Reliance Steel & Aluminum (RS)

Updated August 13th, 2025, by Aristofanis Papadatos

Key Metrics

Current Price:	$287	**5 Year CAGR Estimate:**	-1.6%	**Market Cap:**	$15.0 B
Fair Value Price:	$215	**5 Year Growth Estimate:**	2.0%	**Ex-Dividend Date:**	8/15/25
% Fair Value:	134%	**5 Year Valuation Multiple Estimate:**	-5.7%	**Dividend Payment Date:**	8/29/25
Dividend Yield:	1.7%	**5 Year Price Target**	$237	**Years Of Dividend Growth:**	15
Dividend Risk Score:	C	**Sector:** Materials		**Rating:**	Hold

Overview & Current Events

Reliance Steel & Aluminum (RS) is a diversified metal solutions provider and metal services company. It was founded in 1939 and offers over 100,000 metal products (including alloy, aluminum, brass, copper, steel, titanium, etc.) across its ~315 locations. The company has a degree of recession resiliency, as it has remained profitable every year since its IPO in 1994, and is well positioned to benefit from global supply shortages. The revenues of the company are diversified across regions and commodities, with the 3 largest regions being the Midwest (35%), West/Southwest (21%), and the Southeast (20%), and the 3 largest products being carbon steel (55%), stainless steel (17%) and aluminum (15%). Some investors may consider this company to be a play on the steel markets, since ~72% of revenues come from steel. Reliance Steel & Aluminum has consistently enhanced its gross margins, from 25%-27% in the past to 29%-31%, which management considers sustainable in the long run. The stock has a market capitalization of $15.0 billion.

In late July, Reliance Steel & Aluminum reported (7/23/25) results for the second quarter of 2025. Revenue grew 5% sequentially thanks to record second-quarter volumes and a significant increase in average realized prices. As a result, earnings-per-share grew 18%, from $3.77 to $4.43, but missed the analysts' consensus by $0.28. The company expects a 1%-3% decrease in volumes and essentially flat prices in the third quarter of this year. As a result, it expects earnings-per-share of $3.60-$3.80 in the first quarter. Management also expects an improved gross profit margin this year. We still expect earnings-per-share of about $16.50 this year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$4.16	$4.16	$5.47	$8.75	$10.34	$7.19	$21.97	$30.03	$22.62	$15.92	***$16.50***	***$18.22***
DPS	$1.60	$1.65	$1.80	$2.00	$2.20	$2.50	$2.75	$3.50	$4.00	$4.40	***$4.80***	***$6.00***
Shares	72	73	73	67	67	64	62	60	58	55	***52***	***48***

As a commodity producer, Reliance Steel & Aluminum has exhibited a somewhat volatile performance record. Nevertheless, thanks to favorable commodity prices in the last four years, the company has grown its earnings-per-share at an average annualized rate of 16.1% over the last decade. Commodity prices have reverted to normal levels lately and hence it is prudent not to assume significant growth of prices for the upcoming years, especially given their historical wild swings. We thus expect the earnings-per-share of Reliance Steel & Aluminum to grow by 2.0% per year on average beyond this year, mostly thanks to production growth.

Reliance Steel & Aluminum has not cut its dividend for 65 consecutive years and has raised its dividend for 15 years in a row. It has grown its dividend by 11.6% per year on average over the past decade. Given the markedly low payout ratio of 29% and the rock-solid balance sheet of the company, we expect it to keep raising its dividend for many more years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	14.2	17.1	14.1	9.9	9.3	14.5	6.9	6.3	11.4	18.7	***17.4***	***13.0***
Avg. Yld.	2.7%	2.3%	2.3%	2.3%	2.3%	2.4%	1.8%	1.8%	1.6%	1.5%	***1.7%***	***2.5%***

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Reliance Steel & Aluminum has traded at an average price-to-earnings ratio of 12.2 over the past decade. We assume a fair price-to-earnings ratio of 13.0 for this stock, which is currently trading at an earnings multiple of 17.4. If the stock trades at our assumed fair valuation level in five years, it will incur a -5.7% annualized drag in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

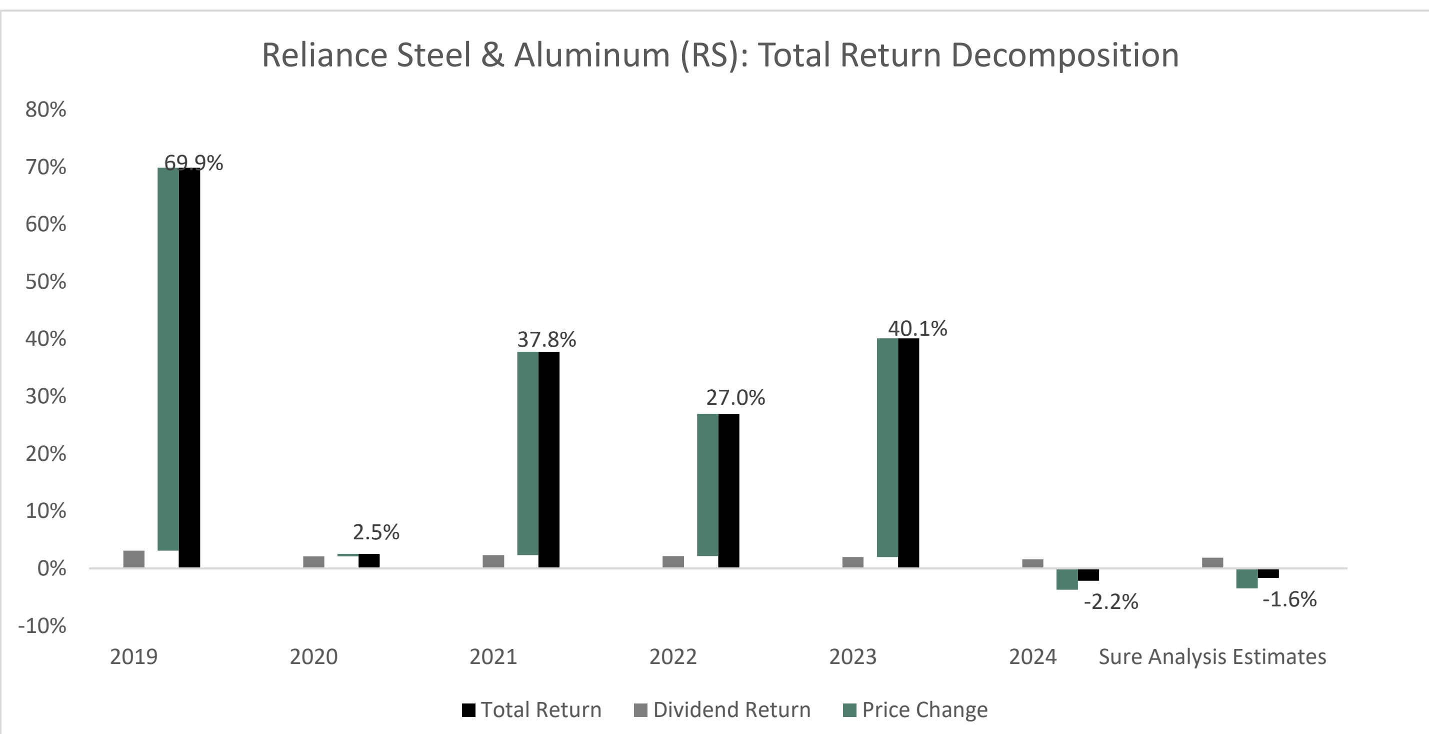
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	38%	40%	33%	23%	21%	35%	13%	12%	18%	28%	***29%***	***33%***

Reliance Steel & Aluminum faces competition from other producers, such as Steel Dynamics and Nucor, but it has maintained a meaningful moat in its business thanks to its broad product portfolio. It has averaged a payout ratio of 26% over the past decade. Thanks to a low payout ratio of 29% and an essentially debt-free balance sheet, the dividend is safe for the foreseeable future. The strong balance sheet is paramount in this cyclical business, as it helps the company endure downturns without any problem. Reliance Steel & Aluminum has a competitive advantage as the largest metals service company in North America. It has also proved fairly resilient to recessions, as it has remained profitable through every recession since its IPO in 1994.

Final Thoughts & Recommendation

Reliance Steel & Aluminum offers investors an opportunity to invest in a company that is currently benefiting from a strong steel market. Although the business is likely to benefit from a booming demand for steel from the semiconductor industry in the long run, we consider the stock unattractive due to its cyclical nature and its nearly 100% rally since early 2022. The stock could offer a -1.6% average annual total return over the next five years, as 2.0% annual growth of earnings-per-share and a 1.7% dividend may be offset by a -5.7% annualized valuation headwind. We rate the stock as a hold. While the stock may remain richly valued for a considerable period, we find it prudent to maintain a cautious long-term perspective due to the high cyclicality of this business.

Total Return Breakdown by Year



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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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	9,351	8,613	9,721	11,535	10,974	8,812	14,093	17,025	14,806	13,835
Gross Profit	2,547	2,590	2,788	3,282	3,329	2,775	4,490	5,251	4,547	4,107
Gross Margin	27.2%	30.1%	28.7%	28.4%	30.3%	31.5%	31.9%	30.8%	30.7%	29.7%
SG&A Exp.	1,735	1,809	1,914	2,104	2,108	1,887	2,321	2,504	2,562	2,666
D&A Exp.	219	222	218	215	219	227	230	240	245	269
Operating Profit	593	559	655	962	1,002	660	1,939	2,507	1,740	1,172
Op. Margin	6.3%	6.5%	6.7%	8.3%	9.1%	7.5%	13.8%	14.7%	11.8%	8.5%
Net Profit	312	304	613	634	702	369	1,413	1,840	1,336	875
Net Margin	3.3%	3.5%	6.3%	5.5%	6.4%	4.2%	10.0%	10.8%	9.0%	6.3%
Free Cash Flow	853	472	237	425	1,059	1,001	563	1,777	1,203	999
Income Tax	143	120	(37)	209	223	106	466	586	401	262

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	7,122	7,411	7,751	8,045	8,131	8,107	9,536	10,330	10,480	10,022
Cash & Equivalents	104	123	154	128	174	684	301	1,173	1,080	318
Acc. Receivable	917	960	1,087	1,242	1,068	926	1,683	1,566	1,472	1,342
Inventories	1,436	1,533	1,726	1,817	1,646	1,420	2,065	1,995	2,043	2,027
Goodwill & Int.	2,850	2,979	2,955	2,943	3,035	2,882	3,185	3,126	3,092	3,169
Total Liabilities	3,179	3,232	3,051	3,365	2,917	2,984	3,442	3,234	2,748	2,791
Accounts Payable	247	302	347	339	275	259	454	412	410	362
Long-Term Debt	1,929	1,929	1,901	2,204	1,589	1,645	1,647	1,648	1,142	1,143
Total Equity	3,914	4,149	4,667	4,672	5,207	5,115	6,087	7,087	7,722	7,220
LTD/E Ratio	0.49	0.47	0.41	0.47	0.31	0.32	0.27	0.23	0.15	0.16

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.2%	4.2%	8.1%	8.0%	8.7%	4.5%	16.0%	18.5%	12.8%	8.5%
Return on Equity	7.8%	7.5%	13.9%	13.6%	14.2%	7.2%	25.2%	27.9%	18.0%	11.7%
ROIC	5.1%	5.1%	9.7%	9.4%	10.3%	5.4%	19.5%	22.3%	15.2%	10.1%
Shares Out.	72	73	73	67	67	64	62	61	59	56
Revenue/Share	124.8	117.8	132.2	159.2	161.7	135.0	219.1	276.85	250.88	245.97
FCF/Share	11.39	6.45	3.23	5.86	15.61	15.34	8.75	28.89	20.38	17.76

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