

Elphinstone Research Group

Equity Research Report
Nike Inc (NYSE: NKE)
July 2026



Date: July 2026

Ticker: NKE

Exchange: NYSE

Sector: Consumer Cyclical

Current Price: USD 42.98

Target Price: USD 49.69

Recommendation: HOLD

Risk Rating: Medium-High

Executive Summary

Nike, Inc. ("NKE") is in the middle of a multi-year turnaround. Returning CEO Elliott Hill's "Win Now" strategy is rebuilding wholesale partnerships, restoring product innovation, and trying to repair a brand identity that got diluted during the prior direct-to-consumer push. North America has returned to growth, and wholesale channels like Foot Locker, Dick's, and Amazon are reaccelerating. However, structural weakness in Greater China, along with continued share loss to challenger brands like On and Hoka, is still weighing on the recovery story.

Our valuation points to modest upside, with the stock trading below intrinsic value. A Discounted Cash Flow (DCF) analysis using an 8.20% WACC and 2.0% terminal growth rate implies a share price of \$49.69, about 15.6% above the current price of \$42.98.

That upside hinges on a few things going right: margin recovery as the \$230 million restructuring charge pays off through Fiscal Year 2027-2028, athlete-led innovation, and demand tailwinds from the 2026 World Cup and Olympic cycle. Working against it: continued softness in China, eroding market share, a collapsing Converse franchise, and execution risk after consecutive years of layoffs.

Given the balance between real turnaround progress and structural pressures that haven't been resolved, we maintain a HOLD recommendation.

Investment Thesis

Nike is a multinational company with unmatched distribution, marketing reach and franchise debt. It has recently had a change of leadership with returning CEO Elliot Hill. Currently the company is implementing the "Win Now" strategy which is repairing the prior strategy of direct-to-consumer by rebuilding wholesale partnerships. The wholesale revenue of \$6.5 billion in Q3 FY2026 was up 5 percent reported, and North America returning to roughly 3 percent growth as the highest-margin geography stabilizes first. The company has re-implemented the following distribution channels like Amazon, Dick's, and Foot Locker. They have also reinstituted an innovation focus through Nike Mind, Project Amplify, NikeSKIMS to help reclaim product credibility. Some current market catalysts include the 2026 World Cup and broader Olympic cycle. However, some key issues to note are the structural China weakness, sustained share loss to On, Hoka, and New Balance in both performance running and lifestyle, a collapsing Converse franchise, and execution risk from consecutive years of layoffs.

Company Overview

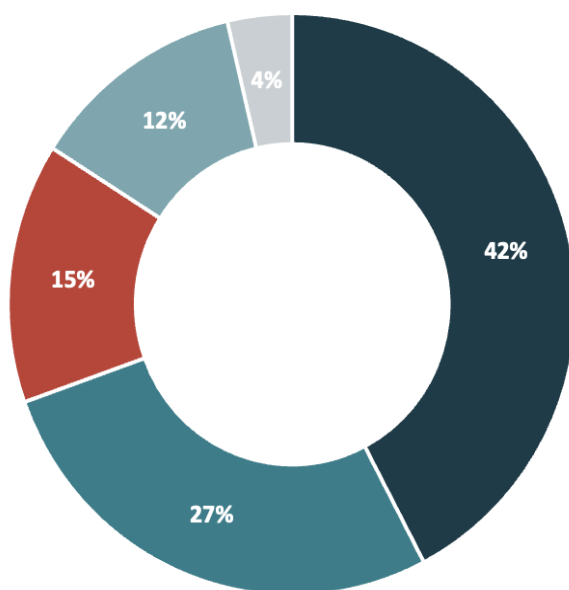
NIKE, Inc. (NYSE: NKE) is an American multinational corporation, founded in 1964, that designs, develops, markets, and sells athletic footwear, apparel, equipment, and accessories worldwide. The company is headquartered in Beaverton, Oregon. NIKE is one of the largest sportswear companies by market value. The company is currently led by veteran Elliott Hill and has had positive reactions to this recent change in leadership.

NIKE operates under three main brands: the NIKE Brand, Jordan, and Converse. It also operates in four geographic segments: North America, EMEA, Greater China, and APLA. The company produces three main product categories: footwear, apparel, and equipment. Its business runs through two channels, wholesale and NIKE Direct, which it plans to integrate. Demand, however, may be a cause for concern as NIKE direct traffic continues to decline.

In Q3 FY26, total revenues were flat on a reported basis and down 3% currency-neutral, with the two channels diverging sharply: Wholesale grew 1% while NIKE Direct declined 7% (NIKE Digital -9%, NIKE stores -5%). Geographically, North America grew 3% (Wholesale +11%, Direct -5%), EMEA fell 7%, Greater China fell 10%, and APLA fell 2%. Indicating that the continued weakness in Greater China remains a major obstacle to Nike's turnaround, as the region historically contributed to growth and profitability.

In an operational lens, NIKE's past initiatives led to the company taking a \$230 million severance charge in the quarter, the goal is to reduce distribution capacity, rationalizing technology programs, leveraging new advanced capabilities. Benefits from the cost actions are expected to begin in fiscal 2027 and build through fiscal 2028. Additionally, NIKE has decided to emphasize its athlete-led innovations built on IP and advanced manufacturing. Examples include, Aero-FIT cooling apparel and Liquid Air Max.

FY 2025 Revenue by Geography



NIKE in the past quarter has experienced a deliberate marketplace cleanup, where management removed unhealthy inventory of classic footwear franchises to help increase revenue and reduce markdowns. North American underlying profitability has nonetheless improved for three consecutive quarters. The company's goal through these initiatives is to return to double-digit EBIT margins. The stock has been struggling, with Q3 revenue flat year over year, and earnings per share of \$0.35 fell 35%.

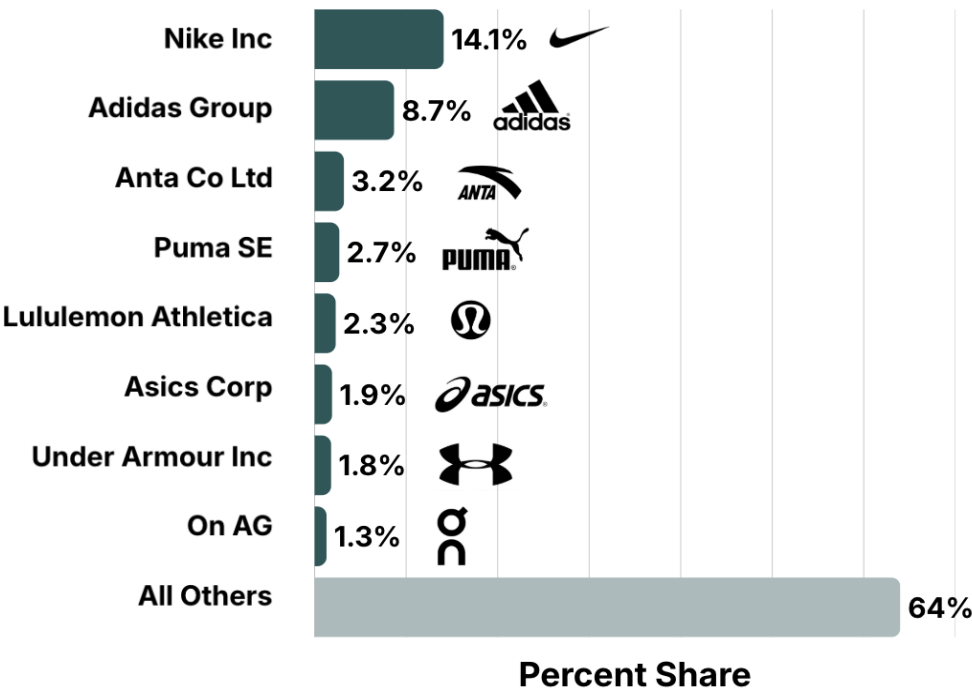
■ North America ■ EMEA ■ Greater China ■ APLA ■ Converse

Industry Overview

The global sportswear market is valued at approximately \$500 billion and is projected to grow at a 5.4% CAGR through 2030. This market is driven by the sustained normalization of athleisure as everyday wear, rising global health consciousness, and expanding middle-class consumer bases across Asia and Latin America. The market is characterized by intense brand competition, with Nike commanding a 14.1% share which nearly doubles Adidas at 8.7%. This lead has narrowed meaningfully from 17.7% in 2020. The three structural forces reshaping the competitive landscape are: the upscaling of performance footwear, the acceleration of direct-to-consumer channels, and the rise of challenger brands like On AG and Lululemon capturing share among younger, digitally-inclined consumers. Brands that fail to innovate at the product level while maintaining cultural relevance face accelerating share erosion.

Market Share

Nike maintains a strong 14.1% share of the global sportswear market, nearly double its closest competitor Adidas at 8.7%, though this lead has narrowed significantly in recent years (2020: 17.7%, 2025: 14.1%). Additionally challenged by fast-growing competitors like On AG, whose revenue grew 7x between 2020 and 2025. Under new CEO Elliott Hill, Nike is executing a "Win Now" strategy focused on wholesale re-engagement and product innovation.



¹ Data collected from Euromonitor Passport (2025)

Market Trends and Total Addressable Market

North America accounts for over 40% of global revenue for Nike (NKE), much of which can be attributed to its strong presence across both physical stores and online platforms. Growth is concentrated in emerging markets such as China, India, and Brazil. These countries show rising middle-class participation in fitness and sports which is accelerating demand for premium athletic brands. Long-term growth drivers include fabric technology innovation, sustainability-driven purchasing among Gen Z consumers, and the GLP-1 fitness culture driving broader participation in athletic activities. The premiumization of performance footwear represents Nike's highest-margin opportunity, particularly as international segments scale. With \$46.3 billion in 2025 Fiscal Year revenue, Nike's current market penetration leaves a substantial runway across Europe, Middle East & Africa (EMEA) and Asia Pacific & Latin America (APLA). In these regions, brand equity outpaces Nike's current physical and digital distribution reach, creating an untapped growth opportunity.

Key Competitors and Strategic Positioning

Company	Gross Margin (FY25)	Revenue (FY25)	Strategic Strengths (FY25)	Key Risks (FY25)	Stock Performance
Nike	42.73%	\$46.3	Brand equity, global expansion, investment in innovation	Dependence on North America, China, inventory management risk	-22.81%
Adidas	51.6% (highest)	\$28.04	Strong global brand, wide products	Brand recover risk, inventory & margin pressure	-26.94%
Puma	45.0%	\$8.24	Strong in sport-fashion crossover, agility	Small scale & brand positioning, dependence on fashion trend	+16.37%
Lululemon	59.2%	\$10.58	Premium positioning, high profit margin	Over reliance on core-product, lack of variety, international expanse risk	-40.95%

Key Catalysts and Risks

Risks

Labor practices and reputational risk. Nike's manufacturing footprint spans thousands of contract factories across Southeast Asia, and that scale comes with real reputational exposure. The most recent flashpoint involved the Hong Seng Knitting factory in Thailand, where garment workers were reportedly coerced into unpaid leave and denied wages they were legally owed during the pandemic. This case dragged on for years before Nike agreed in late 2025 to compensate the affected workers. A similar claim tied to a shuttered factory in Cambodia remains unresolved. Labor advocacy groups and watchdog organizations have grown more organized and vocal in recent years, and cases like this tend to resurface whenever a factory closes abruptly or a wage dispute drags on too long. For a brand built as much on image as on product, that's a risk that does not go away unless change is created.

Declining product quality and innovation lag. Nike's pivot toward Direct-to-Consumer sales came at a cost: innovation slowed down right when it needed to speed up. ASICS alone launched eleven new running shoes in 2024; Nike launched none. Pair that with a manufacturing approach that has leaned harder into cost efficiency than craftsmanship, and you get an opening for On, Hoka, and New Balance.

Shareholder and customer dissatisfaction. June 28, 2024 was Nike's worst single trading day on record. On this day shares fell 21% after fiscal Q4 revenue came in down 2% and management guided to a mid-single-digit revenue decline for fiscal 2025. That kind of reaction reflects more than one rough quarter. It reflects investor doubt about where the brand is headed. Customers have their own version of that doubt: Nike's retreat from limited “hype” drops and its lighter touch with resale and vintage-sneaker culture have left a segment of its base nostalgic for an era the brand seems to be moving away from.

Catalysts

Athletic partnerships and collegiate/pro sponsorships. Nike's sponsorships across pro leagues and college athletics do a lot of quiet work. Every branded jersey or sideline hoodie is effectively a small ad running on national television, reinforcing the brand's performance credentials with little marketing spend. That built-in distribution channel pairs naturally with the wholesale reacceleration discussed in the Company Overview.

Major sporting event tailwinds. The 2026 FIFA World Cup, spread across the U.S., Mexico, and Canada, along with the broader Olympic cycle, gives Nike, along with its rivals, a recurring, once-every-few-years jolt of visibility and demand. These events have a track record of lifting both viewership and athletic-apparel spend, and they line up well with Nike's own athlete-led push under the “Win Now” strategy.

Health and wellness tailwinds. Something bigger than a passing trend is happening in fitness culture right now: GLP-1-driven weight management, the rise of gym culture on social media, more casual gymgoers than ever. That's a bigger addressable market for athletic apparel than Nike has historically had to compete for. Whether Nike captures its share of that growth, or watches Lululemon and On take it instead, is really the open question.

Multi-year innovation cycle. Nike's product pipeline is finally showing signs of life again. This shows through projects like Nike Mind, Project Amplify, and NikeSKIMS, plus new performance lines like Aero-FIT cooling apparel and Liquid Air Max. If these land the way the company hopes, they'd do double duty: slow the bleeding to ASICS, On, and Hoka, and support the margin recovery already underway alongside the FY2026 restructuring program.

Consumer & Marketing

Heritage and Peak Brand Equity

Nike's brand is one of the most recognized in the world, built over five decades on athlete-centered storytelling, performance, and cultural relevance. For instance, the "Just Do It" campaign, launched in 1988, laid the foundation for a brand tag that transcended sports, being aspirational, universal, and emotional, all the while being relevant today. Partnerships with athletes like Michael Jordan, Serena Williams, and Tiger Woods cemented Nike as the default shoe of choice for athletes who wished to express ambition. At its peak, Nike commanded an identity that required little explanation across demographics, geographies, and income levels.

The Direct-to-Consumer Overcorrection (2020–2024)

That equity came under meaningful pressure beginning around 2020, when then-CEO John Donahoe repositioned Nike around a digital-first, direct-to-consumer model under the "Consumer Direct Acceleration" strategy. While the consumer rationale was sound, the execution narrowed Nike's brand presence in ways that proved costly. Investment in broad-reach marketing campaigns declined altogether, and Nike pulled back from key wholesale partners, including Foot Locker, DSW, and Amazon, ceding physical shelf space to faster-moving competitors (Zoommetrix's *Nike's DTC Journey: Ambition, Challenges, and Realignment* covers DTC overcorrection and wholesale pullback). Product innovation, which had historically been central to Nike's brand, slowed materially. For example, ASICS launched eleven new running models in 2024 while Nike launched none (Accio, *Nike's 2025 Macro Trends: Market Dominance & Strategic Shifts*, ASICS vs. Nike model launch comparison). The compounding effect was a brand that felt less visible, innovative, and culturally urgent at the moment when competitors began to gain ground.

Elliott Hill's Return and the "Win Now" Reset (2024–Present)

Elliott Hill's return as President and CEO in late 2024 was a clear inflection point. Hill immediately launched the "Win Now" action plan, which was a 'multi-priority recovery plan' centered around turning the clock back and returning to the "storytelling narrative"-style of marketing they had used in the past to find success. He also rebuilt the wholesale relationship and is actively attempting to restore product innovation as the primary driver of consumer engagement (Nike SEC 8-K Filing, Q4 FY2025 Earnings Release, Win Now action plan, and Hill's strategic priorities). Internally, Hill restructured the senior leadership team, separating Consumer and Sport, Marketing, and Product Creation into distinct functional areas to eliminate organizational layers and accelerate execution (Nike SEC 8-K Filing, Senior Leadership Team Announcement, restructuring of CPB into three distinct functions). He has declared his operating philosophy directly, saying "if you have a body, you are an athlete" which clearly echoes Nike's earlier brand identity which also signifies a broader, more inclusive consumer mandate than the DTC-era positioning (Nike SEC 8-K Filing, SLT Announcement, direct quote from Hill). As of fiscal 2026, Hill describes Nike's recovery around a "sport offense" which essentially means a brand model anchored in athletic performance, story telling, and execution (Nike SEC 8-K Filing, Q1 FY2026 Earnings Release, "sport offense" framing).

Financial Overview: Revenue, EBITDA, & Net Income

- Nike's revenue grew from \$44.5B in FY2021 to a peak of \$51.4B in FY2024, driven by post-pandemic demand recovery, Nike Direct expansion, and pricing actions, before declining 9.8% to \$46.3B in FY2025 amid inventory resets and softer wholesale demand.
- Gross margin has been volatile, peaking at 46.0% in FY2022 before compressing to 42.7% in FY2025, reflecting elevated promotional activity, channel mix shifts, and (most recently) incremental tariff-related cost pressure.
- EBITDA and Net Income both peaked in FY2022 (\$7.5B and \$6.0B, respectively) and have since declined alongside the margin contraction, with FY2025 Net Income of \$3.2B representing the lowest level in the five-year window.

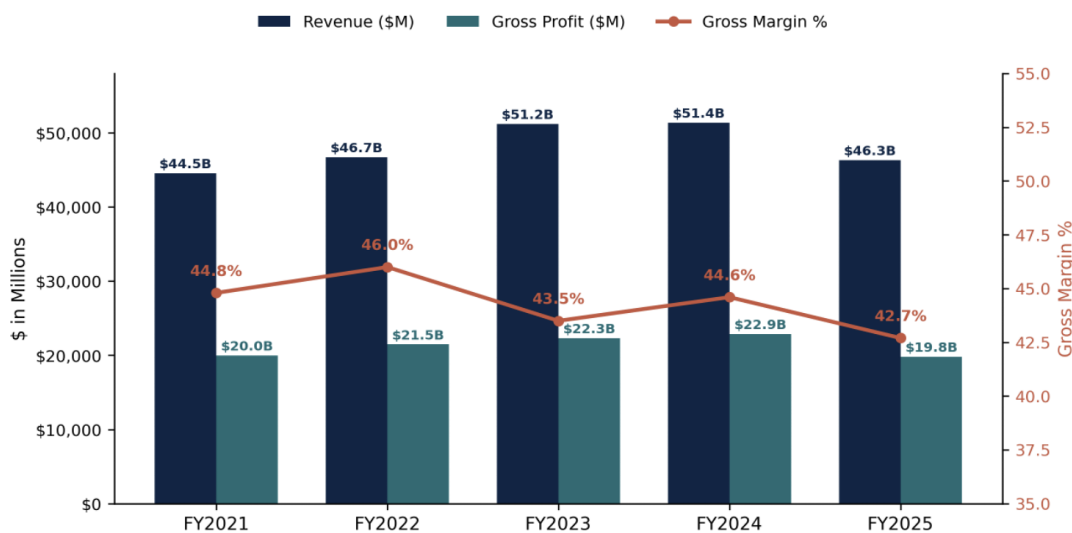


Figure 1: Nike Revenue, Gross Profit & Gross Margin, FY2021–FY2025

Revenue Trajectory

- FY2021–FY2022 (Recovery & Reacceleration):** Revenue rose 19% in FY2021 and a further 5% in FY2022 as Nike rebounded from COVID-19 disruption; gross margin expanded to a five-year high of 46.0% on favorable full-price mix and NIKE Direct growth.
- FY2023–FY2024 (Peak Revenue, Margin Pressure):** Revenue grew 9.6% in FY2023 to surpass \$51B, but margin fell sharply to 43.5% as Nike worked through elevated inventory via markdowns; margin partially recovered to 44.6% in FY2024 as inventory normalized, though revenue growth stalled (+0.3%).
- FY2025 (Reset Year):** Revenue declined 9.8% to \$46.3B and gross margin compressed to 42.7%, reflecting a deliberate strategic reset under new leadership, continued wholesale/Direct rebalancing, and rising input/tariff costs - compressing EBITDA to \$4.5B and Net Income to \$3.2B, both five-year lows.

Summary Financials (FY2021–FY2025)

(\$ in millions)	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue	\$44,538	\$46,710	\$51,217	\$51,362	\$46,309
Gross Profit	\$19,962	\$21,479	\$22,292	\$22,887	\$19,790
Gross Margin %	44.8%	46.0%	43.5%	44.6%	42.7%
EBITDA	~\$7,690*	\$7,514	\$6,774	\$7,155	\$4,510
Net Income	\$5,727	\$6,046	\$5,070	\$5,700	\$3,219

*FY2021 EBITDA is calculated as Operating Income + Depreciation & Amortization (Nike does not report EBITDA as a GAAP line item). FY2022–FY2025 EBITDA per third-party aggregation of 10-K data. Source: NIKE, Inc. Form 10-K filings (FY2021–FY2025), SEC EDGAR.

Financial Overview: Balance Sheet & Cash Flow Metrics

Nike continues to exhibit a solid financial health, marked by a good liquidity, low leverage, and carries no default risk. It also maintains a stronger balance sheet than its comp group - higher liquidity, lower leverage, and superior interest coverage.

Financial Year	FY2021	FY2022	FY2023	FY2024	FY2025
Cash Flow Analysis					
FCFF	6.20	4.69	5.16	6.94	3.59
FCFE	5.96	4.43	4.87	6.62	3.27
Revenue	44.5	46.7	51.2	51.4	46.3
Net Income	5.73	6.05	5.07	5.70	3.22
Dividend Payout	1.638	1.837	2.012	2.169	2.3
CapEx	0.695	0.758	0.969	0.812	0.43
FCFE Ratios					
FCF to Revenue	13.4%	9.5%	9.5%	9.5%	9.5%
FCF to Net Income	104.1%	73.3%	96.1%	116.1%	101.5%
FCF to Dividend Payout	3.6x	2.4x	2.4x	3.1x	1.4x
FCF to Capex	8.6x	5.8x	5.0x	8.1x	7.6x

Balance Sheet Health – Key Metrics

As of Q3 2026 (LTM)	Nike	Comps
Current ratio	2.14x	1.32x
Quick ratio	1.45x	0.68x
Debt/Equity	0.79x	0.91x
EBITDA/Interest Exp	56.22x	13.55x
Return on Assets %	6.07%	6.88%
Return on Capital %	12.70%	13.30%
Return on Equity %	15.97%	22.76%

Discounted Cash Flow Analysis

Our DCF analysis applies the **Gordon Growth Model** over a five-year forecast horizon (2026E–2030E). Using a **WACC of 8.20%** and a **2.0% terminal growth rate**, the model yields an implied share price of **\$49.69**, representing a **15.6% upside** to the current share price of **\$42.98**, supporting a **Hold** recommendation.

Revenue, Operating Performance, FCF, Terminal Value & Discounting

Revenue is forecast to grow from **\$47.1bn** in 2026E to **\$57.0bn** by 2030E, driven by sustained volume growth and pricing. EBIT margins expand from **8.97%** in 2026E to **12.42%** in 2030E, reflecting operating leverage and cost discipline. Unlevered free cash flow grows from **\$3,335.5m** in 2026E to **\$5,468.5m** in 2030E. Terminal value is calculated using **2030E FCFF of \$5,468.5m**, a **2.0% perpetual growth rate**, discounted at an **8.20% WACC**, resulting in a present value of terminal value of **\$60,665.2m**.

Assumptions	
WACC	8.20%
TGR	2%
Tax Rate	20%

WACC (8.20%) is derived from a **10.0% cost of equity** calculated using the 10Y U.S. Treasury as the risk-free rate, an equity risk premium based on the S&P 500's 30-year annual returns, and a 5-year monthly beta from comparable companies. The **cost of debt** assumes a market-rate credit spread, blended using target capital structure weights. A **20% tax rate** is applied to EBIT to derive NOPAT.

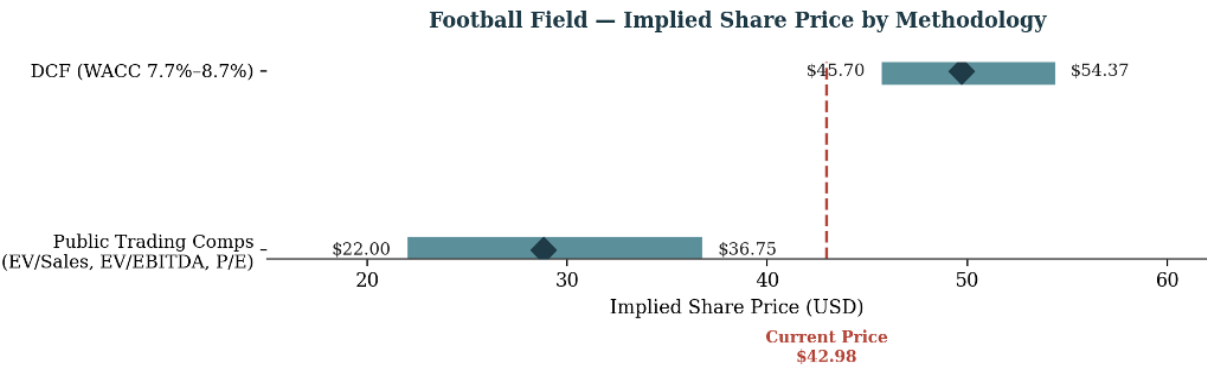
Income Statement	(\$MM)	2026E	2027E	2028E	2029E	2030E
Revenue		\$47,120.4	\$48,314.4	\$50,416.0	\$53,558.3	\$57,027.2
EBIT		\$4,228.5	\$4,764.9	\$5,408.7	\$6,192.1	\$7,084.7
% of Sales		8.97%	9.86%	10.73%	11.56%	12.42%
Income Tax		845.7	953.0	1,081.7	1,238.4	1,416.9
% of Sales		1.79%	1.97%	2.15%	2.31%	2.48%
NOPAT	(\$MM)	3,382.8	3,812.0	4,327.0	4,953.7	5,667.8
% of Sales		7.18%	7.89%	8.58%	9.25%	9.94%

Cash Flow Items		2026E	2027E	2028E	2029E	2030E
D&A		735.2	743.2	775.8	842.0	899.1
% of Sales		1.56%	1.54%	1.54%	1.57%	1.58%
Capital Expenditures		(706.8)	(773.0)	(857.1)	(910.5)	(969.5)
% of Sales		1.50%	1.60%	1.70%	1.70%	1.70%
Change in NWC		75.67	111.36	116.93	122.78	128.92
% of Sales		0.16%	0.23%	0.23%	0.23%	0.23%

DCF		Year 1	Year 2	Year 3	Year 4	Year 5
FCFF	(\$MM)	\$3,335.5	\$3,670.8	\$4,128.8	\$4,762.4	\$5,468.5
Discount Factor		1.082	1.171	1.267	1.371	1.484
PV of FCF	(\$MM)	\$3,082.8	\$3,135.5	\$3,259.4	\$3,474.7	\$3,687.5

Valuation Summary

DCF and public trading comparables, weighted toward the DCF given Nike's brand economics and distribution scale relative to its peer set.



Price Target	Recommendation	Implied Upside
\$49.69	HOLD	+ 15.6%

Arriving at the Valuation

Putting these two approaches together, we lean harder on the DCF than on the comps. This is because Nike's brand and its sheer distribution reach just are not things you can fully capture by lining it up against Adidas, Puma, and Lululemon on a spreadsheet. That weighting is what gets us to a \$49.69 price target. Against today's \$42.98, that's real but not dramatic upside, and it's exactly why we're landing on HOLD rather than something more aggressive. We find that there's room to grow into, but not enough of a gap to call it undervalued outright.

Market Comparable Public Companies Analysis

Our public comparables analysis benchmarks Nike, Inc. (NKE) against leading global athletic footwear and apparel peers, including Adidas, Puma, and Lululemon Athletica. Excluding Puma, which no forward earnings were available, the peer group trades at a median forward P/E of approximately 12.0x. Relative valuations across the peer set reflect expectations regarding brand strength, competitive positioning, and long-term earnings growth in the athletic footwear and apparel industry.

Relative Positioning

NKE currently trades at a forward P/E multiple of 24.4x, representing a premium to the peer median of 12.0x. This valuation premium reflects Nike's position as a leader in the athletic footwear and apparel, supported by its industry-leading brand presence, strong international exposure, and dominant market share. While the Company faces near-term challenges such as increasing competition and turnaround efforts, investors still value Nike at a premium based on expectations for long-term earnings growth. Furthermore, Nike's efforts to strengthen brand momentum, improve product innovation, and restoring profitable growth are expected to support future earnings growth and reinforce Nike's leading position in the industry.

Valuation Implications

At the current share price of \$42.98, Nike's valuation reflects expectations for operational improvement and a steady recovery in earnings growth. While the Company's leading market share, brand strength, and global exposure support its premium valuation relative to peers, much of the anticipated turnarounds already seems to be reflected in current market pricing. The team believes the upside potential remains balanced against execution risks, including competitive pressures, shifting consumer preferences, and uncertainty surrounding the pace of recovery. Consequently, we view the risk-reward profile as balanced at current levels, reinforcing our Hold recommendation.

Company	Market Cap in USD bn	EV/Sales(NTM)	EV/EBITDA (NTM)	NTM P/E
Nike	\$66.7	1.5	16.7	24.4
Adidas	\$36.2	1.28	14.9	13.8
Puma	\$4.9	0.84	10.5	N/A
Lululemon	\$13.1	1.24	5.0	10.6

Investment Scenarios: Bear, Base, and Bull Case

The scenarios below map directly onto the four catalysts and five risks identified earlier, showing how different combinations of outcomes translate into a range of valuation outcomes.

Bull Case

Implied Price: \$54 (top of DCF range)

All four catalysts play out favorably: wholesale momentum broadens beyond Foot Locker, Dick's, and Amazon; the innovation pipeline (Nike Mind, Project Amplify, NikeSKIMS, Aero-FIT, Liquid Air Max) resonates with consumers; the 2026 World Cup and Olympic cycle deliver a genuine demand tailwind; and FY2026 restructuring benefits arrive on or ahead of schedule. Favorable macro tailwinds — a stabilizing Chinese consumer and slowing share loss to On, Hoka, and New Balance — support further upside.

Base Case

Implied Price: \$49.69 (DCF Base Case)

Catalysts 1 and 2: wholesale re-engagement and product innovation play out mostly as planned. Catalyst 3, the World Cup/Olympic boost, only partially shows up in the numbers. Catalyst 4, the cost-cutting benefits, start flowing through in FY2027 right on schedule. China stabilizes without really turning the corner.

Bear Case

Implied Price: \$22 - \$28 (bottom of public comps range)

None of the risks get resolved: China stays structurally weak, On, Hoka, and New Balance keep eating share across both running and lifestyle, product quality and innovation keep slipping, and repeated rounds of restructuring push back any real margin recovery. None of the four catalysts come through either.

Elphinstone Research Group



Disclosure

This report was prepared by Elphinstone Research Group for academic and educational purposes only. The author does not hold a financial interest in Nike, Inc. (NKE).

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