | | $1.94b | | | | $2.57b | | | | $3.32b | |

Notes:

1.staff average $6000 each month, one quater is $18000/m, other operating expense is $10000/m, one quater would be $30000,total would be $48000

2.IT staff average $8000/m,one quater is $24000,three quators would be $72000

3.Operating expense $10000/m,5Year*4Q=20, total $200000

4.Ad & Marketing expense is $12000/m,one Q is $36000/m

NPV IN 5 YEAR	$7.05B
ROI	145%
AVERAGE PROFITS	$2.08B

People

UP

Profitability

Planet

NIKE
JUST DO IT

UP