Steel Dynamics (STLD)

Updated April 24th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	$122	**5 Year CAGR Estimate:**	-0.6%	**Market Cap:**	$17.6 B
Fair Value Price:	$107	**5 Year Growth Estimate:**	0.0%	**Ex-Dividend Date:**	6/27/2025[1]
% Fair Value:	114%	**5 Year Valuation Multiple Estimate:**	-2.7%	**Dividend Payment Date:**	7/11/2025
Dividend Yield:	1.6%	**5 Year Price Target**	$107	**Years Of Dividend Growth:**	13
Dividend Risk Score:	D	**Sector:** Materials		**Rating:**	Hold

Overview & Current Events

Steel Dynamics is the youngest of America's major steel producers. It was founded in Indiana in 1993 and completed its IPO in 1996. It is one of the largest domestic steel producers, with annual production capacity of approximately 13 million tons and a market capitalization of $17.6 billion.

The coronavirus crisis severely hurt the demand for steel due to its impact on the automotive industry. Consequently, a great portion of high-cost steel production was idled. However, when the economy reopened, the demand for steel recovered swiftly. Even better for steel producers, thanks to extremely low steel inventory levels, flat rolled steel prices rallied to all-time highs in 2021. Flat rolled steel prices have corrected since then but they are likely to remain above-average in the absence of a recession, given the sustained demand from automakers and renewable energy projects.

In late April, Steel Dynamics reported (4/22/25) financial results for the first quarter of fiscal 2025. Sales dipped -7% and earnings-per-share decreased -61% over the prior year's quarter, from $3.67 to $1.44, due to lower steel prices. Earnings-per-share exceeded the analysts' consensus by $0.03. Steel Dynamics has exceeded the analysts' estimates in 21 of the last 22 quarters.

Steel prices have corrected sharply this year due to the potential impact of the escalating trade war on global economic growth. However, Steel Dynamics expects higher earnings thanks to higher prices in the second quarter. It also expects strong demand for its steel products thanks to demand from governmental infrastructure projects. Given the improved outlook of management, we have raised our forecast for earnings-per-share this year from $8.80 to $9.60.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$0.74	$1.92	$2.65	$5.40	$3.04	$2.84	$16.09	$22.68	$14.64	$9.84	***$9.60***	***$9.60***
DPS	$0.55	$0.56	$0.62	$0.75	$0.96	$1.00	$1.04	$1.36	$1.70	$1.84	***$2.00***	***$2.60***
Shares[2]	243.1	243.8	237.4	225.3	214.5	212.1	198.8	175.9	161.4	153.0	***150.0***	***130.0***

Commodity producers are usually highly cyclical stocks, as their earnings are very sensitive to the dramatic swings of commodity prices. When prices are high, producers boost their production, which eventually results in an oversupplied market and a plunge in prices. This cyclical behavior is clearly reflected in the above table, which depicts the volatile performance record of Steel Dynamics.

On the bright side, Steel Dynamics has worked to broaden its product portfolio with high-quality steel products and expand its market diversity. As a result, it has consistently achieved a much higher utilization rate (80%-90%) in its steel mills when compared to the industry average (70%-80%). It has also pursued growth via some acquisitions. We view the earnings of 2021-2023 as abnormal and use earnings-per-share of $9.60 as a base for our calculations of potential future returns, in line with the 8-year average of the company. We expect Steel Dynamics to earn approximately $9.60 per share in 2030 as well. If the demand for steel remains in growth mode for years, Steel Dynamics may exceed our expectations. Nevertheless, we find it prudent to be on the safe side, given the high cyclicality of this industry.

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[1] Estimated date.

[2] 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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	26.1	13.1	13.6	8.2	10.5	10.2	3.5	3.5	7.4	13.0	***12.7***	***11.1***
Avg. Yld.	2.8%	2.2%	1.7%	1.7%	3.0%	3.5%	1.8%	1.7%	1.6%	1.4%	***1.6%***	***2.4%***

Due to its cyclicality, Steel Dynamics trades at low price-to-earnings ratios when it enjoys great profits and at high earnings multiples during rough periods. Steel Dynamics has more than doubled since early 2022 and is now trading at 12.7 times its "normal earnings", which is higher than the 10-year average of 11.1. Due to the high cyclicality of the stock, we assume a fair price-to-earnings ratio of 11.1. If the stock reaches our fair value estimate, it will incur a -2.7% annualized drag in its returns over the next five years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

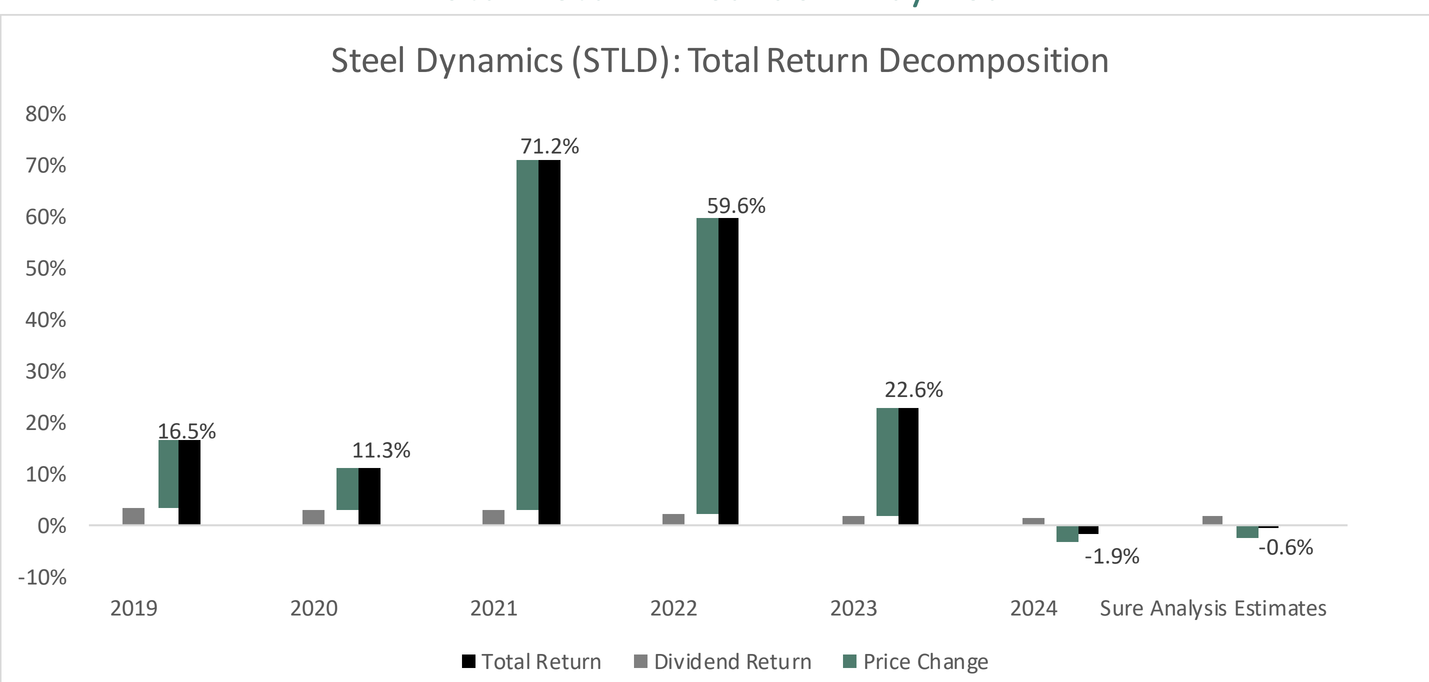
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	74%	29%	23%	14%	32%	35%	6%	6%	12%	19%	***21%***	***27%***

Steel Dynamics has raised its dividend by 9% this year and thus it has raised its dividend for 13 consecutive years, but it is offering a lackluster 1.6% dividend yield. Due to the cyclicality of its business, it is not suitable for income-oriented investors. Fortunately, the company has a strong balance sheet, which is paramount during downturns, such as the collapse of commodity prices in 2015. Steel Dynamics is also better than its average peer thanks to its high-quality products, which somewhat differentiate the company from its peers. The company has also posted strong free cash flows in every single year in the last decade. Steel Dynamics is one of the highest-quality steel producers, but it is not immune to the cyclicality of its industry.

Final Thoughts & Recommendation

Steel Dynamics has declined -21% off its peak in November but it remains unattractive from a long-term perspective. The stock could offer a -0.6% average annual total return over the next five years, as its 1.6% dividend could be offset by a -2.7% annualized valuation drag. The stock is risky from a long-term perspective. It receives a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	7,594	7,777	9,539	11,822	10,465	9,601	18,409	22,261	18,795	17,540
Gross Profit	732	1,335	1,582	2,323	1,531	1,435	5,362	6,118	4,046	2,803
Gross Margin	9.6%	17.2%	16.6%	19.6%	14.6%	14.9%	29.1%	27.5%	21.5%	16.0%
SG&A Exp.	352	445	486	573	515	539	1,032	998	589	664
Operating Profit	295	296	299	317	321	326	348	5,092	3,423	2,108
Op. Margin	356	861	1,067	1,722	987	867	4,301	22.9%	18.2%	12.0%
Net Profit	4.7%	11.1%	11.2%	14.6%	9.4%	9.0%	23.4%	3,863	2,451	1,537
Net Margin	(130)	382	813	1,258	671	551	3,214	17.4%	13.0%	8.8%
Free Cash Flow	-1.7%	4.9%	8.5%	10.6%	6.4%	5.7%	17.5%	3,552	1,862	(24)
Income Tax	939	655	574	1,176	944	(211)	1,198	1,142	752	433

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	6,202	6,424	6,856	7,704	8,276	9,266	12,531	14,160	14,908	14,935
Cash & Equivalents	727	841	1,029	828	1,381	1,369	1,244	1,628	1,401	589
Acc. Receivable	614	730	869	1,044	844	972	1,916	2,056	1,608	1,417
Inventories	1,149	1,275	1,519	1,859	1,689	1,844	3,531	3,130	2,895	3,114
Goodwill & Int.	676	677	644	700	781	782	749	770	735	705
Total Liabilities	3,531	3,535	3,549	3,816	4,211	4,917	6,211	6,064	6,069	5,990
Accounts Payable	283	395	489	551	513	769	1,281	1,017	1,088	980
Long-Term Debt	2,595	2,357	2,382	2,377	2,734	3,103	3,106	3,071	3,071	3,231
Total Equity	2,680	2,927	3,352	3,935	4,076	4,345	6,305	8,130	8,867	8,934
LTD/E Ratio	0.97	0.81	0.71	0.60	0.67	0.71	0.49	0.38	0.35	0.36

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-1.9%	6.1%	12.2%	17.3%	8.4%	6.3%	29.5%	28.9%	16.9%	10.3%
Return on Equity	-4.7%	13.6%	25.9%	34.5%	16.8%	13.1%	60.4%	53.5%	28.8%	17.3%
ROIC	-2.3%	7.3%	14.9%	21.1%	10.3%	7.7%	38.1%	37.5%	21.2%	12.8%
Shares Out.	243.1	243.8	237.4	225.3	214.5	212.1	198.8	184.6	167.4	156.1
Revenue/Share	31.38	31.70	39.45	50.26	47.41	45.22	89.10	120.57	112.26	112.34
FCF/Share	3.88	2.67	2.38	5.00	4.28	(0.99)	5.80	19.24	11.12	(0.15)

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