



Nucor Corporation (NUE)

Updated August 20th, 2024 by Samuel Smith

Key Metrics

Current Price:	\$146	5 Year CAGR Estimate:	2.8%	Market Cap:	\$35B
Fair Value Price:	\$163	5 Year Growth Estimate:	-0.9%	Ex-Dividend Date:	9/28/24 ¹
% Fair Value:	89%	5 Year Valuation Multiple Estimate:	2.3%	Dividend Payment Date:	11/9/24 ²
Dividend Yield:	1.5%	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 \$35 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 (NUE) reported its financial results for the second quarter of 2024, demonstrating strong performance amidst challenging market conditions. The company posted net earnings of \$645.2 million, or \$2.68 per diluted share, with net sales totaling \$8.08 billion. Net earnings before noncontrolling interests were \$712.1 million, and EBITDA reached \$1.23 billion. Comparing these results with previous periods, Nucor's first quarter of 2024 saw net earnings of \$844.8 million, or \$3.46 per diluted share, while the second quarter of 2023 had significantly higher net earnings of \$1.46 billion, or \$5.81 per diluted share. For the first six months of 2024, Nucor reported net earnings of \$1.49 billion, or \$6.14 per diluted share, compared to \$2.60 billion, or \$10.26 per diluted share, in the same period of 2023. Leon Topalian, Nucor's Chair, President, and CEO, highlighted the company's focus on long-term growth despite softer market conditions. He emphasized that Nucor returned over \$1.7 billion to investors through June and reiterated the company's strategy of expanding core steelmaking operations and steel-adjacent downstream markets to create shareholder value and improve earnings stability. He also commended the 32,000 employees for executing the growth plan and achieving the safest start to any year in Nucor's history. In terms of segment performance, Nucor's steel mills segment reported earnings of \$645.3 million in the second quarter of 2024, a decrease from \$1.40 billion in the second quarter of 2023. The steel products segment saw earnings of \$441.4 million, down from \$1.01 billion in the same quarter last year. The raw materials segment reported earnings of \$39.4 million, compared to \$138.4 million in the second quarter of 2023. The corporate/eliminations segment showed a loss of \$(227.9) million, improving from a loss of \$(503.0) million in the second quarter of 2023.

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	241	237	230

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,

¹ Estimate

² Estimated

³ Share count in millions

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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.

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	10.7	12.0
Avg. Yld.	2.9%	3.3%	3.4%	2.6%	2.8%	3.6%	3.6%	0.4%	0.3%	1.1%	1.5%	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 of the stock in recent years leaves it yielding just 1.5%. Furthermore, the expected earnings-per-share this year puts the price-to-earnings multiple at 10.7, which is below 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

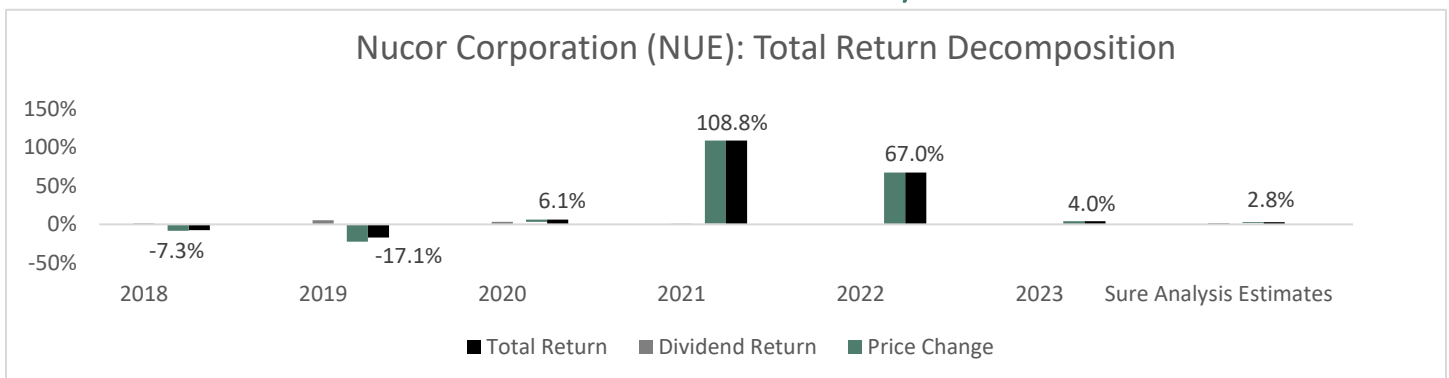
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	67%	134%	66%	42%	20%	38%	37%	7%	7%	11%	16%	18%

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 annualized total returns of just 2.8% 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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