NUCOR CORPORATION (NYSE: NUE)

Equity Research Report

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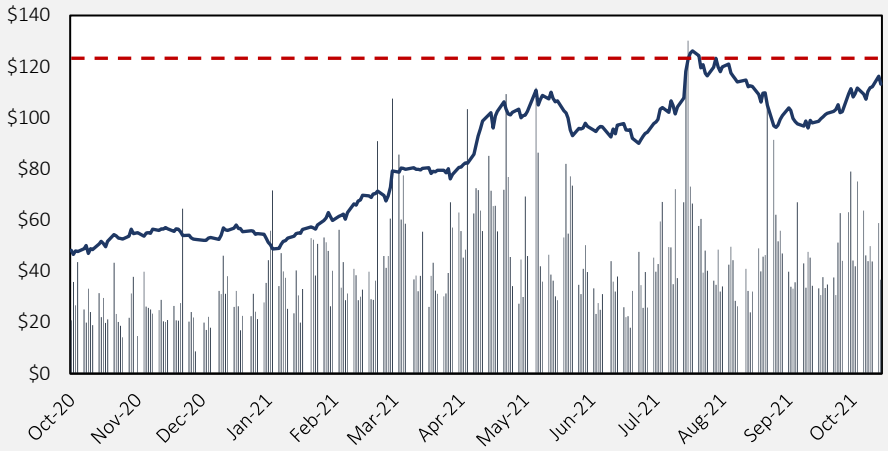
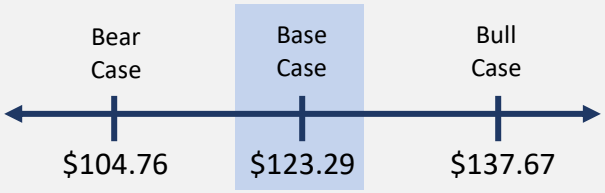
Equity Analyst: **George Al Kayal**
Sector: **Materials**
Industry: **Steel**



Current Price: $119.38 | Rating: **HOLD**
Price Target: $123.29 (3% Upside)
Market Cap: $33.2B
Credit Rating: A-



EXECUTIVE OVERVIEW

This report initiates the coverage on Nucor Corporation (NYSE: NUE) with a **HOLD** recommendation with a price target of $123.29 based on an equal weighting of a DCF valuation and Relative valuation. Current pricing and valuation upsides are based on the closing price of Nucor on November 22nd, 2021, presenting an upside of 3%. Nucor has established itself as the leader in US steel manufacturing with established operations and strategic acquisitions that have fueled the growth of the business.

INVESTMENT THESIS

North America's most diversified steel company

Nucor Corporation sells a wide variety of steel products ranging from raw materials to various value-added products that it manufactures. The company has spent 4.2 billion dollars in the last 3 years to add new steel mill products to its portfolio. Nucor is protected from any short-term financial risk as its performance is not tied to any single market within the steel industry. In 2020, no single type of product accounted for more than 33% of their revenue.

Highly Competent Management Team

Nucor's management team has had a proven track record of delivering returns to shareholders. In 2020, dividends and repurchase of about $531 million equating to 75% of net income, delivering over 48 years of consecutive dividend increases. Nucor's executive team has executed a magnitude of acquisitions including Hannibal Industries and Cornerstone Building Brands' Insulated Metals Panels (IMP) business within the last year.

Excellent Labor Productivity Levels

Nucor corporation is exceptional in treating employees as partners in its success. The steel industry is often identified and associated with frequent layoffs which result in labour problems. Over 30 years, the steel industry estimates claim that one out of two jobs is lost. The company believes in a decentralized organizational structure that allows for more autonomy and responsibility within the lower levels of the hierarchy.

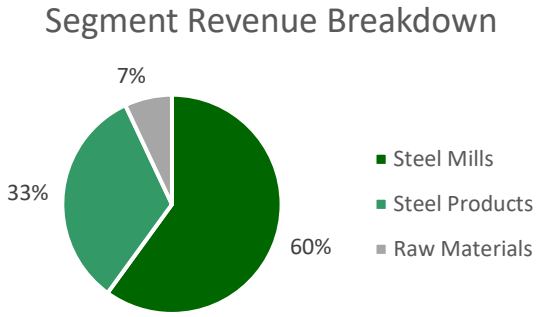
Environmental Stewardship and Sustainability

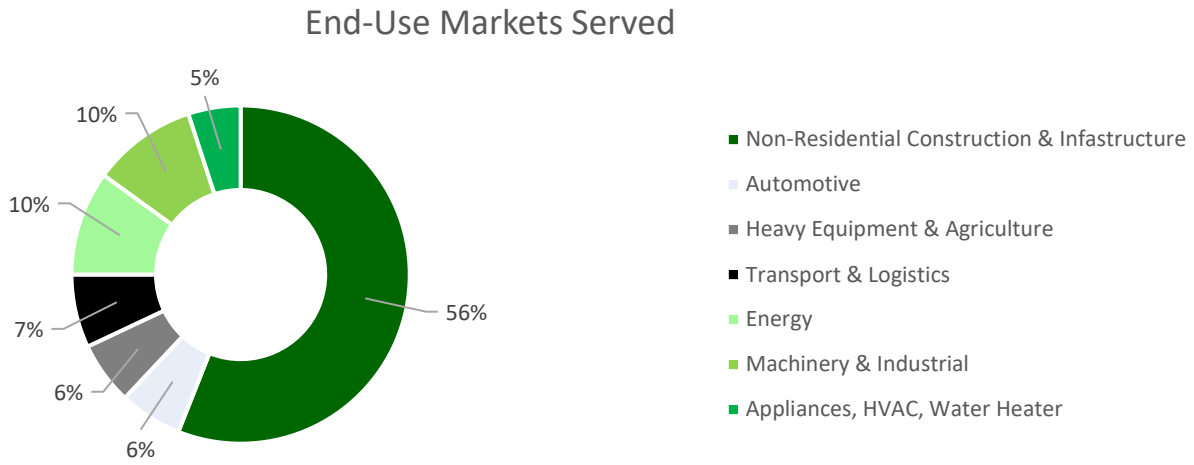
By heavily investing in renewable and sustainable practices, Nucor is the leader within the steel industry in terms of being environmentally friendly. Their use of electric arc furnace technology helps them maintain lower GHG emissions than their industry peers while also recycling more of their materials as well. Additionally, Nucor recently launched Econiq which is a line of net-zero carbon emission steel products.

Business Description

Company Overview | Description of Business Model

Nucor Corporation (NYSE: NUE) is a manufacturer and seller of steel and steel products headquartered in Charlotte, North Carolina. It operates through 3 segments: Steel Mills, Steel Products, and Raw Materials. The Steel Mills segment consists of sheet steel products, plate steel products, bar steel products and is also involved in steel trading and rebar distribution. In 2020, this segment accounted for 12.1B dollars of their revenue. The Steel Products segment offers many products ranging from electrical conduits, steel joists, steel decks, concrete reinforcing steel, metal building systems, steel grating, steel fasteners, wire, and wire mesh. Furthermore, this segment is also involved in the piling of distribution operations. In 2020, this segment accounted for 6.6B of their revenue. The Raw Materials segment sells ferrous and nonferrous metals, direct reduced iron and pig iron and accounted for 1.4B of revenue in 2020. Furthermore, it is also North America's largest recycler of scrap metal. Nucor Corp. was founded in 1905, incorporated in 1958 and went public in 1972. Nucor Corp currently holds about 43.86% of the United States Steel Production market share.





Competitor Analysis

Nucor Corporation faces a moderate amount of competition when it comes to the manufacturing, selling, and recycling of steel in North America. Due to its stature as one of the largest steel companies in North America, it faces direct competition from Steel Dynamics, United States Steel, and Cleveland Cliffs. Additionally, Nucor faces competition from other materials to ascertain customer needs can be met with materials besides Steel. Such materials include aluminum, concrete and copper. Commercial Metals and Reliance Steel and Aluminum are Nucor's main sources of indirect competition that it faces from other materials.

Competitive Landscape

Steel Dynamics Inc: Steel Dynamics is one of the largest carbon-steel producers and metal recyclers in the United States. Steel operations, metals recycling and steel fabrications make up their three operating segments. The steel operations segment accounted for approximately 61% of their revenue while the metals recycling segment accounted for approximately 34.6% of their revenue. Lastly, the steel fabrication segment accounted for 3.4% of its revenue. Steel dynamics currently holds approximately 18.02% of the United States Steel market share.

Commercial Metals Co: Headquartered in Irving, Texas, Commercial Metals Company manufactures, recycles, and fabricates steel and metal products. Its notable operations are carried in their North American segment and European segment. The North American segment accounts for approximately 85% of their revenue and is used for recycling, mills, and fabrication while their European segment is used for recycling, fabrication, and very little mill operations. Both segments are vertically integrated.

United States Steel Corp: United States Steel is one of the world's largest integrated steelmakers with mills operating all around the US Midwest and in Slovakia. Their three operating segments consist of flat-rolled products, US Steel Europe, and Tubular Products. Flat-rolled products and US Steel Europe account for about 70 and 20% of their revenues respectively with Tubular Products making up the remainder.

Reliance Steel & Aluminum Co: Reliance Steel & Aluminum is a metals distributor and processor. Their products include alloy, aluminum, brass, copper, carbon steel, stainless steel, titanium, and specialty steel products. Reliance Steel & Aluminum operates approximately 300 metals service center facilities with operations in the United States, Australia, Belgium, Canada, China, France, India, and the United Kingdom.

Cleveland - Cliffs Inc: Cleveland Cliffs is the largest flat-rolled steel and iron ore producer in North America. Their portfolio of products includes custom-made pellets, hot briquetted iron, flat-rolled carbon steel, stainless steel, tubing, hot and cold stamping, and tooling. It is vertically integrated due to its ability to produce raw materials for steel manufacturing such as iron ore pellets.

PORTER'S 5 FORCES

COMPETITIVE RIVALRY - MEDIUM

There are a few notable competitors in the North American steel industry, meanwhile, it is much more competitive on a worldwide scale. A lot of the global competition stems from China as they are the largest producer in the world, producing more than half of the world's steel. Therefore, the Chinese market is difficult to enter, and it is also difficult for countries to stop importing from China as well. Additionally, many regions and continents have firms that dominate their domestic steel industries as well making it very difficult for North American producers to enter foreign markets.

THREAT OF NEW ENTRY - LOW

There is a very low threat of new entrants into the steel industry due to various reasons. It is a very capital-intensive business, especially for start-ups as they need to achieve economies of scale. There are a plethora of benefits from achieving economies of scale such as lowering material and R&D costs. However, it is difficult for new firms to do so as many existing steel firms are vertically integrated or have already built strong network channels with distributors, therefore, making it hard for new companies to enter the industry. Another obstacle that new businesses must overcome is the various government regulations and policies surrounding iron ore mines those older businesses are more equipped to take on.

THREAT OF SUBSTITUTION - MEDIUM

A lot of customers consist of auto manufacturers and steel remains king in the automotive industry. However, there is one material that poses a small threat and that is aluminum. The main differences are that aluminum does not corrode as easily and has higher weather resistance than steel while also being more lightweight. On the other hand, steel is still much stronger and remains to be the most cost-efficient material used in the automotive industry. Additionally, if the prices of steel rise compared to other raw materials, then alternative options become more attractive to consumers.

BUYER POWER - LOW

The buyer power in the steel industry is low simply due to the reason that there are much fewer suppliers of steel compared to buyers. Steel is a major raw material that is used in many different industries and the suppliers of steel are often integrated well with revenues coming from various products and segments. This gives steel producers a lot of leverage in

negotiations with potential buyers as it isn't very difficult for them to find buyers that fill their needs. Furthermore, there is also a correlation between steel market prices and actual downstream product prices.

Supplier Power - Medium

The supplier power is medium because if a company is vertically integrated such as Nucor and some others in the industry, then the supplier power is low. After all, the firm can sustain its operations with its raw materials. The only other aspects are the various technologies and the energy needed to mine raw materials and sustain production facilities. There are typically many suppliers of these aspects, so this means that steel companies have many options and are not tied down to a few suppliers.

Industry Trends

Decarbonization of steel

The steel industry has been facing increased pressure to reduce its carbon footprint. It is currently among the three biggest producers of carbon dioxide. In 2018, one ton of steel would emit 1.85 tons of carbon dioxide on average. This trend is also visible among many of the steel industries' biggest customers such as the automotive industry where manufacturers are looking to eliminate carbon emissions from their value chains. The two main ways of producing steel are blast furnaces and electric arc furnaces. The blast furnace method is the more conventional, traditional method that heavily relies on coal which leads to a high level of carbon dioxide emissions. It is expected that we will see more electric arc furnaces being adopted in the industry because this method allows for more recycling. EAFs require steel scrap or direct reduced iron for their raw material inputs. This method also requires an ample supply of renewable electricity to be available. Another technological advancement is the fusion of hydrogen into the direct reduced iron and scraps steel production stages. Many European steel players are currently testing this technology.

Global Steel Production | Asia continues to dominate

China, India, Japan, the United States, and Russia are the largest steel-producing nations in the world with China far ahead as they produce more than half of the world's steel. Before steel production decreased due to the coronavirus pandemic in 2020, Asia produced 1,314.6 million tonnes of crude steel in 2019. This accounted for about 70% of crude steel production that year. China produced 996.3 million tonnes of crude steel while India and Japan produced 111.2 million tonnes and 99.3 million tonnes respectively. Meanwhile, the U.S produced 87.9 million tonnes of steel which accounts for about 8% of what China produced that year. Global steel prices can easily be affected by China as they are both the largest producer and consumer. For example, if demand were to fall, China can export a large surplus of steel and drive down international prices. However, China is currently attempting to slow down its steel production to reduce pollution as the industry accounts for up to 10-20% of its carbon emissions.

Geopolitical Tensions

In 2018, the Trump administration introduced tariffs on steel imports through Section 232 of the Trade Expansion Act to protect American steel producers and to increase pressure on China's steel trade policies. However, there was widespread controversy over these tariffs as many transatlantic allies in Europe were also included in the tariffs while Canada and Mexico were exempted due to their USMCA agreement. These tensions simmered down in 2019 but were later revisited in 2021 when the US trade representative and the EU commission agreed that both the U.S and the EU face a threat from steel dumping and overcapacity in the global steel market. Additionally, the two groups would like to challenge the large state subsidies that Chinese producers receive but find it difficult to do so as certain EU members also provide large subsidies to their domestic producers as well. This provides a feeling of uncertainty within the industry as the way that the U.S and Europe choose to resolve this issue could strongly affect the global steel industry.

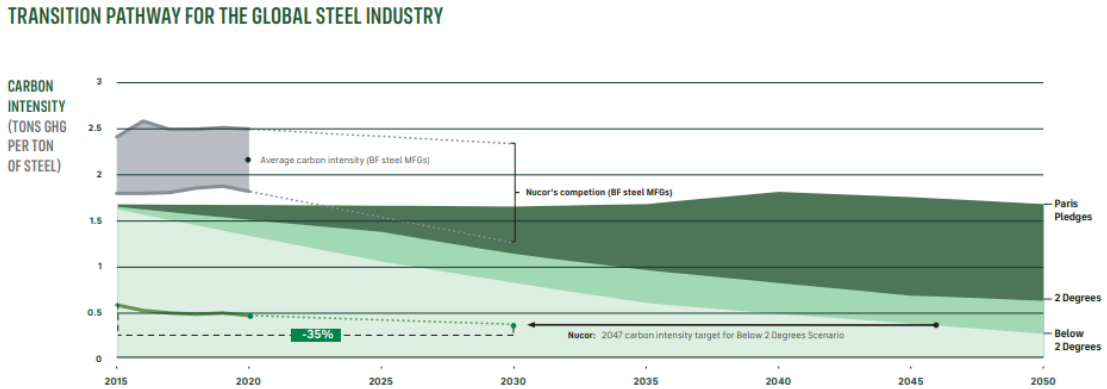
Environmental, Social, and Governance

Industry Overview

The two main trends in the steel industry relating to ESG and sustainability are environmental stewardship and workplace safety. As mentioned in the industry trends, the world steel industry is known for its large amounts of emissions. As climate change continues to be a threat, the steel industry is encouraged to invest in R&D to develop cleaner and safer low-carbon steel production. In 1990, the North American steel industry reduced its emissions by 37% by switching to electric arc furnace technology. Nucor is an industry trailblazer when it comes to this as they produce 100% of their steel in scrap-based EAFs. Furthermore, steel was always regarded as a dangerous industry where accidents were almost inevitable. This was due to the use of large and heavy equipment that is often used. Fortunately, workplace safety has greatly improved over time as the injury rate per million hours worked has decreased by 82.3% over the past 15 years. Nucor is ahead of the curve in comparison to its global and domestic peers in the ESG landscape in the steel industry.

Environmental Overview

Nucor is committed to reducing its greenhouse gas emissions by 35% by 2030. This will make Nucor's emissions about 77% less than today's global steelmaking average. By using their electric arc furnaces (EAF) in their steelmaking facilities, Nucor can average more than 70% recycled steel and it also allows them to generate the lowest GHG emissions per ton in the steel industry. This is because electric arc furnaces are far less energy-intensive when being compared to the traditional blast furnace steelmaking that uses melted iron ore and coking coal. Furthermore, Nucor believes that about 40% of the electricity that they use today comes from renewable sources. Over time, they are expecting this number to increase because the U.S. grid's renewable generation capacity will increase. Another environmental factor that Nucor is highly aware of is its water usage. To minimize their impact on local ecosystems and communities, Nucor strives to use water as efficiently as possible. They have developed treatment systems to recycle 100% of their water for about 9 cycles before having to get rid of it. They have also built stormwater retention ponds so that excess stormwater can be used for their operations. All in all, Nucor is far ahead of its peers when it comes to the environmental aspect of ESG.



Social Overview

The company has proven to demonstrate a willingness to improve on its already strong social ESG aspect. For example, they are currently focusing on Brazil and ensuring forced labour is removed from their supply operations there. Nucor has demanded that their pig iron manufacturers in Brazil sign the National Pact to Eradicate Slave Labor in Brazil. This is enforced by in-person operational inspections from the Nucor team and by hiring a Brazilian law firm to monitor these situations as well. Safety and fair employment practices are also a big focus at Nucor. 94% of Nucor's teammates believe that it is a safe place to work and in 2020, the injury and illness rate dropped to an all-time low of 0.73. This percentage has been declining since 2011 when it was 1.58. Furthermore, employees are compensated very well and are given a high amount of autonomy in their decision-making on the job. The employee retention rate is over 90% and 92% of Nucor teammates feel a strong sense of belonging and are proud to work for Nucor.

Governance Overview

The legacy of caring is the governance philosophy that Nucor aims to instill within the organization. This comes with the strong belief that the ongoing investment in their people, communities and business partnerships will generate returns far into the future. The board consists of 8 members, 3 of whom are women. Seven of the board members are independent as outlined by SEC guidelines. Furthermore, Nucor has standards of business conduct and ethics that all officers and employees must follow while also having a separate code of ethics for financial professionals.

Management Analysis

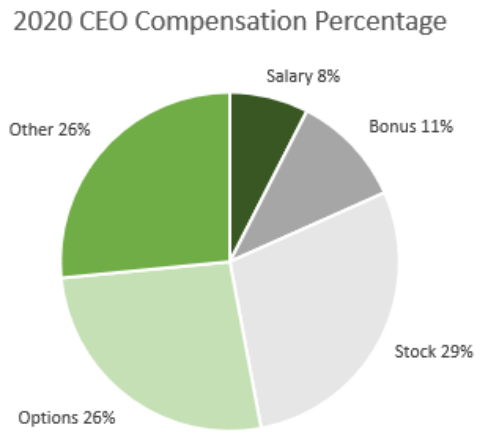
Insider Ownership

Insider ownership currently consists of approximately 0.69% of the shares outstanding. Nucor's CEO, Leon J Topalian currently owns 0.03% of the shares outstanding while the former CEO, John J Ferriola currently owns 0.15% of the shares outstanding. Over the last 5 years, insider ownership has increased from about 0.48% in December 2017 to the current 0.69% it is right now. The interest of the management team aligns with the common interests of the shareholders.

Track Record

Nucor's management has a very impressive track record. For starters, they have been paying dividends for 48 consecutive years – ever since 1973 which is impressive considering the sector median is only 12 years. On average, they have also grown the dividend every year. A few notable acquisitions have been made by management since 2000 to accelerate their growth. In 2008, management spent $1 billion to buy The David J. Joseph Company which is a global leader in scrap metal recycling which allowed Nucor to vertically integrate. Over the last 5 years, Nucor has slightly outperformed the S&P 500 return with a 126.28% return over the past 5 years. It is worth noting that almost all the share price appreciation came after the market lows of March 2020 and that the price was slightly declining before that anyways.

Executive Compensation



The executives at Nucor align their goals with those of the shareholders. Nucor's executive compensation philosophy is made up of three elements: base salary, annual incentives (bonuses) based on Nucor's ROE and ROAIC, and long-term incentives which consist of fixed and variable equity. In terms of salaries, Nucor sets executive officer salaries below the market median. The CEO of Nucor, Leon J Topalian's base salary in 2020 was $1,000,000, with the rest being awarded bonuses, stock, and stock options. Management's compensation is directly tied to the performance of the organization based on performance and key financial metrics. These metrics are evaluated by the independent board of directors with the assistance of third-party compensation advisors to ensure that the management team is compensated fairly and is benchmarked and compared to other organizations' executive compensation plans. Nucor's management compensation is derived from stock options, stock awards, and other long-term incentive plans, ensuring that the management's interests are best aligned with the common interests of the shareholders.

Growth Factors

High Steel Prices

Fueled by the surge in demand, the ease of pandemic restrictions and the lower steel supply, the steel industry has rebounded strongly in 2021 with steel prices reaching all-time highs. Nucor's share price has also risen accordingly due to the effect that the rise in steel prices has had on its business. The company achieved a new record in terms of revenue in

Q2 2021 with 8.79 billion dollars and then proceeded to set a new record in Q3 with revenues of 10.31 billion dollars. If steel prices continue to increase or even stay stagnant, then Nucor is poised to see continuous growth ahead.

INORGANIC GROWTH

The inorganic growth from Nucor has been very impressive as they have made at least 2 acquisitions every year since 2016 and have a strong history of making effective acquisitions before that as well. In 2021, Nucor acquired Insulated Metal Panels from Cornerstone Building Brands Inc and acquired Hannibal Industries Inc. The acquisition of Insulated Metal Panels aids Nucor in diversifying its value-added solutions for its targeted end markets. IMP products are wall and roof panel solutions made up of an energy-efficient foam core that is found between two layers of steel or aluminum. The demand for these types of products is expected to grow at double digits annually throughout this decade due to expanding e-commerce and grocery delivery trends as well as the growth of data centers and server farms which all need a specific temperature-controlled climate. This acquisition will be added to the Nucor Buildings Group subsidiary to help accelerate its growth plans. Furthermore, the Hannibal Industries acquisition is also an opportunity for growth. They are a provider of racking solutions to warehouses, with customers based in the e-commerce, industrial, food storage and retail segments. This complements Nucor well because they can sell their products such as beams, joists and decks to a larger network in the growing warehouse industry.

LEADER IN ENVIRONMENTAL STEWARDSHIP

In 2021, Nucor announced the launch of Econiq, which is a new line of net-zero carbon emission steel products. Econiq is the world's first net-zero carbon steel at scale. General Motors is the first customer, and the first shipment is slated for early 2022. This aligns with both GM's and Nucor's vision of working to reduce carbon emissions. Furthermore, Nucor's renowned EAF technology helps GHG emissions to remain at 70% below the current intensity. Their greenhouse gas emissions are at 1/3 of the global average of 1.69 tons of CO2 per ton of steel. Furthermore, they have also engaged in long-term virtual purchase power agreements with Orsted's Western Trail Wind Farm and EDF Renewables Brazos Fork solar project. In late 2021, Nucor signed another VPPA with a solar energy developer based in the U.S. Altogether, these three VPPA projects are expected to supply enough electricity to meet the annual needs of nearly 150,000 homes. In 2020, Nucor was the 7th largest corporate buyer of renewable energy in the United States and this progress is only expected to continue going forward. As mentioned in the ESG section, Nucor remains committed to a 35% combined reduction in its emissions for its steel mills segment by 2030.

RISK FACTORS

CYCLICAL INDUSTRY

The steel demand is very sensitive to overall economic conditions. Nucor's customers and their demands are made up of very cyclical industries such as the commercial construction, energy, metals services, and appliance and automotive industries. Any recessions or downturns in the U.S. economy or the industries noted above can easily affect our business. For example, a slowdown in non-residential construction due to less infrastructure investment could harm our cash flows.

OVERCAPACITY IN THE GLOBAL STEEL INDUSTRY

Global steel production overcapacity is expected to be approximately 776 million tons in 2021. Overcapacity becomes a much more relevant issue during times of economic duress because of less demand for steel, especially throughout the coronavirus pandemic. Manufacturers in certain countries are left with too much steel so they begin aggressively exporting significant amounts of steel products that match or are below costs of production. Some countries have massively subsidized steel industries, or they're even owned by the government which gives the production some cost advantages. China is the most significant contributor to excess steelmaking capacity. Fortunately, there are section 232 steel tariffs that aid in keeping some dumped steel products out of the U.S. market. Furthermore, the U.S has entered negotiations for trade

agreements with many countries, including China so this presents itself as an opportunity to act against excess steelmaking. However, if these tariffs get lifted and negotiations fail, then U.S. steelmakers would have to compete with dumped steel products even more.

SENSITIVITY TO STEEL PRICES

Although Nucor is vertically integrated, they still purchase a lot of its primary raw materials from outside sources in the U.S. and internationally. The prices of raw materials are volatile and are influenced by many factors such as changes in scrap exports, scrap substitutes, iron ore demands of global competitors and currency fluctuations. It is always possible that Nucor is unable to attain a sufficient supply at a price that is acceptable to them. If suppliers increase the prices of raw materials, it puts Nucor in an unfavourable position as they could have already quoted prices and accepted orders for products before even purchasing the raw materials. This results in a loss of sales and incurring additional costs.

FINANCIAL ANALYSIS

Financial Condition	2016A	2017A	2018A	2019A	2020A
Profitiability					
EBITDA Margin	13.06	12.88	16.13	11.77	8.98
Operating Margin	8.82	9.29	13.26	8.42	4.96
Profit Margin	4.91	6.51	9.42	5.63	3.58
Return on Assets	5.39	8.49	13.98	7.01	3.75
Return on Common Equity	10.34	15.82	25.38	12.55	6.78
Return on Invested Capital	7.63	11.22	18.15	9.51	5.81
Liquidity					
Current Ratio	2.72	2.42	3.08	3.34	3.61
Cash Ratio	0.92	0.35	0.50	0.74	1.16
Activity					
Accounts Receivable Turnover	10.75	11.07	11.06	9.68	9.03
Inventory Turnover	1.10	1.30	1.48	1.25	1.05
Net Fixed Asset Turnover	3.25	3.98	4.81	3.92	3.08
Financial Leverage					
LT Debt to Total Assets	24.56	20.47	23.62	24.21	26.97
LT Debt to Total Equity	45.30	35.69	41.49	41.16	48.32
Debt to Total Equity	52.78	41.77	42.06	42.26	49.21
Financial Leverage	1.92	1.87	1.82	1.80	1.82
Net Interest Coverage	7.63	10.54	23.18	14.61	—
Capital Expenditure Ratio	2.89	2.35	2.44	1.90	1.75
Shareholder Ratio					
Trailing 12M EPS	2.48	4.11	7.44	4.14	2.37
Dividend Indicated Yield	60.77	36.97	20.69	38.67	68.70

Source: Bloomberg

VALUATION | DCF AND RELATIVE VALUATION

After weighing the Discounted Cash Flow and the Gordon Growth model equally, we reached an intended share price of $123.28 with an upside of 3% from the current price of $119.38. Additionally, a relative valuation was conducted to compare

Nucor's multiples against their competitors. The multiples used were EV/Sales, EV/EBITDA, and P/E and the medians of these multiples were 0.8x, 4.4x, and 6.0x. Taking these multiples into consideration, the target price was $107.86 resulting in a downside of 9.65%. Forecasting scenarios and assumptions heavily factor in steel and raw material price fluctuations and expectations, market demand and supply trends, input costs and more relevant factors that could potentially affect a North American leader in Steel. Industry investment analysts, steel experts and Nucor's management's expectations were among the credible recommendations used as factors when predicting and forecasting.

DISCOUNTED CASH FLOW

Discounted Cash Flow

	2021F 11/24/2021	2022F 1/11/2022	2023F 1/11/2023	2024F 1/11/2024	2025F 1/11/2025	TV 1/11/2025
Enterprise Value						
EBIT	$ 6,815.63	$ 6,773.72	$ 4,053.64	$ 3,922.33	$ 3,922.33	
EBIT(1-t)	$ 5,452.50	$ 5,418.98	$ 3,242.91	$ 3,137.86	$ 3,137.86	
Depreciation and Amortization	$ 818.29	$ 940.24	$ 1,039.66	$ 1,135.85	$ 1,232.05	
Capex	$ 1,925.61	$ 1,829.33	$ 1,491.25	$ 1,442.95	$ 1,442.95	
Change in Net Working Capital	$ (3,768.31)	$ 410.20	$ 1,535.55	$ 202.72	$ -	
FCFF	$ 8,113.49	$ 4,119.68	$ 1,255.76	$ 2,628.05	$ 2,926.97	
TV Gordon Growth	**$ 8,113.49**	**$ 4,119.68**	**$ 1,255.76**	**$ 2,628.05**	**$ 2,926.97**	**$ 39,646.06**
TV Multiples	**$ 8,113.49**	**$ 4,119.68**	**$ 1,255.76**	**$ 2,628.05**	**$ 2,926.97**	**$ 25,771.90**

Scenario Summaries

Base	
Gordon Growth	$ 156.91
Multiples Method	$ 120.42
Intrinsic Value	**$ 138.67**
Upside (Downside)	**16.2%**

Bull Case	
Gordon Growth	$ 185.96
Multiples Method	$ 143.07
Intrinsic Value	**$ 164.52**
Upside (Downside)	**37.8%**

Base Case	
Gordon Growth	$ 156.91
Multiples Method	$ 120.42
Intrinsic Value	**$ 138.67**
Upside (Downside)	**16.2%**

Bear Case	
Gordon Growth	$ 119.37
Multiples Method	$ 89.53
Intrinsic Value	**$ 104.45**
Upside (Downside)	**-12.5%**

Growth Rate

Discount Rate	1.0%	1.5%	2.0%	2.5%	3.0%
7%	$ 160	$ 167	$ 175	$ 185	$ 197
8%	$ 147	$ 152	$ 157	$ 164	$ 172
9%	$ 137	$ 140	$ 144	$ 149	$ 154
10%	$ 129	$ 131	$ 134	$ 138	$ 142
11%	$ 122	$ 124	$ 126	$ 129	$ 132

EV/EBITDA

Discount Rate	3x	4x	5x	6x	7x
7%	$ 160.19	$167.49	$ 174.78	$ 182.08	$ 189.37
8%	$ 143.00	$150.09	$ 157.17	$ 164.26	$ 171.35
9%	$ 130.52	$137.40	$ 144.29	$ 151.17	$ 158.05
10%	$ 120.98	$127.67	$ 134.36	$ 141.05	$ 147.74
11%	$ 113.42	$119.93	$ 126.43	$ 132.93	$ 139.44

COMPARABLE COMPANY ANALYSIS

Relative Valuation

Name	Ticker	Market Data Price	Shares	Market Cap	Debt	EV	Forward Valuation EV/Sales	EV/EBITDA	P/E
STEEL DYNAMICS INC	STLD US	66.25	199.78	13,235.34	3,074.23	16,309.57	0.8x	4.4x	6.0x
COMMERCIAL METALS CO	CMC US	34.60	120.59	4,172.30	1,241.77	5,414.06	0.6x	6.3x	10.0x
UNITED STATES STEEL CORP	X US	26.62	270.22	7,193.19	4,541.00	11,734.19	0.5x	2.4x	2.7x
CLEVELAND-CLIFFS INC	CLF US	22.47	500.06	11,236.26	5,350.00	16,586.26	0.8x	4.4x	5.6x
RELAINCE STEEL & ALUMINUM	RS US	166.42	62.69	10,433.54	1,847.10	12,280.64	0.8x	6.1x	9.5x
25th Percentile		26.62	120.59	7,193.19	1,847.10	11,734.19	0.6x	4.4x	5.6x
Median		**34.60**	**199.78**	**10,433.54**	**3,074.23**	**12,280.64**	**0.8x**	**4.4x**	**6.0x**
75th Percentile		66.25	270.22	11,236.26	4,541.00	16,309.57	0.8x	6.1x	9.5x

NUE Forward Data

Sales	$ 36,686.39
EBITDA	$ 7,633.91
Earnings	$ 4,838.22

Valuation

EV/Sales	$ 29,715.98
EBITDA	$ 33,589.22
Earnings	$ 29,174.45
Enterprise Value	$ 30,826.55
Market Value	**$ 107.86**
Upside (Downside)	-9.65%

INVESTMENT SUMMARY

HOLD RECOMMENDATION | PRICE TARGET $123.28

INVESTMENT POSITIVES | ECO-FRIENDLY GROWTH

Nucor is already more environmentally aware than its competition and is concentrating its efforts on keeping it that way. They are well-positioned as they release the lowest GHG emissions in an industry that is often associated with high emissions. Their steady use of EAF technology is what has positioned them to be in this spot. Furthermore, Nucor is seeing rapid growth with their new net-zero carbon emission steel product line called Econiq. The first shipments are already scheduled for early 2022. As of 2021, Nucor estimates that approximately 40% of its electricity sources come from renewable sources. With the steel industry expected to continue facing pressure from governments and investors to reduce emissions, Nucor is well ahead of the curb to take advantage of these demands.

INVESTMENT NEGATIVES | COMPETITION FROM ABROAD

A significant risk that American steel producers have been facing is the ongoing threat of Chinese steel production. The competition from China is negative due to their ability to excessively produce steel and export it below production prices. As a result of this, steel prices face a lot of downward pressure leading to negative effects on Nucor's business. The section 232 tariffs keep some dumped steel products out of the U.S market but not all. If these tariffs were to be lifted, Nucor's business would be affected by this competition even more.

CATALYST FOR RECOMMENDATION CHANGE | UNCERTAINTY CONCERNING SUPPLY AND DEMAND

With Nucor's record year in 2021 is fueled by the pent-up demand from the economic rebound after the pandemic, this begs the question over whether this type of demand is sustainable going forward. There is a high probability that demand steel fall within the next few years. If this were to happen, the price of steel would fall along with it, which would affect Nucor's revenues and we could potentially see their stock price fall after that. This could create a better buying opportunity with more value to be had and vice versa if the opposite were to occur with supply and demand.