



# Nucor Corporation (NUE)

Updated January 28<sup>th</sup>, 2023 by Samuel Smith

## Key Metrics

<b>Current Price:</b>	\$166.8	<b>5 Year CAGR Estimate:</b>	-5.7%	<b>Market Cap:</b>	\$42.2B
<b>Fair Value Price:</b>	\$159.1	<b>5 Year Growth Estimate:</b>	-6.5%	<b>Ex-Dividend Date:</b>	03/29/23 <sup>1</sup>
<b>% Fair Value:</b>	105%	<b>5 Year Valuation Multiple Estimate:</b>	-0.9%	<b>Dividend Payment Date:</b>	02/10/23
<b>Dividend Yield:</b>	1.2%	<b>5 Year Price Target</b>	\$114	<b>Years Of Dividend Growth:</b>	50
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	Sell

## Overview & Current Events

Nucor is the largest publicly traded US-based steel corporation based on its market capitalization of \$42.2 billion. The steel industry is notoriously cyclical, which makes Nucor's streak of 50 consecutive years of dividend increases even more remarkable. Nucor is a member of the Dividend Kings due to its dividend history. The company faces challenges from international competitors. Some countries (including China), subsidize their steel industry, making steel exported to the United States artificially cheap. President Trump signed a bill in 2018 placing a 25% tariff on imported steel for all countries except Canada and Mexico, which has helped combat this for Nucor and its competitors.

On 01/26/23, Nucor reported Fourth quarter and full year 2022 earnings per diluted share of \$4.89 and \$28.79, respectively. The company returned a whopping \$3.3 billion of capital to stockholders through dividends and share repurchases during fiscal 2022. The board announced that it had increased the dividend for its 50th consecutive year since its initial NYSE listing in 1972.

## Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
<b>EPS</b>	\$1.52	\$2.22	\$1.11	\$2.26	\$3.57	\$7.64	\$4.24	\$4.40	\$23.44	\$28.79	<b>\$13.26</b>	<b>\$9.46</b>
<b>DPS</b>	\$1.47	\$1.48	\$1.49	\$1.50	\$1.51	\$1.52	\$1.60	\$1.61	\$1.72	\$2.00	<b>\$2.04</b>	<b>\$2.20</b>
<b>Shares<sup>2</sup></b>	318	319	318	319	318	305	301	298	272	257	<b>253</b>	<b>240</b>

Nucor's earnings-per-share fluctuate with steel prices. The company's previous all-time earnings-per-share high came in 2008, which coincided with the all-time high price of steel in the US. At present, the company is going through a boom, as earnings per share set a new all-time record in 2021, and then again in 2022.

We see the dividend continuing its decades-long streak of growth, rising from 2022's \$2.00 per share to \$2.20 in five years while earnings per share will be volatile due to the intense cyclicity of the industry. As a result, we expect earnings-per-share to begin declining from their historical highs the past few years in 2023 and continue doing so in the coming years. Nevertheless, we still see the 2028 earnings per share significantly outpacing the company's earnings power in 2019 and 2020 due to a combination of business topline growth and substantial share repurchases.

## Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
<b>Avg. P/E</b>	31.2	23.2	40.1	19.7	16.3	7.0	10.5	10.2	20.4	27.1	<b>12.6</b>	<b>12.0</b>
<b>Avg. Yld.</b>	3.1%	2.9%	3.3%	3.4%	2.6%	2.8%	3.6%	3.6%	1.6%	1.5%	<b>1.2%</b>	<b>1.9%</b>

Due to Nucor's earnings cyclicity, we also like to compare the company's forward dividend yield to its historical average dividend yield in addition to simply looking at its price to normalized earnings ratio. Nucor's dividend yield has hovered around 3% over the past decade. However, the recent rally in the stock leaves it yielding just 1.2%.

<sup>1</sup> Estimate

<sup>3</sup> Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# Nucor Corporation (NUE)

Updated January 28<sup>th</sup>, 2023 by Samuel Smith

Furthermore, the expected earnings-per-share this year puts the price to earnings multiple at 12.6, which is slightly above our fair value estimate of 12. As a result, we expect the dividend yield to increase over the next half decade while the valuation multiple will likely slightly contract.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	97%	67%	134%	66%	42%	20%	38%	37%	7%	7%	15%	23%

As a commodity producer, Nucor is vulnerable to fluctuations in the price of steel. Steel demand is tied to construction and the overall economy. During the Great Recession, the company saw earnings-per-share decline from \$6.01 in 2008 to a loss of \$0.94 in 2009, and the stock lost two-thirds of its market capitalization in just six months. Investors should be aware of the significant downside risk of Nucor as it is likely to perform poorly in a protracted recession.

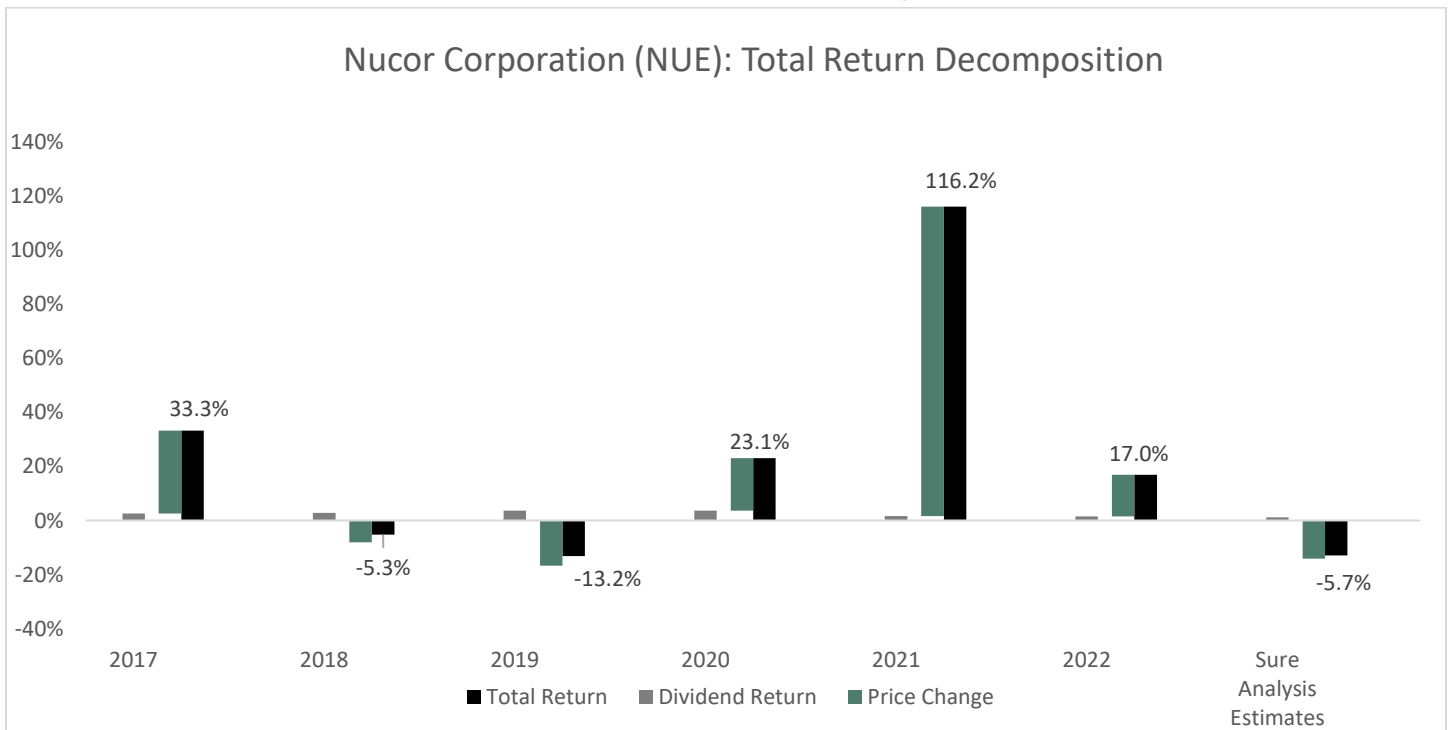
That said, Nucor has raised its base dividend for 50 straight years. This indicates the strength of its business model and management team. Nucor deserves commendation for its ability to land on the Dividend Kings list despite a highly cyclical business model. However, investors cannot be fully assured of future dividend increases due to this cyclicity.

While competitive advantages are difficult to come by for a commodity producer, Nucor's low cost of production and immense scale are certainly helpful when competing for new business.

## Final Thoughts & Recommendation

Nucor has a competitive advantage in the steel industry, which is expected to be around for a long time to come. It is a low-cost producer and has a healthy balance sheet. It is also a Dividend King. However, with earnings per share likely to decline significantly off recent historic highs over the next half decade, we see Nucor offering negative total returns in the coming years. Due to this, we rate shares a Sell.

## Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# Nucor Corporation (NUE)

Updated January 28<sup>th</sup>, 2023 by Samuel Smith

## Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenue</b>	19,052	21,105	16,439	16,208	20,252	25,067	22,589	20,140	36,484	41,512
<b>Gross Profit</b>	1,411	1,849	1,114	2,026	2,569	4,295	2,679	2,228	11,025	12,503
<b>Gross Margin</b>	7.4%	8.8%	6.8%	12.5%	12.7%	17.1%	11.9%	11.1%	30.2%	30.1%
<b>SG&amp;A Exp.</b>	468	521	459	597	688	861	711	615	1,707	1,997
<b>D&amp;A Exp.</b>	610	724	700	687	727	720	735	785	865	1,062
<b>Operating Profit</b>	943	1,328	655	1,429	1,882	3,435	1,968	1,613	9,319	10,506
<b>Op. Margin</b>	4.9%	6.3%	4.0%	8.8%	9.3%	13.7%	8.7%	8.0%	25.5%	25.3%
<b>Net Profit</b>	488	679	81	796	1,319	2,361	1,271	721	6,827	7,607
<b>Net Margin</b>	2.6%	3.2%	0.5%	4.9%	6.5%	9.4%	5.6%	3.6%	18.7%	18.3%
<b>Free Cash Flow</b>	(119)	675	1,795	1,145	607	1,411	1,332	1,154	4,609	8,124
<b>Income Tax</b>	206	369	49	398	369	748	412	(0)	2,078	2,165

## Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Assets</b>	15,203	15,616	14,327	15,224	15,841	17,921	18,345	20,125	25,823	32,479
<b>Cash &amp; Equivalents</b>	1,483	1,024	1,939	2,046	949	1,399	1,535	2,640	2,365	4,281
<b>Acc. Receivable</b>	1,811	2,068	1,384	1,632	2,029	2,506	2,160	2,299	3,854	3,591
<b>Inventories</b>	2,606	2,745	2,245	2,480	3,462	4,554	3,842	3,569	6,011	5,454
<b>Goodwill &amp; Int.</b>	2,848	2,931	2,782	2,920	3,111	3,013	2,943	2,898	3,931	7,242
<b>Total Liabilities</b>	7,293	7,541	6,477	6,969	6,756	7,719	7,553	8,894	11,219	12,909
<b>Accounts Payable</b>	1,117	994	567	838	1,181	1,428	1,202	1,432	1,974	1,650
<b>Long-Term Debt</b>	4,409	4,584	4,388	4,357	3,795	4,291	4,298	5,250	5,685	6,691
<b>Total Equity</b>	7,646	7,772	7,478	7,880	8,739	9,792	10,358	10,789	14,016	18,415
<b>LTD/E Ratio</b>	0.58	0.59	0.59	0.55	0.43	0.44	0.41	0.49	0.41	0.36

## Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Return on Assets</b>	3.3%	4.4%	0.5%	5.4%	8.5%	14.0%	7.0%	3.8%	29.7%	26.1%
<b>Return on Equity</b>	6.4%	8.8%	1.1%	10.4%	15.9%	25.5%	12.6%	6.8%	55.0%	46.9%
<b>ROIC</b>	4.1%	5.4%	0.6%	6.4%	10.3%	17.2%	8.6%	4.6%	37.1%	32.8%
<b>Shares Out.</b>	318	319	318	319	318	305	301	298	272	257
<b>Revenue/Share</b>	59.67	65.93	51.26	50.68	63.14	79.14	73.94	66.41	124.35	157.74
<b>FCF/Share</b>	(0.37)	2.11	5.60	3.58	1.89	4.46	4.36	3.80	15.71	30.87

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

### Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.