

Company Description: Nucor Corporation manufactures and sells steel and steel products in the United States and internationally. Nucor has three segments: Steel Mills, Steel Products, and Raw Materials.

BUY/HOLD/SELL

Current Price: \$62.64
 Target Price: \$78.64
 Market Cap: 20.41B
 Beta: 1.64
 Dividend Yield: 2.36%
 Other key Metrics/Ratios

	Nucor Corp (LTM)	Competitors Average (LTM)
WACC	8.6%	8.2%
ROIC	8.7%	8.3%
ROIC w/o Goodwill	10.8%	9.0%
ROIC/WACC	1.01	0.97
EBITA Margin	9.3%	4.6%



Thesis:

NUE has upward potential to capitalize on. After the recent macroeconomic events that taken place over the last few months. President Trump addressed the nation directly informing the American public on his \$1 trillion infrastructure plan. Nucor Corporation is the largest steel manufacturer and supplier in the country, therefore the company is almost definitely going to benefit from this announcement. Although 2016 experienced weak earnings, the steelmaker believes 2017 will be much stronger. Favorable prices have benefited NUE coming into the new year and will continue until things change. In light of the recent domestic changes, Nucor also predicts a rise in production because of the decrease in the amount of foreign imported into the United States. In particular Nucor has had to compete with subsidized production in China. These factors can lead to an increased EBITA margins and profitability.

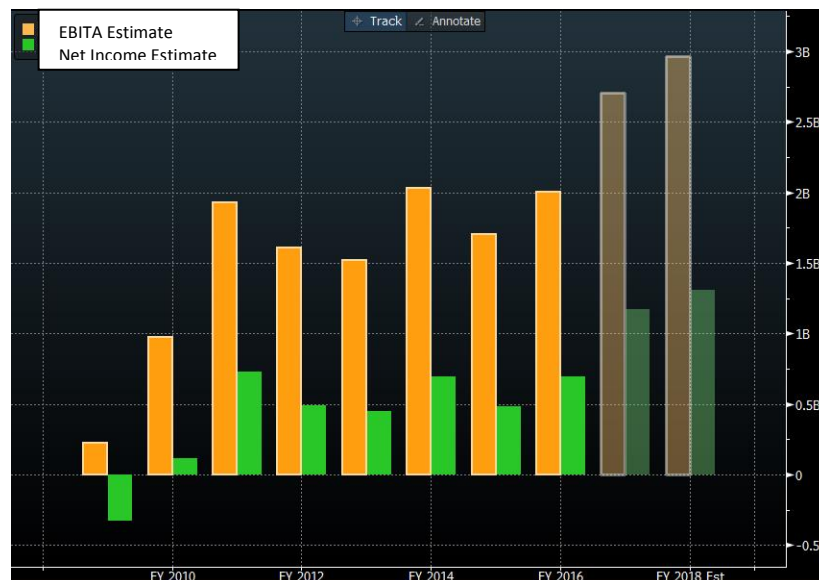
Catalysts:

- **Short Term(within the year):** Favorable pricing trends in raw materials
- **Mid Term(1-2 years):** President Trump’s \$1 Trillion spending on Infrastructure within the United States
- **Long Term(3+):** A reduction in US tax rates and a decrease in the Chinese steel production should stay consistent for at least the next 4 years

Earnings Performance:

After 2014, where NUE saw revenues of \$21,105.1M and an EPS of 2.27, earnings have taken a fall. These are due to an increase in steel prices and an increase in foreign exports. Revenues in 2016 were estimated at \$16,089.1M and the comparable actual was \$16,208.1M, a .7% revenue surprise increase. EPS began to creep back up to its old levels at 2.15. Analysts are optimistic about 2017 and estimate a 16.2% increase in revenue to \$18,842.7M. One thing to keep in mind is that, although revenues have declined since 2014, EBITA (EBITA 2014: 2106.3M, EBITA 2016: 2138.8) and Gross Margin% (Gross Margin 2014: 10.7%, Gross Margin 2016: 11.5%) have increased. Analyst can point these increases to favorable prices experienced in 2016. Due to the macroeconomic conditions the US steel industry may face in 2017, analyst expect increased earnings, EBITA, gross margins, and net income. A decrease in the amount of foreign steel in the market will regulate steel prices to where they belong. Exhibit A shows the EBITA and Net Income estimates for 2017 and 2018. The visual shows the confidence analysts have for the future of Nucor. Additionally, President Trump has proposed a decrease in corporate taxes; this will decrease costs further for the company and increase margins. Nucor, which primarily operates in the US (95.6%) and partially in Canada (4.4%), will see the direct benefits of these tax cuts. In comparison with competitors, Nucor is also able to keep costs lower than the industry averages. Exhibit B indicates that in the last 12 months, Nucor's costs are roughly 6% lower than their major competitors. This leads to increased profitability for Nucor. And as steel prices continue to favor Nucor, earnings can outperform analyst's estimates for the future.

Exhibit A & B:

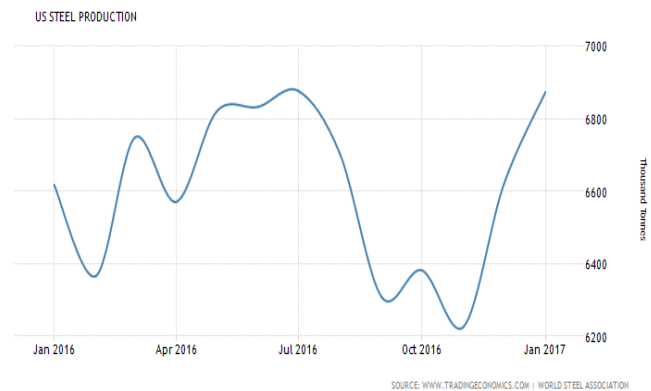


	COMMON SIZE VIEW		COMMON SIZE VIEW	
	6-year Historical Median		Last 12 Months	
	NUE	Competitors	NUE	Competitors
Cost of Revenue / Revenue	90.8%	85.9%	87.5%	82.9%
Other Op. Exp./Revenue*	-0.8%	6.7%	-0.6%	8.8%
Interest exp./Revenue	0.9%	1.5%	1.0%	1.5%
Non-Operating Exp./Revenue	0.1%	0.9%	-0.2%	1.6%
Taxes/revenue	1.6%	0.8%	2.5%	0.9%
Other expenses/Revenue	0.5%	0.3%	0.6%	0.2%
Total	93.4%	96.0%	90.8%	96.0%

Industry Outlook:

2016 was a tough year for the US Steel Industry. Grey matter prices plummeted because of depressed prices and cheap imports from countries like China, Brazil, and Turkey. Analyst expect the US steel industry to rebound in 2017. This is due to increased infrastructure spending and a decreased foreign presence in the market. Nucor will be able to take back market share after President Trump's tariff on imports hits the market. Crude Steel is estimated to rise 4.4% in 2017. This not only benefits NUE, but its many competitors such as AK Steel (NYSE:AKS) and the United States Steel Corporation (NYSE:X), who all experienced a weak 2016 because of the stated macroeconomic catalysts. Nucor is currently the largest steel company in the U.S. with a market cap of 20.41B and industry revenues of 12.47B. Nucor will have the best chance of grabbing the market share that foreign imports will leave behind. 2016 started out poorly for US steel stocks after reported weakness in the industry. However US steel company's raised their prices in the first half of 2016. Hot rolled coil, which is steel that has been rolled to reduce thickness and make the steel uniform, prices \$380 per short ton to \$640 per short ton. Stock prices rallied roughly 70% in the first half. In Q3 2016, steel prices fell by \$150 per short ton. This wiped out much of the gains experienced in the 1H of 2016. Although prices rebounded once again after the election of President Trump. Overall Nucor's stock increased 50.15% in 2016. Despite weak earnings, the market seems to have reacted to 2017 forecasts for the US steel industry. The industry and Nucor in general can see a strong 2017 because of a decrease in corporate tax rates, an increase in domestic infrastructure spending, and a decrease of foreign steel imports.

Industry Summary				
Filter By	N. America	Name	United States	
Mkt Cap >		5) Equity Screening EQS »		
Aggregate Statistics		Value	Count	
Total Market Cap		82.94B	35	
Price/Earnings		-18.88	34	
Total Revenue		107.81B	34	
Industry Revenue		72.80B	34	
Industry Rev. 1YR Growth		-22.34%	34	
	Member Companies	Mkt Cap	Ind Rev↑	% Tot Rev↑
11)	NUCOR CORP	20.41B	12.47B	75.87



Steel Prices for 2017:

Steel prices is arguably the most important success factor for Nucor. The following factors will affect steel prices directly: Trump’s policies, China’s interference in the market, international prices, and raw material prices. China in particular may be the largest catalyst in the increase in steel prices around the world. China has seen an infrastructure boom in the last few years. Hebei Iron and Steel Group, a Chinese state run enterprise, has been pumping out steel to meet demand levels. These levels have ultimately caused global steel prices to decrease. Luckily for investors in Nucor, China has announced that they will cut production by more than 165 million tons by 2020. This will increase steel prices in the market and benefit US steel producers and suppliers, including Nucor. The World Steel Association predicts a 5.9% growth in steel demand in the US from 2016 to 2017.

2017 Steel Price Forecast

Steel (US\$/tonne)



[View source's information](#)

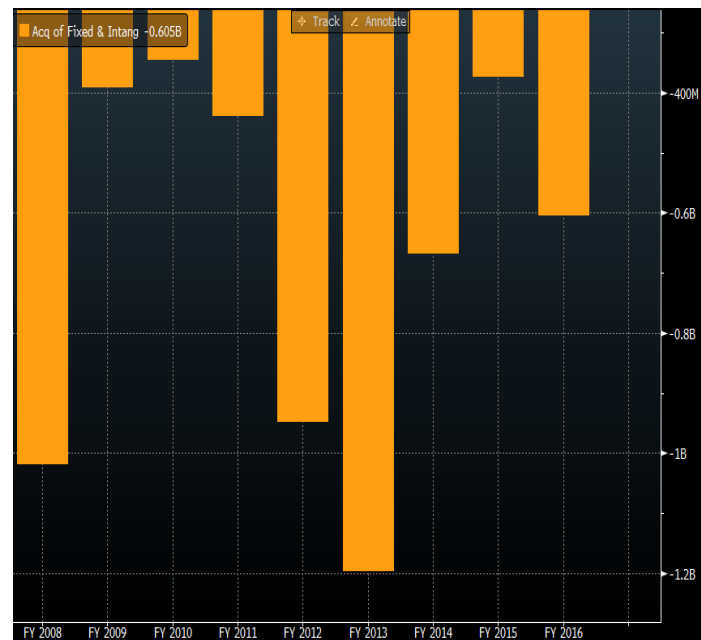
Acquisitions and Expansions:

On March 1, 2017, Nucor acquired the assets of Omega Joist, a subsidiary of Samuel, Son & Co., Ltd. Omega joist produced steel joists, which is a steel truss that is used for support for a roof or deck. The acquisition complements their Vulcraft facility, which is currently under construction. This signals to investors that Nucor is looking to grow in the Canadian steel market and to possibly meet future demands of the market.

In December of 2016, Nucor also announced the \$130M acquisition of the hollow steel company based out of Birmingham, AL, Southland Tube. This move was an effort to expand Nucor's strength in the construction industry. This move may also signal preparation to meet the future demands for steel products in the United States. 2016 was a big spending year for Nucor. These expenditures will help Nucor gain the market share left by foreign imports. Exhibit C shows the acquisition of fixed and intangible assets with a 66.5% increase between 2015 and 2016.

Expenditure for the future includes a joint venture with Japanese steel maker, JFE. This venture is to build a \$270M factory to make steel sheets for automakers. The questionable aspect of this venture is the fact that the factory will be built in Mexico despite President Trump's tariff that will be imposed on imports into the US. This tariff can be a tax up to 45%. Until further notice, Nucor plans on building their plant in May or June.

Exhibit C:



Management:

In 2013, Nucor hired John J Ferriola to be the new CEO. Since his hiring there has been no clear management problems for the company. Mr. Ferriola has steered the company in the right direction for the last 3+ years. After Q2 earnings of 2016, Ferriola accredited their earning success to unrivaled competitive position and highly flexible business model.

Mr. John J. Ferriola: CEO

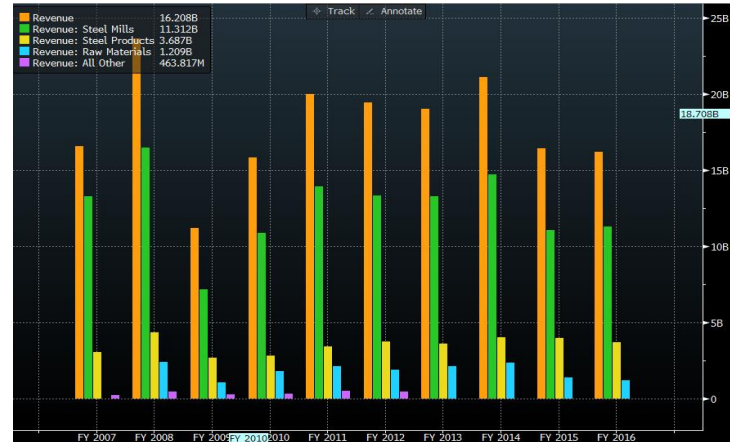
Mr. James D. Frias: CFO

Mr. James R. Darsey: Exec. VP of Merchant and Rebar Products

Mr. Lass R. Hall: Exec. VP of Flat-Rolled Products

Products and Services:

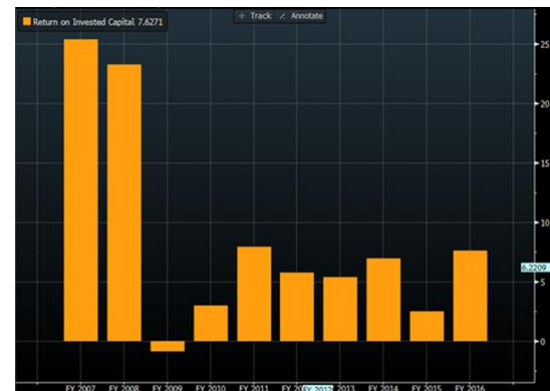
Nucor’s products include carbon steel, steel products, fasteners, alloy steel, raw materials, and SDS by products. In 2016 69.8% of revenues came from steel mills. 22.8% of revenues came from steel products and the remaining 7.5% came from raw materials. 62.6% of the company’s CAPEX was put towards steel mills. Nucor is consider a “mini-mill” steelmaker which uses electric arc furnaces to melt scrap metal. Nucor is also North America’s largest recycler. The company prides itself on being environmentally friendly, implementing green initiatives in the company’s plans. Nucor has a wide range of customers from tech companies to rail road companies.



Competitive Financials:

Currently, Nucor is out performing much of their competition. Their ROIC/WACC (LTM) is 1.32 compared to the competitors’ average of 0.92. Form this ratio, Nucor is proving to investors that they can create more value than their competitors. Their EBITA margin is 9.5% compared to their competitors 4.7%. Nucor is able to be more profitable from the company’s operations. Analyst estimate to increase in 2017 because of the macroeconomic factors. One of the most important ratios is the weighted average cost of capital. Nucor’s WACC is at 8.9% whereas the competition is 0.3% lower than Nucor. Exhibit D shows the company’s return on invested capital. 2015 to 2016 shows an increase of 84.4%. Although Nucor’s WACC is slightly worse than the competition, they are floating around the industry average. It shows that Nucor is able to create value for its investors around the level of the industry. Nucor will be able to maintain these numbers if not improve them because of their increased presence in the US steel market. Their increased market share and price benefits will produce returns for their investors.

Exhibit D:



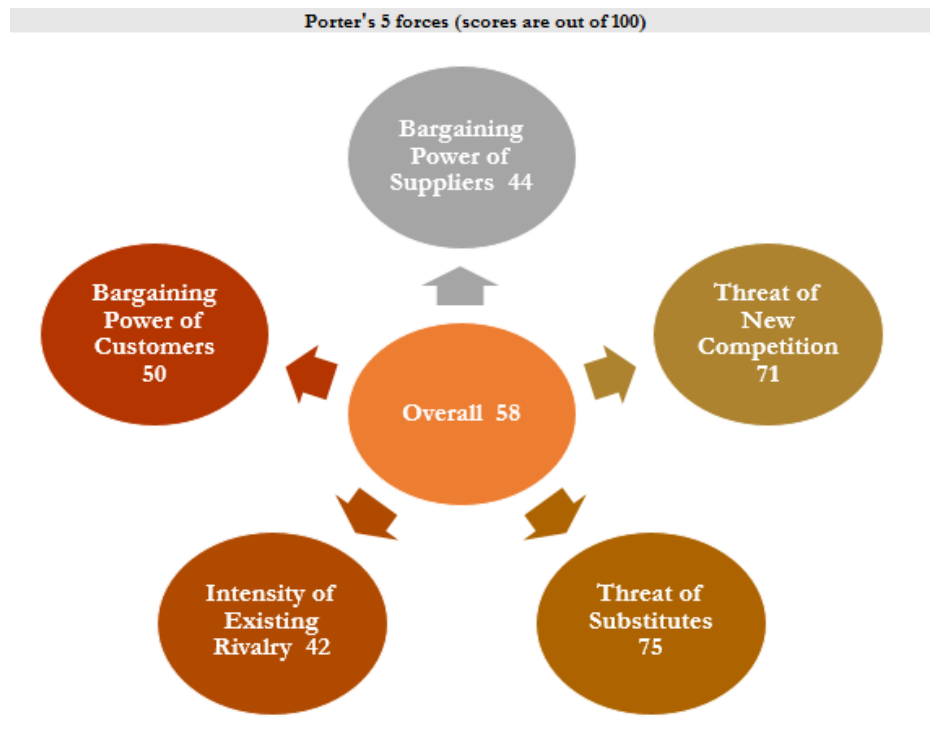
ROIC /WACC		
	History	LTM
NUE	1.11	1.32
Competitors	0.93	0.92
Target	1.41	

WACC		
	History	LTM
NUE	8.6%	8.9%
Competitors	8.4%	8.6%
Target	8.9%	

EBITA Margin		
	History	LTM
NUE	6.1%	9.5%
Competitors	3.9%	4.7%
Target	9.5%	

Porter's Five Forces:

Because of Nucor's size and strength in the market place and the high barriers to entry in the steel industry, the threat of new competition entering the market is low. They also provide a product that is hard to substitute, therefore the threat of other substitutes is also low. Based on these two forces, an investor can assume Nucor's position in the market place is secure. Due to the competition of current US and foreign steel companies, the intensity of existing rivalry is somewhat high. Although a decrease in foreign presence may decrease some of the rivalry in the US steel market. Supplies and customers also have bargaining power with Nucor. This can force Nucor to buy higher and sell lower than they intended. This could decrease profit margins in the long run.



Conclusion: Nucor seems to be in store for a successful 2017. If the company can take advantage of the future macroeconomic events that are predicted to take place, shareholders may see significant returns on their investments. With Chinese steel production decreasing, steel prices should increase in the US. Trump's \$1 trillion infrastructure plan should. This will not only benefit Nucor, but other companies and industries involved. Corporate tax cuts should also help increase earnings for shareholders. With increases in CAPEX, the company is set to take on the predicted increases in steel demands within the US. With a target price of \$78.64, Nucor seems like they have more than enough of an opportunity to reach this point. **ENTRY POINT: \$62.64 TARGET: \$78.64 TARGET 1 Yr. Return: 2**



Nucor Corporation (NUE)

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

Analysis by **MICHAEL CAPOZZI**
3/3/2017

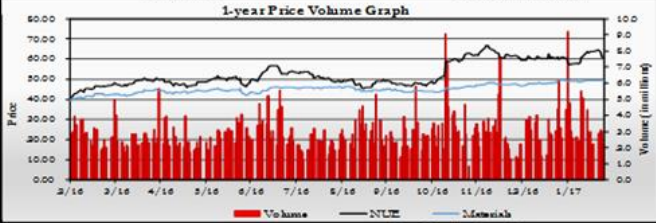
Current Price:
Dividend Yield:

\$62.64
2.6%

Intrinsic Value
Target Price

\$70.69
\$78.64

Target 1 year Return: 28.18%
Probability of Price Increase: 98.4%



Description	
Nucor Corporation manufactures and sells steel and steel products in the United States and internationally.	
General Information	
Sector	Materials
Industry	Metals and Mining
Last Guidance	November 3, 2015
Next earnings date	April 20, 2017
Estimated Country Risk Premium	6.25%
Effective Tax rate	40%
Effective Operating Tax rate	35%

Market Data	
Market Capitalization	\$19,949.91
Daily volume (mil)	2.65
Shares outstanding (mil)	318.49
Diluted shares outstanding (mil)	319.82
% shares held by institutions	74%
% shares held by investment Managers	68%
% shares held by hedge funds	4%
% shares held by insiders	0.31%
Short interest	1.81%
Days to cover short interest	1.97
\$2 wash high	\$68.00
\$2-wash low	\$39.08
Levered Beta	1.46
Volatility	24.72%

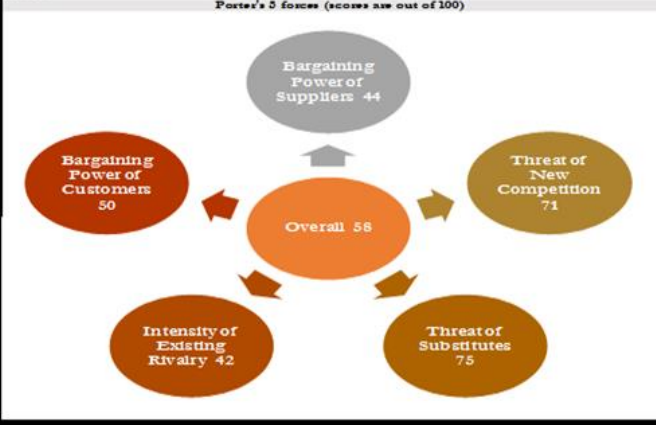
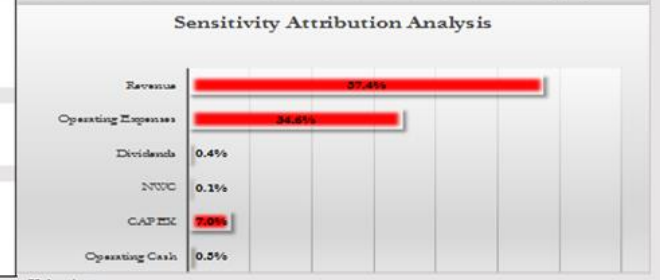
Past Earning Surprises	
Quarter ending	Revenue
12/31/2015	-8.46%
4/2/2016	-7.11%
7/2/2016	-14.89%
10/1/2016	-8.99%
12/31/2016	2.83%
Mean	-8.60%
Standard error	1.8%

EBITDA	
12/31/2015	19.85%
4/2/2016	-24.44%
7/2/2016	-7.27%
10/1/2016	-7.00%
12/31/2016	5.42%
Mean	-2.73%
Standard error	7.3%



Management	
Parziale, John	Position: Chairman, Chief Executive Of
Fritz, James	Position: Chief Financial Officer, Exec
Darvey, James	Position: Executive Vice President of
Hall, David	Position: Executive Vice President of
Sutton, R.	Position: Chief Digital Officer and Ex
Kelley, Michael	Position: Principal Accounting Officer
Profitability	
ROIC	11.5%
NOFAT Margin	7%
Revenue/Invested Capital	1.67
ROE	15.5%
Adjusted net margin	6%
Revenue/Adjusted Book Value	2.48
Invested Funds	
Total Cash/Total Capital	15.3%
Estimated Operating Cash/Total Capital	7.9%
Non-cash working Capital/Total Capital	18.2%
Invested Capital/Total Capital	70.4%
Capital Structure	
Total Debt/Common Equity (LTM)	0.23
Cost of Existing Debt	4.11%
Estimated Cost of new Borrowing	4.21%
CCFS Risk Rating	CCC
Unlevered Beta (LTM)	1.21
WACC	10.42%

Total compensation growth	
44.89% per annum over 5y	
18.46% per annum over 3y	
0.65% per annum over 1y	
3.33% per annum over 4y	
3% per annum over 4y	
N/A	
Total return to shareholders	
-0.49% per annum over 5y	
-0.49% per annum over 3y	
4.82% per annum over 1y	
4.2% per annum over 4y	
4.2% per annum over 4y	
N/A	



Revenue growth	
Period	Revenue growth
Base Year	-1.4%
12/31/2017	9.5%
12/31/2018	-5.6%
12/31/2019	7.9%
12/31/2020	7.4%
12/31/2021	7.0%
12/31/2022	6.8%
12/31/2023	6.0%
12/31/2024	5.8%
12/31/2025	5.0%
12/31/2026	4.5%
Continuing Period	4.1%

Valuation	
NOFAT margin	ROIC/WACC
6.9%	1.11
5.6%	0.92
6.4%	0.92
7.7%	1.27
8.4%	1.42
9.1%	1.58
9.8%	1.74
10.6%	1.91
11.3%	2.09
12.0%	2.27
12.7%	2.47
13.4%	2.68

Invested Capital	
Period	Invested Capital
Base Year	\$7,390.61
12/31/2017	\$8,185.95
12/31/2018	\$9,215.45
12/31/2019	\$10,026.77
12/31/2020	\$9,726.19
12/31/2021	\$10,074.49
12/31/2022	\$10,723.15
12/31/2023	\$10,029.92
12/31/2024	\$10,511.30
12/31/2025	\$10,955.43
12/31/2026	\$11,356.10
Continuing Period	

Net Claims	
Period	Net Claims
Base Year	\$3,082.15
12/31/2017	\$3,205.16
12/31/2018	\$1,885.38
12/31/2019	\$1,439.49
12/31/2020	\$752.13
12/31/2021	-\$200.11
12/31/2022	-\$1,439.16
12/31/2023	-\$2,984.88
12/31/2024	-\$4,854.49
12/31/2025	-\$7,061.99
12/31/2026	-\$9,617.66
Continuing Period	

Price per share	
Period	Price per share
Base Year	\$70.21
12/31/2017	\$77.35
12/31/2018	\$83.43
12/31/2019	\$93.92
12/31/2020	\$103.11
12/31/2021	\$112.99
12/31/2022	\$123.55
12/31/2023	\$134.76
12/31/2024	\$146.58
12/31/2025	\$158.99
12/31/2026	\$171.92
Continuing Period	