



Nucor Corporation
Buy: USD\$80.00(+22.3%)

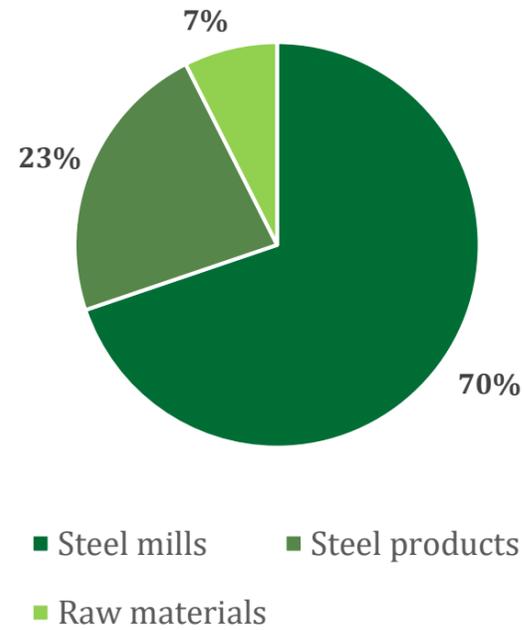
Pedal to the metal in growth

1 March 2018



Company Overview

Figure 1. Revenue by Segments



Source: Nucor Annual Report 2016

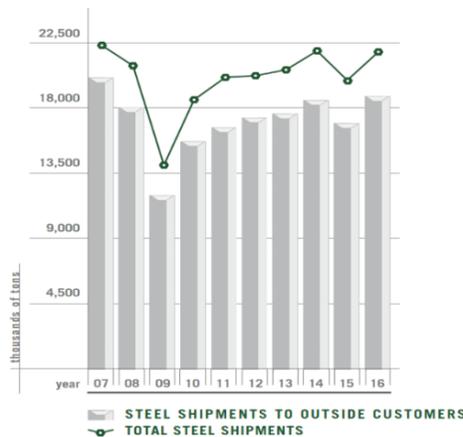
Nucor Corporation is a steel manufacturer and sells steel products. It has a global presence that is focused in the United States. It operates in three key business segments, namely Steel Mills, Steel Products, and Raw Materials. Its product offering and capabilities are set to expand through acquisitions.

USD\$MM	2015A	2016A	2017A	2018E
Revenue	16,439.30	16,208.10	20,252.40	21,999.20
Growth Rate	-22.1%	-1.4%	25.0%	8.6%
EBITDA	1347.2	2138.8	2641.2	3072.7
EBITDA margin (%)	8.2%	13.2%	13.0%	14.3%
Net Income	284.4	806.4	1148.2	1620.7
Margin (%)	1.7%	5.0%	5.7%	7.4%
ROA	3.5%	3.3%	4.4%	5.4%
ROE	6.7%	6.4%	8.8%	10.3%
EV/EBITDA	14.4	7.3	8.1	7.8
D/E Ratio	0.46	0.56	0.57	0.52

Investment Thesis

- Leading steel manufacturer with constant improvements in product offering and capability through M&As.** Nucor has been utilizing its resources to acquire companies to grow its product offering diversify and improve the efficiency of the business locally and globally, allowing Nucor to acquire more new customers who have specialty precision steel product needs.
- Rock solid balance sheet with sustainable growing dividends** Nucor has a liquid cash and cash equivalent balance at US\$1 billion. It also has a decent gross debt-to-capital ratio of 29%. Its debt to EBITDA ratio for 2017 is also the lowest compared to its rivals at 1.609. Nucor has also maintain/increase a sustainable dividend payout for 45 consecutive years while exploring growth opportunities.
- Tailwind from corporate tax cut.** The reduced tax rate (32%-21%) helps to free up cash for Nucor to increase returns to shareholders or explore acquisition opportunities.

Figure 3. Steel sales to global customers

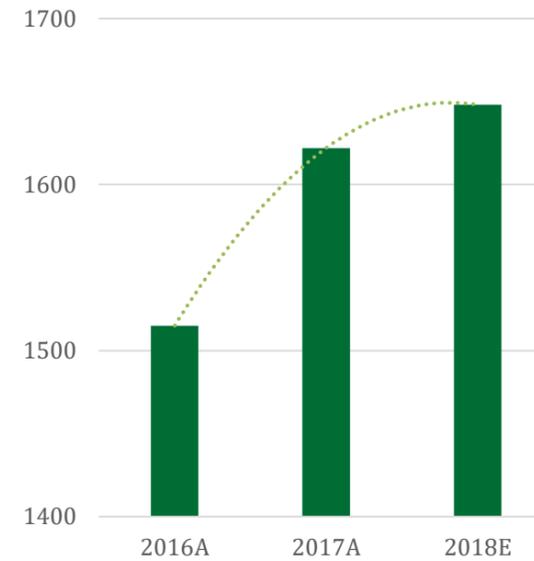


Source: Nucor Annual Report

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12M Industry Outlook

Figure 2. Yearly Steel Demand (MM Tons)

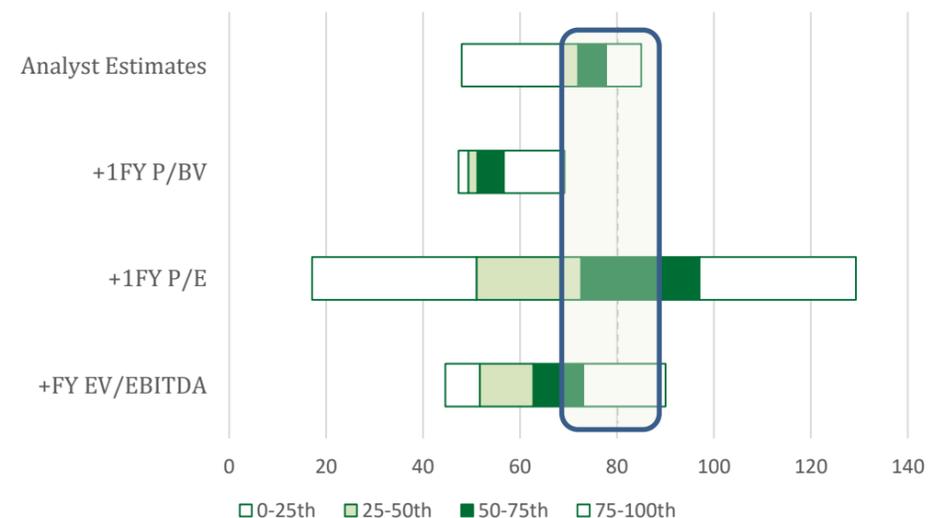


Source: World Steel Association

- Global growth momentum expected to drive steel demand** Global economic recovery serves as a key driver for steel demand growth as economies recover and are able to increase their infrastructure expenditure. Other key indicators such as Manufacturing PMI in major economies remain above 51, signalling growth in expenditure and hence steel demand. This growth is expected to spill over to the construction and machinery sector and continue supporting steel demand.
- U.S trade tariff on imported steel is expected to drive local steel demand.** The US has implemented an import tariff of 25% on overseas steel imports to protect US producers. In 2017, Being a US based company, Nucor is unaffected by the tariffs and is set to boost its competitive position due to its cost advantage over overseas imports
- Steel demand is expected to skyrocket with upcoming global infrastructure policies coming to fruition.** The Belt-And-Road initiative along with US infrastructure plan is poised to accelerate infrastructure building and upgrading. Nucor is expected to be a key beneficiary of the infrastructure plan due to the protectionist approach taken by the US.

Valuations

Figure 4. Valuation Summary



Our 12-month price target from date of coverage is USD\$80.00, assuming a 8.6% growth rate in FY2018 and indicates a 22.3% upside from its current share price. This is in line with Nucor's promising outlook through global economic growth to drive infrastructure expenditure along with recent US policy changes to support local steel production

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