



Nucor Corporation (NUE)

Updated July 31st, 2023 by Samuel Smith

Key Metrics

Current Price:	\$173	5 Year CAGR Estimate:	-6.4%	Market Cap:	\$42B
Fair Value Price:	\$159	5 Year Growth Estimate:	-6.5%	Ex-Dividend Date:	9/30/23 ¹
% Fair Value:	109%	5 Year Valuation Multiple Estimate:	-1.7%	Dividend Payment Date:	10/11/23 ²
Dividend Yield:	1.2%	5 Year Price Target	\$114	Years Of Dividend Growth:	50
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Sell

Overview & Current Events

Nucor is the largest publicly traded US-based steel corporation based on its market capitalization of \$42 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 July 24th, Nucor reported its second quarter results. It reported consolidated net earnings of \$1.46 billion, or \$5.81 per diluted share, for Q2 2023, compared to \$1.14 billion, or \$4.45 per diluted share, in Q1 2023 and \$2.56 billion, or \$9.67 per diluted share, in Q2 2022. In the first six months of 2023, they reported consolidated net earnings of \$2.60 billion, or \$10.26 per diluted share, compared to \$4.66 billion, or \$17.30 per diluted share, in the first six months of 2022. Nucor's CEO highlighted their strong returns from investments, record safety performance, and strategic initiatives to position the company as an efficient and sustainable industry leader in North America.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$1.52	\$2.22	\$1.11	\$2.26	\$3.57	\$7.64	\$4.24	\$4.40	\$23.44	\$28.79	\$13.26	\$9.46
DPS	\$1.47	\$1.48	\$1.49	\$1.50	\$1.51	\$1.52	\$1.60	\$1.61	\$1.72	\$2.00	\$2.04	\$2.20
Shares³	318	319	318	319	318	305	301	298	270	252	250	240

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
Avg. P/E	31.2	23.2	40.1	19.7	16.3	7.0	10.5	10.2	20.4	27.1	13.0	12.0
Avg. Yld.	3.1%	2.9%	3.3%	3.4%	2.6%	2.8%	3.6%	3.6%	1.6%	1.5%	1.2%	1.9%

¹ Estimate

² Estimated

³ Share count in millions

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Due to Nucor's earnings cyclicality, 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 strong performance in the stock in recent years leaves it yielding just 1.2%. Furthermore, the expected earnings-per-share this year puts the price to earnings multiple at 13, which is 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 expand as earnings normalize from their present inflated levels.

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.

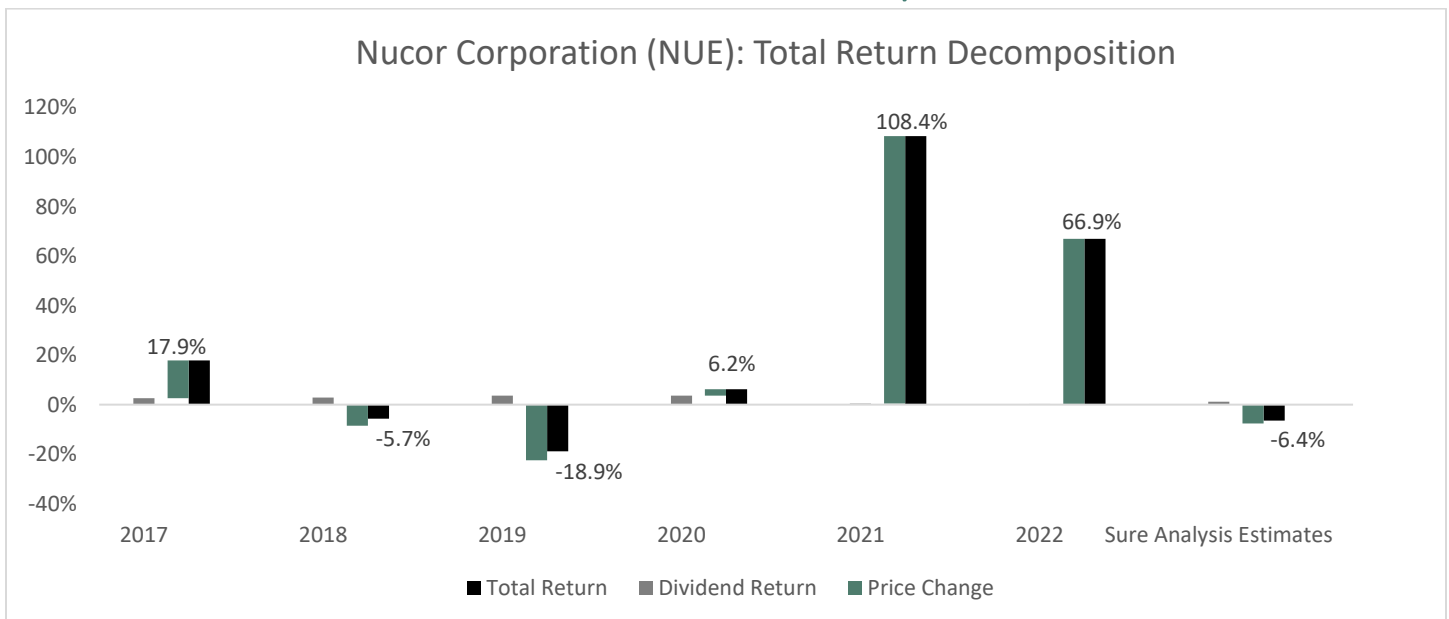
That said, Nucor has raised its base dividend for 50 straight years. This indicates the strength of its business model and management team. Nucor deserves commendation for its ability to land on the Dividend Kings list despite a highly cyclical business model. However, investors cannot be fully assured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

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 annualized total returns (-6.4%) in the coming years. Due to this, we rate shares a Sell.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	19,052	21,105	16,439	16,208	20,252	25,067	22,589	20,140	36,484	41,512
Gross Profit	1,411	1,849	1,114	2,026	2,569	4,295	2,679	2,228	11,025	12,503
Gross Margin	7.4%	8.8%	6.8%	12.5%	12.7%	17.1%	11.9%	11.1%	30.2%	30.1%
SG&A Exp.	468	521	459	597	688	861	711	615	1,707	1,997
D&A Exp.	610	724	700	687	727	720	735	785	865	1,062
Operating Profit	943	1,328	655	1,429	1,882	3,435	1,968	1,613	9,319	10,506
Op. Margin	4.9%	6.3%	4.0%	8.8%	9.3%	13.7%	8.7%	8.0%	25.5%	25.3%
Net Profit	488	679	81	796	1,319	2,361	1,271	721	6,827	7,607
Net Margin	2.6%	3.2%	0.5%	4.9%	6.5%	9.4%	5.6%	3.6%	18.7%	18.3%
Free Cash Flow	(119)	675	1,795	1,145	607	1,411	1,332	1,154	4,609	8,124
Income Tax	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
Total Assets	15,203	15,616	14,327	15,224	15,841	17,921	18,345	20,125	25,823	32,479
Cash & Equivalents	1,483	1,024	1,939	2,046	949	1,399	1,535	2,640	2,365	4,281
Acc. Receivable	1,811	2,068	1,384	1,632	2,029	2,506	2,160	2,299	3,854	3,591
Inventories	2,606	2,745	2,245	2,480	3,462	4,554	3,842	3,569	6,011	5,454
Goodwill & Int.	2,848	2,931	2,782	2,920	3,111	3,013	2,943	2,898	3,931	7,242
Total Liabilities	7,293	7,541	6,477	6,969	6,756	7,719	7,553	8,894	11,219	12,909
Accounts Payable	1,117	994	567	838	1,181	1,428	1,202	1,432	1,974	1,650
Long-Term Debt	4,409	4,584	4,388	4,357	3,795	4,291	4,298	5,250	5,685	6,691
Total Equity	7,646	7,772	7,478	7,880	8,739	9,792	10,358	10,789	14,016	18,415
LTD/E Ratio	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
Return on Assets	3.3%	4.4%	0.5%	5.4%	8.5%	14.0%	7.0%	3.8%	29.7%	26.1%
Return on Equity	6.4%	8.8%	1.1%	10.4%	15.9%	25.5%	12.6%	6.8%	55.0%	46.9%
ROIC	4.1%	5.4%	0.6%	6.4%	10.3%	17.2%	8.6%	4.6%	37.1%	32.8%
Shares Out.	318	319	318	319	318	305	301	298	272	257
Revenue/Share	59.67	65.93	51.26	50.68	63.14	79.14	73.94	66.41	124.35	157.74
FCF/Share	(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.

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