



Nucor Corporation (NUE)

Updated February 15th, 2024 by Samuel Smith

Key Metrics

Current Price:	\$186	5 Year CAGR Estimate:	-2.1%	Market Cap:	\$46B
Fair Value Price:	\$163	5 Year Growth Estimate:	-0.9%	Ex-Dividend Date:	3/28/24 ¹
% Fair Value:	114%	5 Year Valuation Multiple Estimate:	-2.6%	Dividend Payment Date:	5/9/24 ²
Dividend Yield:	1.2%	5 Year Price Target	\$156	Years Of Dividend Growth:	51
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 \$46 billion. The steel industry is notoriously cyclical, which makes Nucor's streak of 51 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.

Nucor Corporation (NYSE: NUE) disclosed its Q4 2023 earnings on January 30, 2024, demonstrating resilience amid challenging market conditions. The company reported earnings of \$3.16 per share for the quarter, a decrease from the previous year's \$4.89 per share but surpassing the consensus estimate of \$2.83. Nucor's net sales for the quarter amounted to \$7.70 billion, marking an 11.7% decrease year-over-year, yet exceeding the consensus estimates. The decline in earnings during the fourth quarter was primarily attributed to lower prices, reflecting the volatile steel market conditions. For the full year 2023, Nucor reported net earnings of \$4.52 billion or \$18 per share, a decrease from 2022's net earnings of \$7.61 billion or \$28.79 per share. The total net sales for the year stood at \$34.71 billion, showing a 16% decrease from the previous year. Despite the declines, these figures represent the third most profitable year in Nucor's history, reflecting the company's robust business model and strategic resilience. Looking ahead, Nucor anticipates an increase in earnings for Q1 2024 compared to the Q4 2023 figures, driven by expected improvements in the steel mills segment due to increased average selling prices and volumes. While the steel products segment might see a decline due to reduced average selling prices, the raw materials segment is projected to see sequential earnings rise, mainly from improved profitability at DRI facilities and enhanced performance in scrap processing and brokerage operations.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$2.22	\$1.11	\$2.26	\$3.57	\$7.64	\$4.24	\$4.40	\$23.44	\$28.79	\$18.00	\$13.60	\$13.00
DPS	\$1.48	\$1.49	\$1.50	\$1.51	\$1.52	\$1.60	\$1.61	\$1.72	\$2.00	\$2.04	\$2.16	\$2.40
Shares³	319	318	319	318	305	301	298	270	252	247	247	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. Even though its EPS declined some in 2023, it was still very elevated relative to pre-2021 levels and we expect it remaining at an elevated level for the foreseeable future. We also expect the dividend to continue growing moving forward.

¹ Estimate

² Estimated

³ 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.



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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	23.2	40.1	19.7	16.3	7	10.5	10.2	20.4	27.1	14.0	13.7	12.0
Avg. Yld.	2.9%	3.3%	3.4%	2.6%	2.8%	3.6%	3.6%	0.4%	0.3%	1.1%	1.2%	1.5%

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 13.7, 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 compress as earnings normalize from their present inflated levels.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	67%	134%	66%	42%	20%	38%	37%	7%	7%	11%	16%	18%

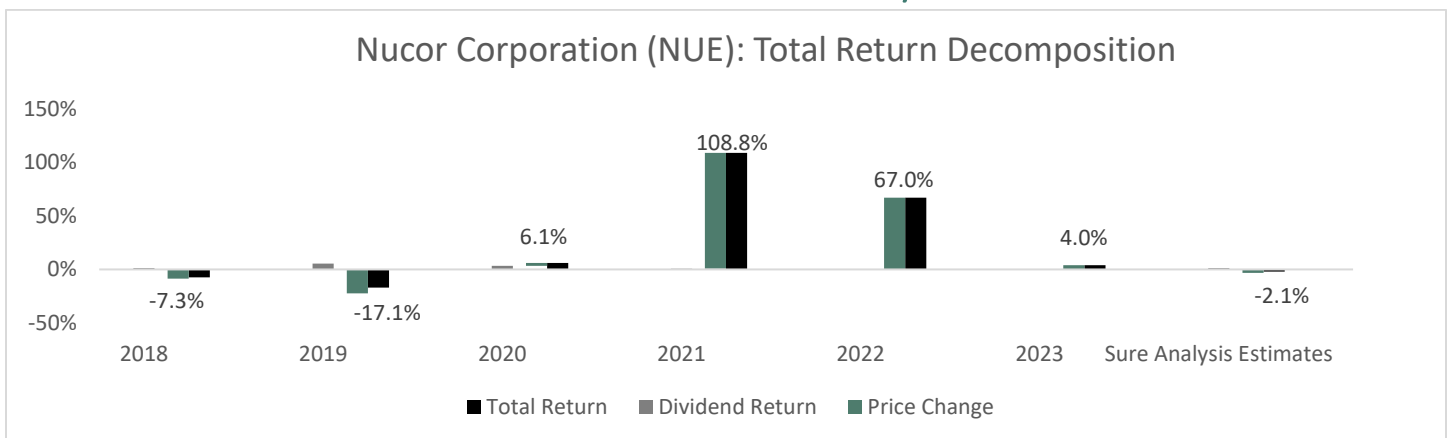
As a commodity producer, Nucor is vulnerable to fluctuations in the price of steel. Steel demand is tied to construction and the overall economy. During the Great Recession, the company saw earnings-per-share decline from \$6.01 in 2008 to a loss of \$0.94 in 2009, and the stock lost two-thirds of its 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 51 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 stagnate over the next half decade after recently hitting historic highs, we see Nucor offering negative annualized total returns (-2.1%) 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	21,105	16,439	16,208	20,252	25,067	22,589	20,140	36,484	41,512	34,714
Gross Profit	1,849	1,114	2,026	2,569	4,295	2,679	2,228	11,025	12,503	7,814
Gross Margin	8.8%	6.8%	12.5%	12.7%	17.1%	11.9%	11.1%	30.2%	30.1%	22.5%
SG&A Exp.	521	459	597	688	861	711	615	1,707	1,997	1,584
D&A Exp.	724	700	687	727	720	735	785	865	1,062	1,168
Operating Profit	1,328	655	1,429	1,882	3,435	1,968	1,613	9,319	10,506	6,230
Op. Margin	6.3%	4.0%	8.8%	9.3%	13.7%	8.7%	8.0%	25.5%	25.3%	17.9%
Net Profit	679	81	796	1,319	2,361	1,271	721	6,827	7,607	4,525
Net Margin	3.2%	0.5%	4.9%	6.5%	9.4%	5.6%	3.6%	18.7%	18.3%	13.0%
Free Cash Flow	675	1,795	1,145	607	1,411	1,332	1,154	4,609	8,124	4,898
Income Tax	369	49	398	369	748	412	(0)	2,078	2,165	1,360

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	15,616	14,327	15,224	15,841	17,921	18,345	20,125	25,823	32,479	35,340
Cash & Equivalents	1,024	1,939	2,046	949	1,399	1,535	2,640	2,365	4,281	6,383
Acc. Receivable	2,068	1,384	1,632	2,029	2,506	2,160	2,299	3,854	3,591	2,953
Inventories	2,745	2,245	2,480	3,462	4,554	3,842	3,569	6,011	5,454	5,578
Goodwill & Int.	2,931	2,782	2,920	3,111	3,013	2,943	2,898	3,931	7,242	7,077
Total Liabilities	7,541	6,477	6,969	6,756	7,719	7,553	8,894	11,219	12,909	13,217
Accounts Payable	994	567	838	1,181	1,428	1,202	1,432	1,830	1,486	2,020
Long-Term Debt	4,584	4,388	4,357	3,795	4,291	4,298	5,250	5,491	6,484	6,842
Total Equity	7,772	7,478	7,880	8,739	9,792	10,358	10,789	14,016	18,415	20,941
LTD/E Ratio	0.59	0.59	0.55	0.43	0.44	0.41	0.49	0.39	0.35	0.33

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	4.4%	0.5%	5.4%	8.5%	14.0%	7.0%	3.8%	29.7%	26.1%	13.3%
Return on Equity	8.8%	1.1%	10.4%	15.9%	25.5%	12.6%	6.8%	55.0%	46.9%	23.0%
ROIC	5.4%	0.6%	6.4%	10.3%	17.2%	8.6%	4.6%	37.3%	33.0%	16.4%
Shares Out.	319	318	319	318	305	301	298	270	252	247
Revenue/Share	65.93	51.26	50.68	63.14	79.14	73.94	66.41	124.35	157.74	138.63
FCF/Share	2.11	5.60	3.58	1.89	4.46	4.36	3.80	15.71	30.87	19.56

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

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