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CUBEWEALTH

# NUCOR CORP. EQUITY REPORT

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APRIL 15TH, 2020

# NUCOR CORP.

BY THE NUMBERS

TICKER: NUE  
PRICE: \$38.38



Nucor Corporation manufactures and sells steel and steel products. It operates in three segments:

1. Steel Mills
2. Steel Products
3. Raw Materials

The company offers its products through its in-house sales forces and internal distribution and trading companies.

The company was incorporated in 1958 and is based in Charlotte, North Carolina.

**4.2%**

DIVIDEND  
YIELD

**-31%**

YTD  
RETURN

**\$15B**

MARKET  
CAP

NUE



# SHARE PRICE PERFORMANCE

**1 YEAR**



**3 YEAR**

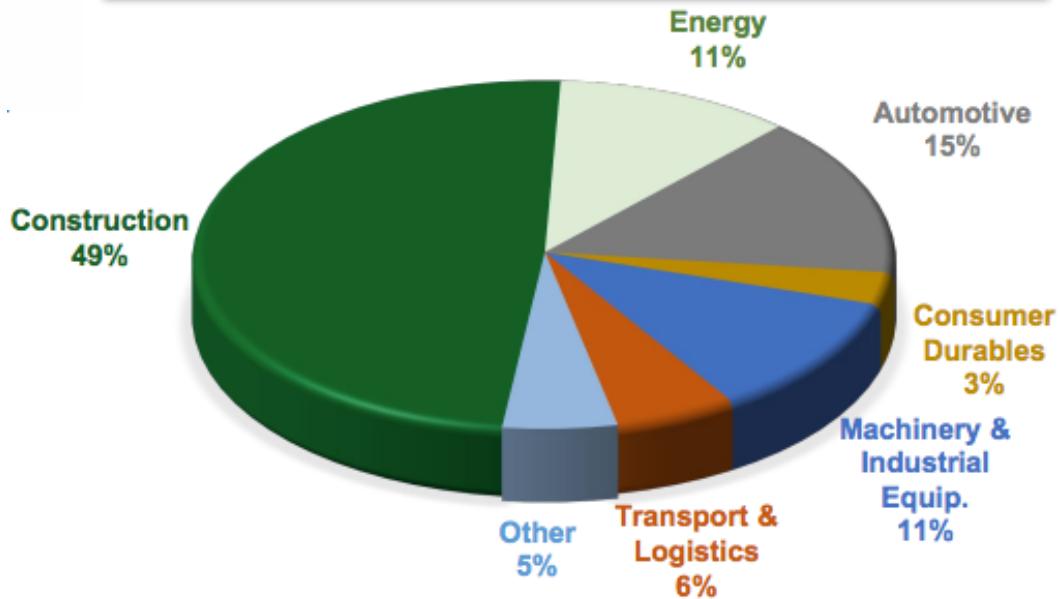


# ANALYSIS

Let's begin by breaking down Nucor's business.

- The **steel mills segment** is Nucor's largest segment, representing 62% of the company's sales in 2019. This segment involves the production of sheet steel (hot-rolled, cold-rolled and galvanized), plate steel, structural steel (wide-flange beams, beam blanks, H-piling and sheet piling) and bar steel (blooms, billets, concrete reinforcing bar, merchant bar and engineered special bar quality. Fun fact: The steel mills segment sold approximately 18,585,000 tons in 2019.
- In the **steel products segment**, Nucor produces hollow structural section steel tubing, electrical conduit, steel joists and joist girders, steel deck, fabricated concrete reinforcing steel, cold finished steel, steel fasteners, metal building systems, steel grating and expanded metal, and wire and wire mesh. These products are sold primarily for use in nonresidential construction applications such as hospitals, schools, office buildings, hotels, stadiums and shopping malls.
- In the **raw materials segment**, Nucor produces brokers ferrous and nonferrous metals, pig iron, HBI and DRI; supplies ferro-alloys; and processes ferrous and nonferrous scrap metal. The raw materials segment also includes natural gas drilling operations. Nucor's raw materials investments are focused on creating an advantage for its steelmaking operations, through a global information network and a multipronged and flexible approach to metallics supply.

## Steel & Steel Products Sales by End Market\*



There is something very important that needs to be highlighted here. Yes, NUE has heavy weight in construction but this is generally the norm as construction makes up around 45% of all steel consumption (breakdown on page 8).

The good thing is that NUE is not as big of a supplier to the auto industry with only 15% of revenues in this vertical so they are avoiding a huge issue during COVID19 in comparison to U.S. Steel (X) and ArcelorMittal (MT) who have much greater exposure. The auto industry makes up roughly 30% of steel consumption but only makes up 15% of NUE's revenue. This is not to say construction or other segments will not realize a slowdown also but the low rate environment offers a much better opportunity for a recovery in an ROI-driven space like construction vs. a retail-centric auto space.

<b>#1</b> North American Market	Structural Steel Merchant Bar Steel Cold Finish Bar Steel	Steel Joist & Deck Steel Piling Distribution Metal Buildings Steel Electrical Conduit Pipe
<b>#2</b> North American Market	Rebar Steel & Fab Plate Steel SBQ Bar Steel	Hollow Structural Section (HSS) Steel Tubing
<b>#3</b> North American Market	Sheet Steel (hot + cold + galvanized)	

# Industry Landscape

There are a ton of moving pieces impacting the Steel industry and CUBE is going to throw a lot of stats and statements out there that need to be considered in this market.

Obviously COVID19 is the elephant in the room and it's not helping in the slightest bit as it has virtually handicapped economic growth in every corner of the globe. Economists believe there is a chance global GDP may contract 1% for 2020 vs. previous expectations for growth of 2.5%.

In addition, the drop in crude oil prices has been another major headwind as many companies in the industry are now making tremendous capex cuts and this will also effect the demand for steel. For example, Exxon Mobil (XOM) has just set 2020 capital spending at \$23B after spending \$26B last year and previously expecting to spend up to \$33B this year. The company initially planned to spend \$30B-\$35B for the next several years, but believe 2021 spending could come down as well - not good for the steel industry. Fortunately, energy only makes up 11% of revenues for NUE.

Moody's expects steel consuming countries to report the following: US GDP negative 2%, Euro Area negative 2.2%, China 3.3%, Brazil negative 1.6%, Russia 0.5% and Japan negative 2.4%.

Just recently, data showed US steel production fell 12.7% Y/Y in the week ending March 28. The capacity utilization rate also fell to a multiyear low of 71.6%.

# Industry Landscape

Global steelmaking capacity has significantly exceeded the current global consumption of steel. According to the OECD, global steel production overcapacity was approximately 485 million tons at the halfway point of 2019, with a quarter of that amount located in China. It is worth noting that overcapacity is down from its peak in 2015 and 2016 and efforts by China to close inefficient steel production and improve air quality alongside steel mill closures in Europe has contributed to reduce excess capacity.

Consumers of steel are also not helping the situation for American companies like Nucor as they would like a pullback on Section 232. To refresh your memory, on March 8, 2018, President Trump signed two proclamations placing tariffs on imports of steel and aluminum. The tariffs were authorized under Section 232 of the Trade Expansion Act of 1962 on the grounds of national security. Put simply, the presidential orders imposed a 25% tariff on imported steel and 10% on imported aluminum, which came into effect on March 23, 2018.

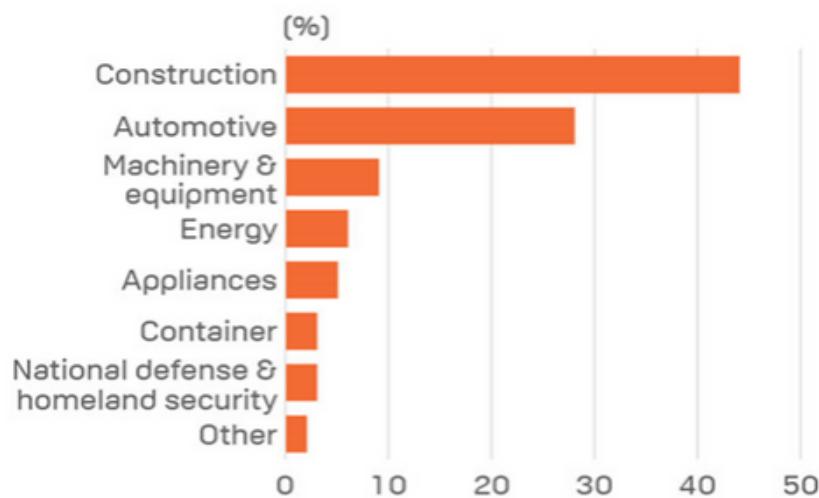
Steel consumers are now asking for the government to pull back on Section 232 and this would be terrible for NUE as it would make their products much less enticing when consumers can import cheaper steel from China. CUBE doesn't expect this to happen given Trump's long-time rhetoric about protecting U.S. manufacturing but it is a risk nonetheless.

# Industry Landscape

Other stats and figures:

- For the full year 2019, finished steel imports were down approximately 18% from the previous year and accounted for approximately 19% of U.S. market share. This was the lowest level of steel imports since 2010. Approximately six million fewer tons of imports entered the United States in 2019.
- Steel production in China rose in 2019, going from approximately 1.02 billion tons in 2018 to approximately 1.10 billion tons in 2019 – an increase of 8%. As a result, China's share of global crude steel production rose from 51.3% in 2018 to 53.3% in 2019.
- The OECD estimates that global excess steel production capacity was approximately 485 million tons at the halfway point of 2019, up from 455 million tons at the end of 2018. Nearly a quarter of that excess capacity is located in China, where the largest steel companies are state-owned and receive significant financial support from the Chinese government
- USMCA agreement requires that 70% of a vehicle's steel and aluminum must be purchased from North American producers

## MAJOR STEEL DEMAND SECTORS

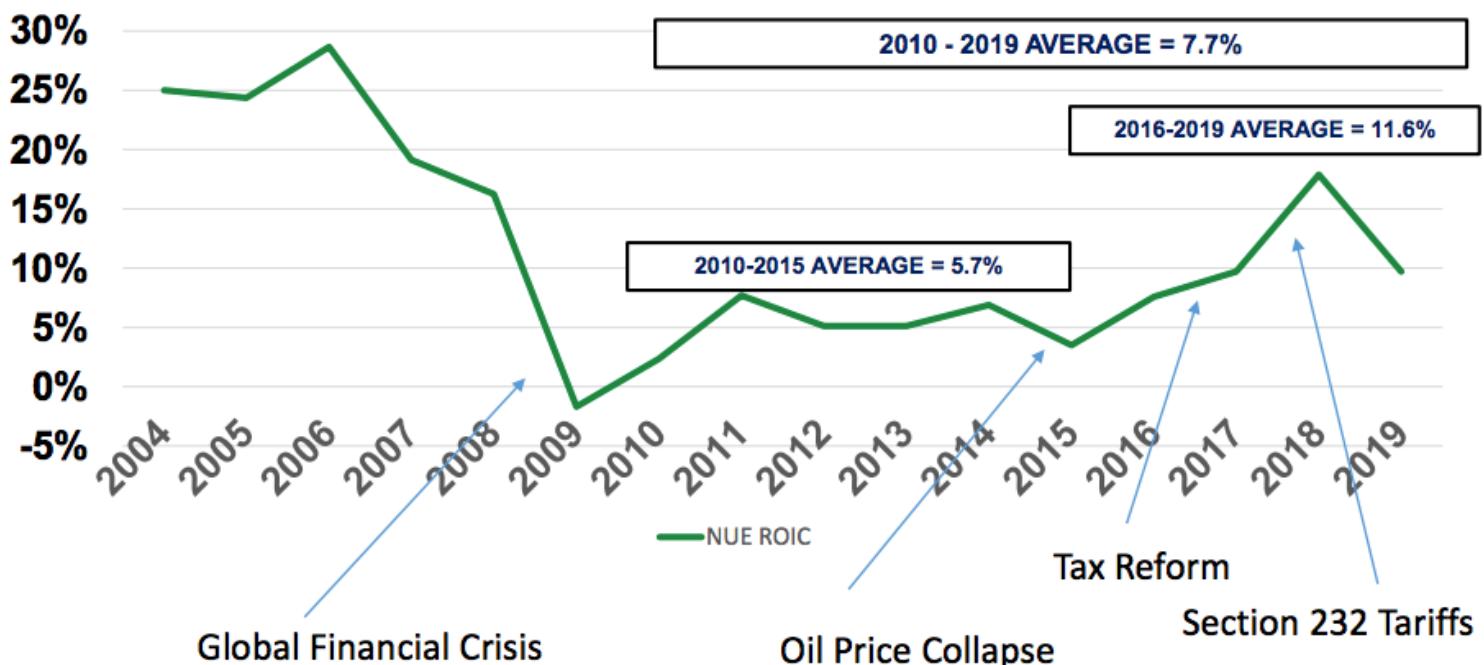


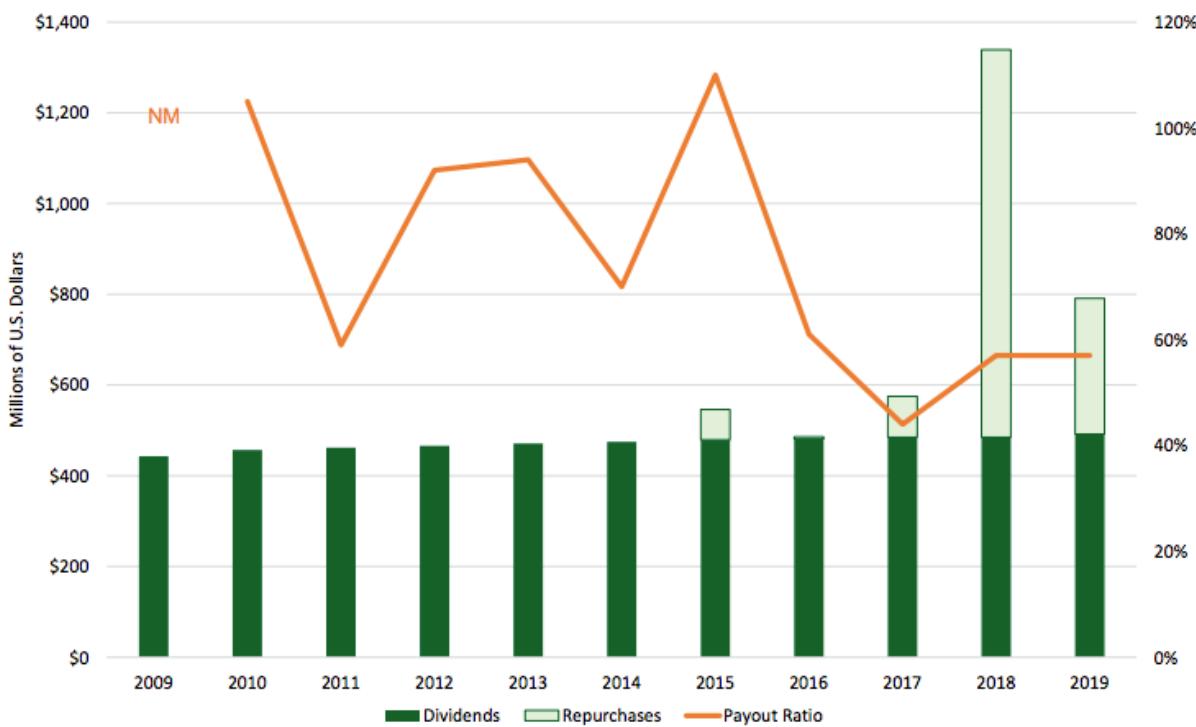
# Dedicated To Returning Capital To Shareholders

Aside from trying to grow their business, NUE puts a strong emphasis on returning capital to shareholders. Nucor has paid \$1.46 billion in dividends to its stockholders during the past three years. That dividend payout represents 23% of cash flows from operations during that three-year period. NUE also repurchased \$298.5M of its common stock in 2019, \$854.0M in 2018, \$90.3M in 2017.

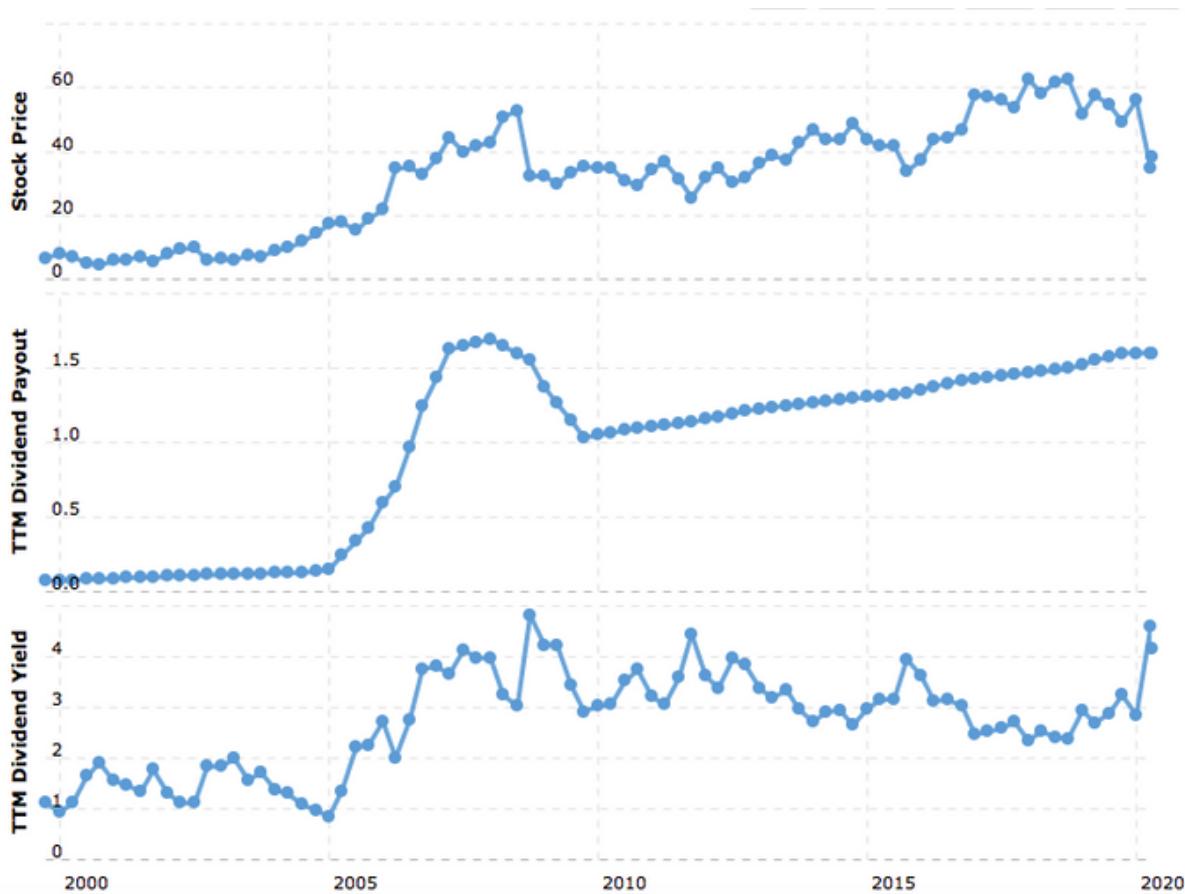
The company intends to return at least 40% of net income to stockholders over time via a combination of both cash dividends and share repurchases. Over the past three years they have returned approximately 55% of net income in this manner.

## Return on Capital





NUE's only dividend cuts in its history came during the Great Recession where the dividend fell to \$1.03 per share.



# CUBE'S TOP PROS FOR NUE



SHAREHOLDER  
FOCUSED



MANAGEABLE  
DEBT



APPEALING  
VALUATION

# CUBE'S TOP CONS FOR NUE



GLOBAL  
ECONOMIC  
SLOWDOWN



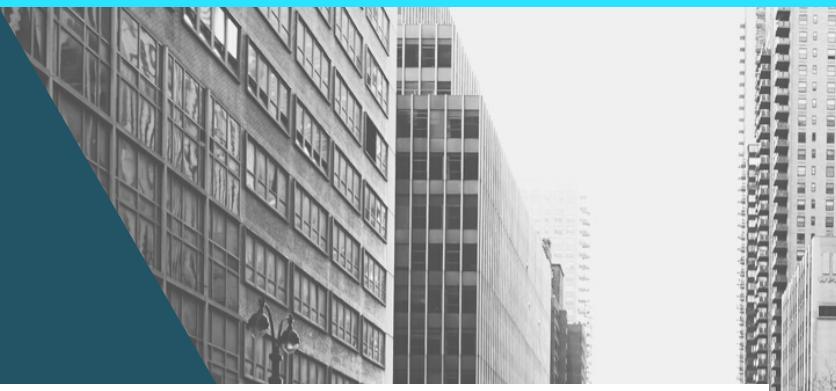
LACKLUSTER  
GROWTH



GROWING  
CAPACITY

# FINANCIAL STATEMENTS

## BALANCE SHEET



	December 31,	
	2019	2018
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents (Note 15)	\$ 1,534,605	\$ 1,398,886
Short-term investments (Notes 4 and 15)	300,040	—
Accounts receivable, net (Note 5)	2,160,102	2,505,568
Inventories, net (Note 6)	3,842,095	4,553,500
Other current assets (Notes 14, 15 and 20)	389,528	178,311
Total current assets	8,226,370	8,636,265
<b>Property, plant and equipment, net (Notes 7 and 8)</b>	<b>6,178,555</b>	<b>5,334,748</b>
<b>Goodwill (Notes 3 and 9)</b>	<b>2,201,063</b>	<b>2,184,336</b>
<b>Other intangible assets, net (Notes 3 and 9)</b>	<b>742,186</b>	<b>828,504</b>
<b>Other assets (Notes 7 and 10)</b>	<b>996,492</b>	<b>936,735</b>
<b>Total assets</b>	<b>\$ 18,344,666</b>	<b>\$ 17,920,588</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Short-term debt (Notes 12 and 15)	\$ 62,444	\$ 57,870
Current portion of long-term debt and finance lease obligations (Notes 7, 12 and 15)	29,264	—
Accounts payable (Note 11)	1,201,698	1,428,191
Salaries, wages and related accruals (Note 18)	510,844	709,397
Accrued expenses and other current liabilities (Notes 7, 11, 14, 16 and 17)	659,524	610,842
Total current liabilities	2,463,774	2,806,300
<b>Long-term debt and finance lease obligations due after one year (Notes 7, 12 and 15)</b>	<b>4,291,301</b>	<b>4,233,276</b>
<b>Deferred credits and other liabilities (Notes 7, 14, 16, 18 and 20)</b>	<b>798,415</b>	<b>679,044</b>
<b>Total liabilities</b>	<b>7,553,490</b>	<b>7,718,620</b>
<b>Commitments and contingencies (Notes 14, 16 and 17)</b>		
<b>Equity</b>		
<b>Nucor stockholders' equity (Notes 13, 17 and 21):</b>		
Common stock (800,000 shares authorized; 380,154 and 380,154 shares issued, respectively)	152,061	152,061
Additional paid-in capital	2,107,646	2,073,715
Retained earnings	11,115,056	10,337,445
Accumulated other comprehensive loss, net of income taxes (Notes 14 and 21)	(302,966)	(304,133)
Treasury stock (78,342 and 74,562 shares, respectively)	(2,713,931)	(2,467,010)
Total Nucor stockholders' equity	10,357,866	9,792,078
<b>Noncontrolling interests</b>	<b>433,310</b>	<b>409,890</b>
<b>Total equity</b>	<b>10,791,176</b>	<b>10,201,968</b>
<b>Total liabilities and equity</b>	<b>\$ 18,344,666</b>	<b>\$ 17,920,588</b>

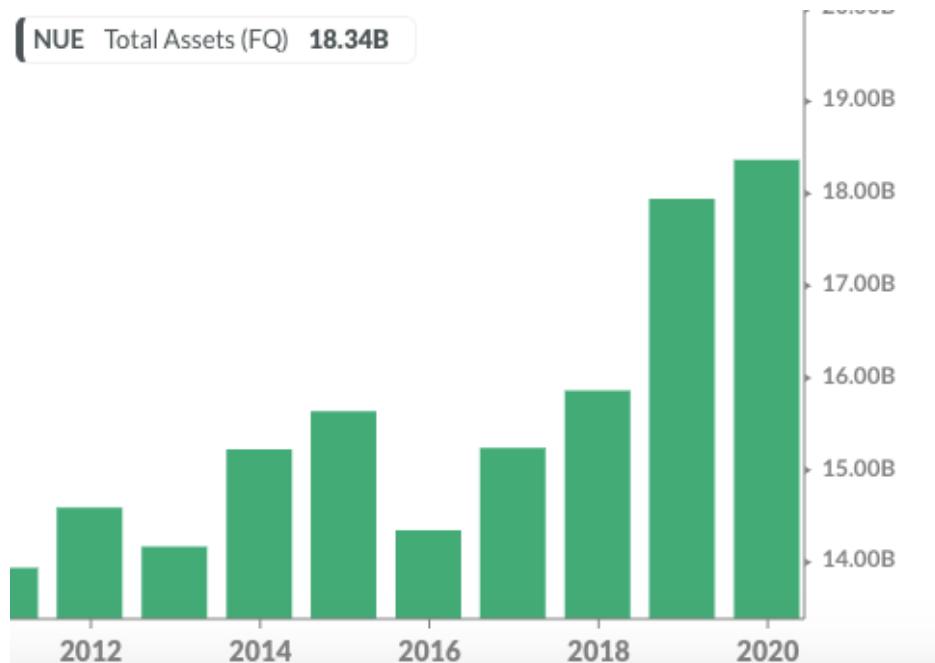
Looking at the balance sheet, NUE is actually in solid shape.

Nucor's cash and cash equivalents and short-term investments position remained strong at \$1.83 billion at December 31, 2019, compared with \$1.40 billion as of December 31, 2018.

Approximately \$354.4 million and \$246.5 million of the cash and cash equivalents position at December 31, 2019 and 2018, respectively.

If we look at the screenshot below, we will see that NUE has a current ratio (current assets/current liabilities) at a whopping 3.3x. This is extremely healthy and helps provide peace of mind for investors who are worried about short-term liquidity during COVID19.

	(Dollars in thousands) December 31,	
	2019	2018
Cash and cash equivalents	\$ 1,534,605	\$ 1,398,886
Short-term investments	300,040	—
Working capital	5,762,596	5,829,965
Current ratio	3.3	3.1



Let's talk about what everyone is talking about right now... DEBT.

Nucor's has two different types of debt. They have tax-exempt industrial development revenue bonds (IDRBs) which are variable interest that are adjusted weekly - good in this environment. These IDRBs represented 24% of Nucor's long-term debt outstanding at December 31, 2019.

The remaining 76% of Nucor's long-term debt is at fixed rates (view below).

December 31,	(in thousands)	
	2019	2018
Industrial revenue bonds due from 2020 to 2040*	\$ 1,010,600	\$ 1,010,600
Notes, 4.125%, due 2022	600,000	600,000
Notes, 4.0%, due 2023	500,000	500,000
Notes, 3.95%, due 2028	500,000	500,000
Notes, 6.40%, due 2037	650,000	650,000
Notes, 5.20%, due 2043	500,000	500,000
Notes, 4.40%, due 2048	500,000	500,000
Finance lease obligations	85,224	—
Total long-term debt and finance lease obligations	4,345,824	4,260,600
Less debt issuance costs	25,259	27,324
Total amounts outstanding	4,320,565	4,233,276
Less current maturities of long-term debt	20,000	—
Less current portion of finance lease obligations	9,264	—
Total long-term debt and finance lease obligations due after one year	\$ 4,291,301	\$ 4,233,276

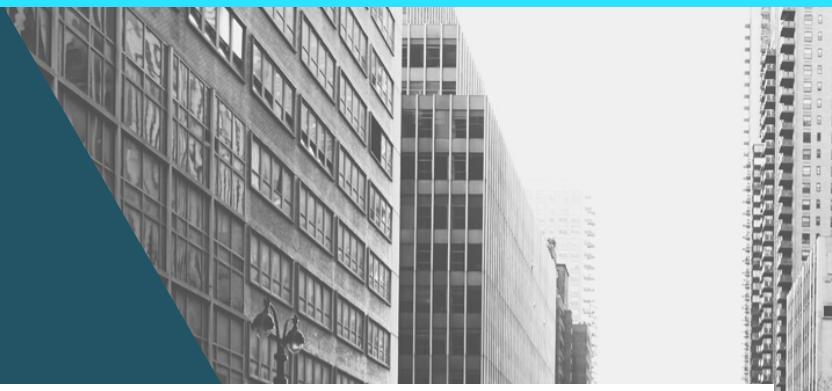
Annual aggregate long-term debt maturities are:

- \$20.0 million in 2020
- \$0 in 2021
- \$601.0 million in 2022
- \$500.0 million in 2023,
- \$0 in 2024
- \$3.14 billion thereafter

NUE also has an untapped \$1.5B line of credit. Put simply, NUE is not only well capitalized in the short term, they are also well equipped in the long-term to handle turbulent times with only \$20M in maturities due for the next 24 months. They also carry one of the highest credit ratings of any steel producer headquartered in North America, with an A- long-term rating from Standard and Poor's and a Baa1 long-term rating from Moody's

# FINANCIAL STATEMENTS

## INCOME STATEMENT



	Year Ended December 31,		
	2019	2018	2017
<b>Net sales (Notes 24 and 25)</b>	<b>\$ 22,588,858</b>	<b>\$ 25,067,279</b>	<b>\$ 20,252,393</b>
<b>Costs, expenses and other:</b>			
Cost of products sold (Notes 7, 14 and 21)	19,909,773	20,771,871	17,682,986
Marketing, administrative and other expenses (Note 7)	711,248	860,722	687,531
Equity in earnings of unconsolidated subsidiaries	(3,311)	(40,240)	(41,661)
Impairment of assets (Notes 8, 9 and 25)	66,916	110,000	—
Interest expense, net (Notes 7, 19 and 20)	121,425	135,535	173,580
	<b>20,806,051</b>	<b>21,837,888</b>	<b>18,502,436</b>
<b>Earnings before income taxes and noncontrolling interests</b>	<b>1,782,807</b>	<b>3,229,391</b>	<b>1,749,957</b>
<b>Provision for income taxes (Notes 20 and 25)</b>	<b>411,897</b>	<b>748,307</b>	<b>369,386</b>
<b>Net earnings</b>	<b>1,370,910</b>	<b>2,481,084</b>	<b>1,380,571</b>
<b>Earnings attributable to noncontrolling interests</b>	<b>99,767</b>	<b>120,317</b>	<b>61,883</b>
<b>Net earnings attributable to Nucor stockholders</b>	<b>\$ 1,271,143</b>	<b>\$ 2,360,767</b>	<b>\$ 1,318,688</b>
<b>Net earnings per share (Note 22):</b>			
Basic	\$ 4.14	\$ 7.44	\$ 4.11
Diluted	\$ 4.14	\$ 7.42	\$ 4.10

On January 28th, Nucor reported Q4 Non-GAAP EPS of \$0.52 beating estimates by \$0.21 on revenue of \$5.13B (-18.6% Y/Y) beating by \$120M. The near 19% drop in revs was not something you want to see. Nucor reported consolidated net earnings of \$4.14 per diluted share in 2019 vs. net earnings of \$7.42 per diluted share reported in 2018.

Nucor's record-setting profitability in 2018 was fueled by a strong domestic economy driving domestic steel demand, the adoption of tax reform and the ongoing efforts to reform federal regulations. Also benefitting 2018 were the broad-based tariffs imposed under Section 232 previously mentioned.

For 2019, only steel products saw growth (3%) while steel mills fell 14% and raw materials fell 18%.

	Year Ended December 31,		% Change
	2019	2018	
Steel mills	\$13,933,950	\$16,245,218	-14%
Steel products	6,990,064	6,796,501	3%
Raw materials	1,664,844	2,025,560	-18%
Total net sales to external customers	\$22,588,858	\$25,067,279	-10%

Net sales for 2019 decreased 10% from the prior year. Average sales price per ton decreased 5% from \$899 in 2018 to \$851 in 2019.

Total tons shipped to outside customers decreased 5% from 27,899,000 tons in 2018 to 26,532,000 in 2019.

Net sales for the steel products segment increased 3% in 2019 from the prior year due to a 4% increase in the average sales price per ton, from \$1,402 in 2018 to \$1,452 in 2019, which was partially offset by a 1% decrease in volume.

In 2019, average selling prices increased across all businesses within the steel products segment, except for tubular products businesses. The largest decrease in volume for 2019 as compared to 2018 was in the cold finished products business.

Net sales for the raw materials segment decreased 18% in 2019 from the prior year primarily due to decreased average selling prices.

In 2019, Nucor recorded gross margins of \$2.68 billion (12%) which was a decrease from \$4.30 billion (17%) in 2018 - a pretty significant drop.

On March 19th NUE made a very important announcement. NUE is guiding for Q1 earnings (quarter ending April 4th) of \$0.95-\$1.00/share, above Q4's \$0.35 EPS and analyst consensus estimate of \$0.87, and said order rates, backlogs and utilization rates at its steel mills have remained strong well into March. Nucor expects Q1 earnings in its steel mills segment to increase from Q4 due to increased average selling prices, primarily at its sheet, bar and plate mills, and expected higher volumes, while profitability in the steel products segment likely will decrease due to normal seasonality.

They also wrote:

"Thus far the impacts of COVID-19 on our supply chains and operations has been minimal. However, more severe impacts are probable as economic activity is disrupted by construction sites being shut down in some major cities and other business interruptions. It is too early to gauge how significant those impacts will be for the balance of the year".

# FINANCIAL STATEMENTS

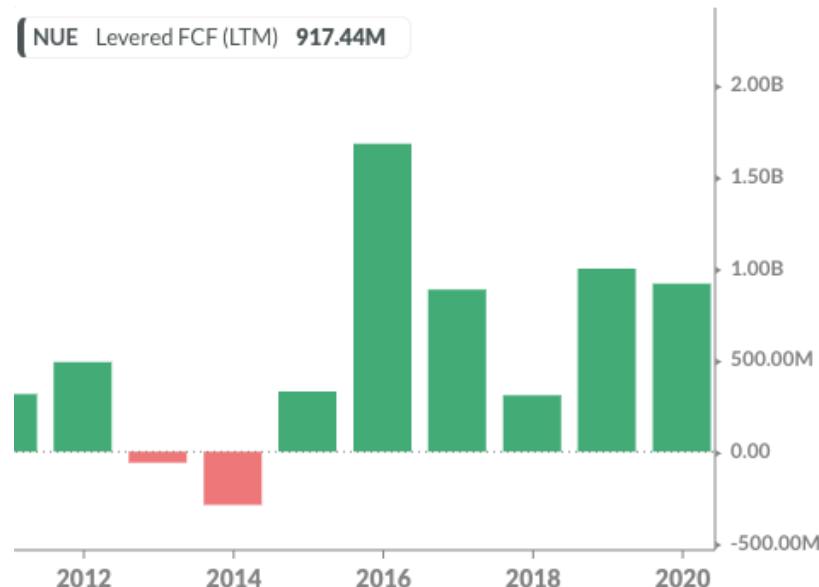
## CASH FLOW

	Year Ended December 31,		
	2019	2018	2017
<b>Operating activities:</b>			
Net earnings	\$ 1,370,910	\$ 2,481,084	\$ 1,380,571
Adjustments:			
Depreciation	648,911	630,879	635,833
Amortization	85,742	88,758	91,228
Stock-based compensation	90,359	73,422	64,176
Deferred income taxes	99,157	3,017	(221,173)
Distributions from affiliates	37,459	30,196	49,295
Equity in earnings of unconsolidated affiliates	(3,311)	(40,240)	(41,661)
Impairment of assets	66,916	110,000	—
Changes in assets and liabilities (exclusive of acquisitions and dispositions):			
Accounts receivable	361,340	(485,433)	(329,501)
Inventories	712,645	(1,092,101)	(900,946)
Accounts payable	(253,457)	235,572	314,817
Federal income taxes	(180,325)	163,743	(107,577)
Salaries, wages and related accruals	(186,755)	204,796	87,700
Other operating activities	(40,178)	(9,741)	32,576
Cash provided by operating activities	<u>2,809,413</u>	<u>2,393,952</u>	<u>1,055,338</u>
<b>Investing activities:</b>			
Capital expenditures	(1,477,293)	(982,531)	(448,555)
Investment in and advances to affiliates	(45,834)	(121,412)	(59,000)
Divestiture of affiliates	67,591	—	—
Disposition of plant and equipment	41,618	31,589	25,315
Acquisitions (net of cash acquired)	(83,106)	(33,063)	(544,041)
Purchases of investments	(367,741)	—	(50,000)
Proceeds from the sale of investments	67,701	50,000	150,000
Other investing activities	2,873	25,348	7,389
Cash used in investing activities	<u>(1,794,191)</u>	<u>(1,030,069)</u>	<u>(918,892)</u>
<b>Financing activities:</b>			
Net change in short-term debt	4,574	5,037	34,872
Proceeds from long-term debt, net of discount	—	995,710	—
Repayment of long-term debt	—	(500,000)	(600,000)
Bond issuance related costs	—	(7,625)	—
Issuance of common stock	16,145	24,101	7,070
Payment of tax withholdings on certain stock-based compensation	(25,047)	(22,123)	(14,408)
Distributions to noncontrolling interests	(76,347)	(56,179)	(90,974)
Cash dividends	(492,062)	(485,376)	(485,321)
Acquisition of treasury stock	(298,541)	(853,997)	(90,304)
Other financing activities	(9,132)	(7,725)	(3,241)
Cash used in financing activities	<u>(880,410)</u>	<u>(908,177)</u>	<u>(1,242,306)</u>
Effect of exchange rate changes on cash	907	(5,924)	9,003
<b>Increase (decrease) in cash and cash equivalents</b>	<b>135,719</b>	<b>449,782</b>	<b>(1,096,857)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>1,398,886</b>	<b>949,104</b>	<b>2,045,961</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 1,534,605</b>	<b>\$ 1,398,886</b>	<b>\$ 949,104</b>
<b>Non-cash investing activity:</b>			
Change in accrued plant and equipment purchases	<b>\$ 34,777</b>	<b>\$ 14,725</b>	<b>\$ 58,519</b>

Cash provided by operating activities was \$2.81 billion in 2019 as compared to \$2.39 billion in 2018. The primary reason for the increase in cash provided by operating activities was the \$1.40 billion reduction of cash used by operating assets and operating liabilities.

Cash used in investing activities primarily represents capital expenditures for new facilities, the expansion and upgrading of existing facilities and the acquisition of other companies. Cash used in investing activities in 2019 was \$1.79 billion as compared to \$1.03 billion in 2018. The primary driver for the increase in cash used in investing activities was that cash used for capital expenditures increased by 50%, from \$982.5 million in 2018 to \$1.48 billion in 2019. The increase in capital expenditures in 2019 over the prior year was primarily related to the following:

- Sheet mill expansion at Nucor Steel Gallatin
- New micro mill greenfield expansion in Sedalia, Missouri
- New merchant bar quality mill at Nucor Steel Kankakee, Inc
- The specialty cold mill complex at Nucor Steel Arkansas
- Project 8000 at Nucor Steel Louisiana





# NUE FUNDAMENTALS

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We are going to compare NUE to U.S. Steel (X), ArcelorMittal (MT), and Steel Dynamics (STLD).

On an enterprise value to sales basis, NUE is actually the most expensive at 0.7x. MT is the cheapest at 0.3x. These are still all attractive even for a cyclical industry.





# NUE FUNDAMENTALS

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On a price to book valuation, NUE stands at 1.1x while X and MT are 0.3x. We can see from the entire chart, the steel industry has been obliterated and is unable to even garner 1x book in some cases when they once used to be in the 3-4x range.





# NUE FUNDAMENTALS

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As we move down the balance sheet and take into account debt, we see from an EV/EBITDA standpoint, NUE is in the middle at an attractive 5.5x. X is the highest at 8.1x while STLD is the cheapest at 4.6x.

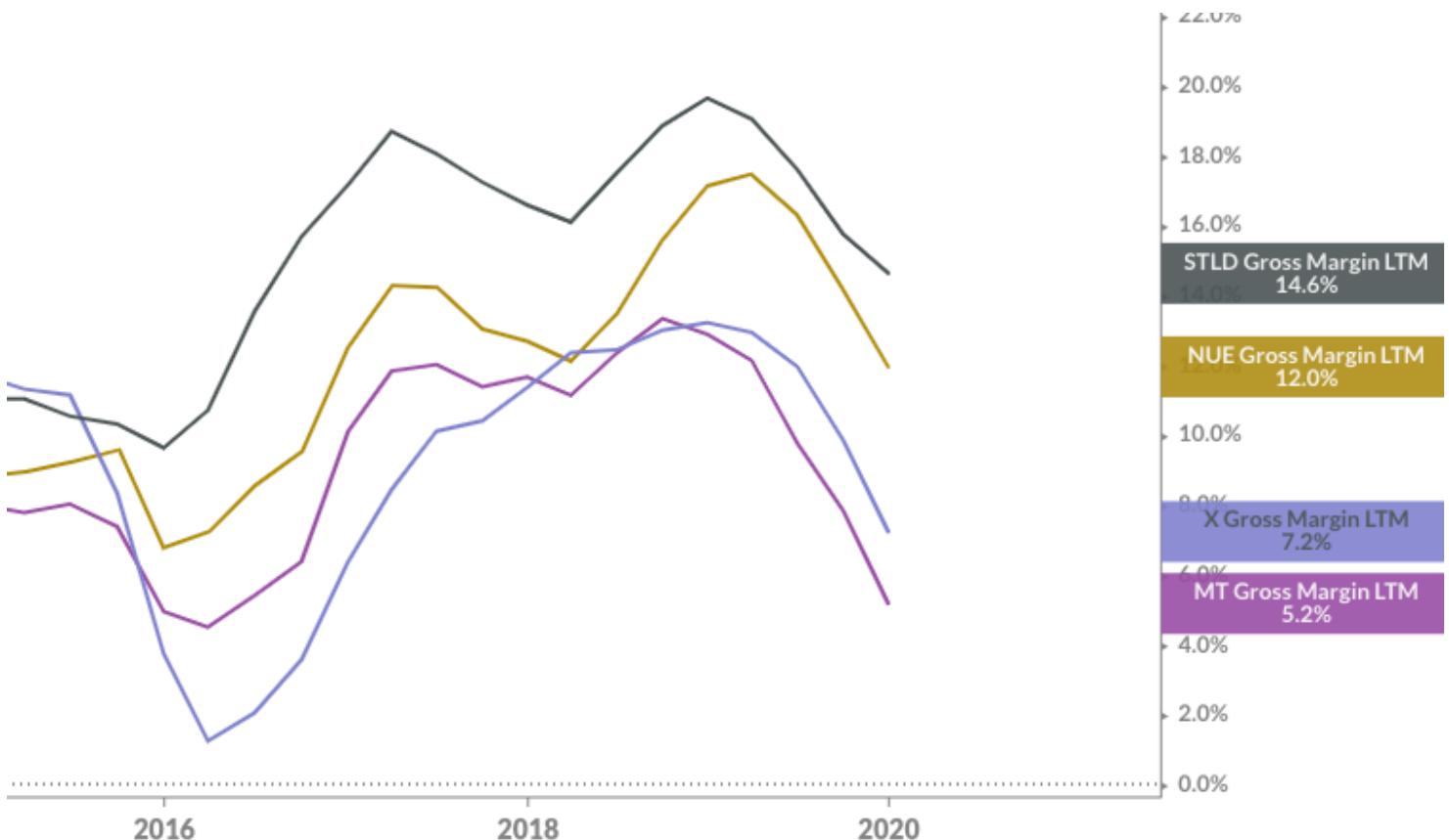




# NUE FUNDAMENTALS

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As we saw earlier when examining NUE's financials, margins have been falling for the industry. NUE's gross margins are at 12% while X and MT are towards the bottom which is also much of the reason they are the cheaper valued companies of the bunch. STLD leads the pack at 14.6%.

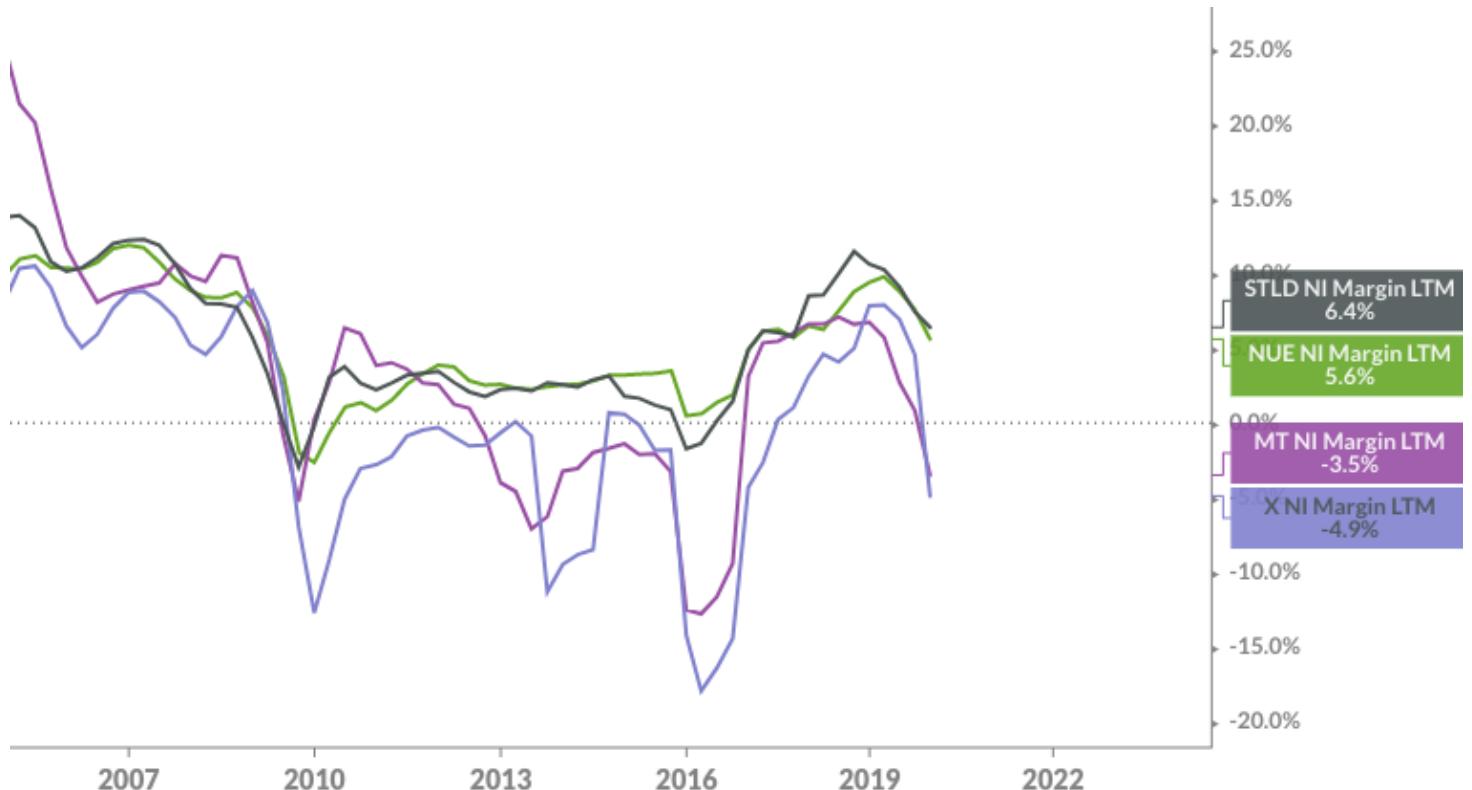




# NUE FUNDAMENTALS

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Sliding all the way down to net income and we see that only STLD and NUE are in the green. MT and X have been struggling as they run in the red. Yet another reason why they trade at a discount to STLD and NUE.

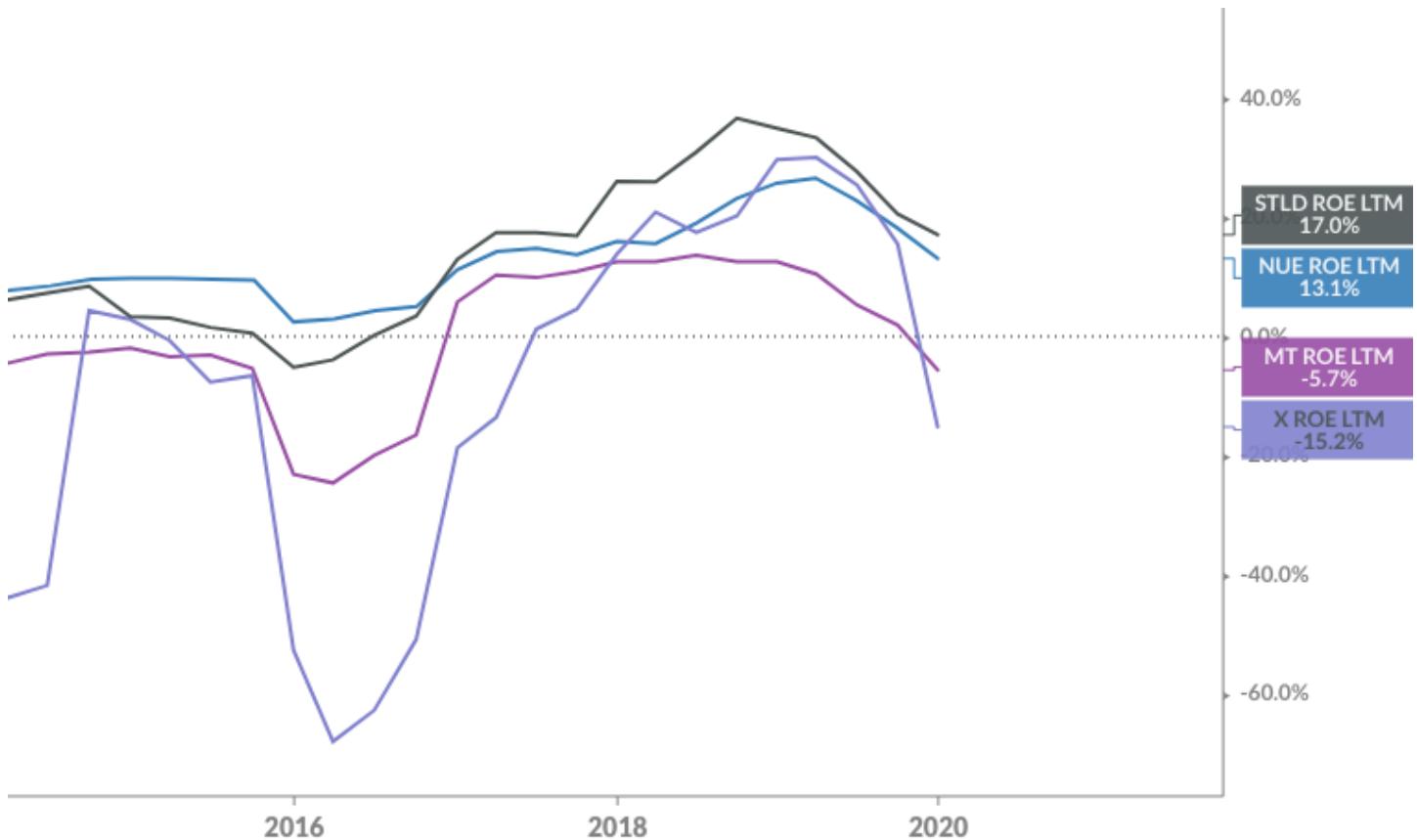




# NUE FUNDAMENTALS

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From a return on equity view, the story continues. STLD and NUE generate much higher ROE. NUE stands at 13.1% while MT is at -5.7% and X is at -15.2%.

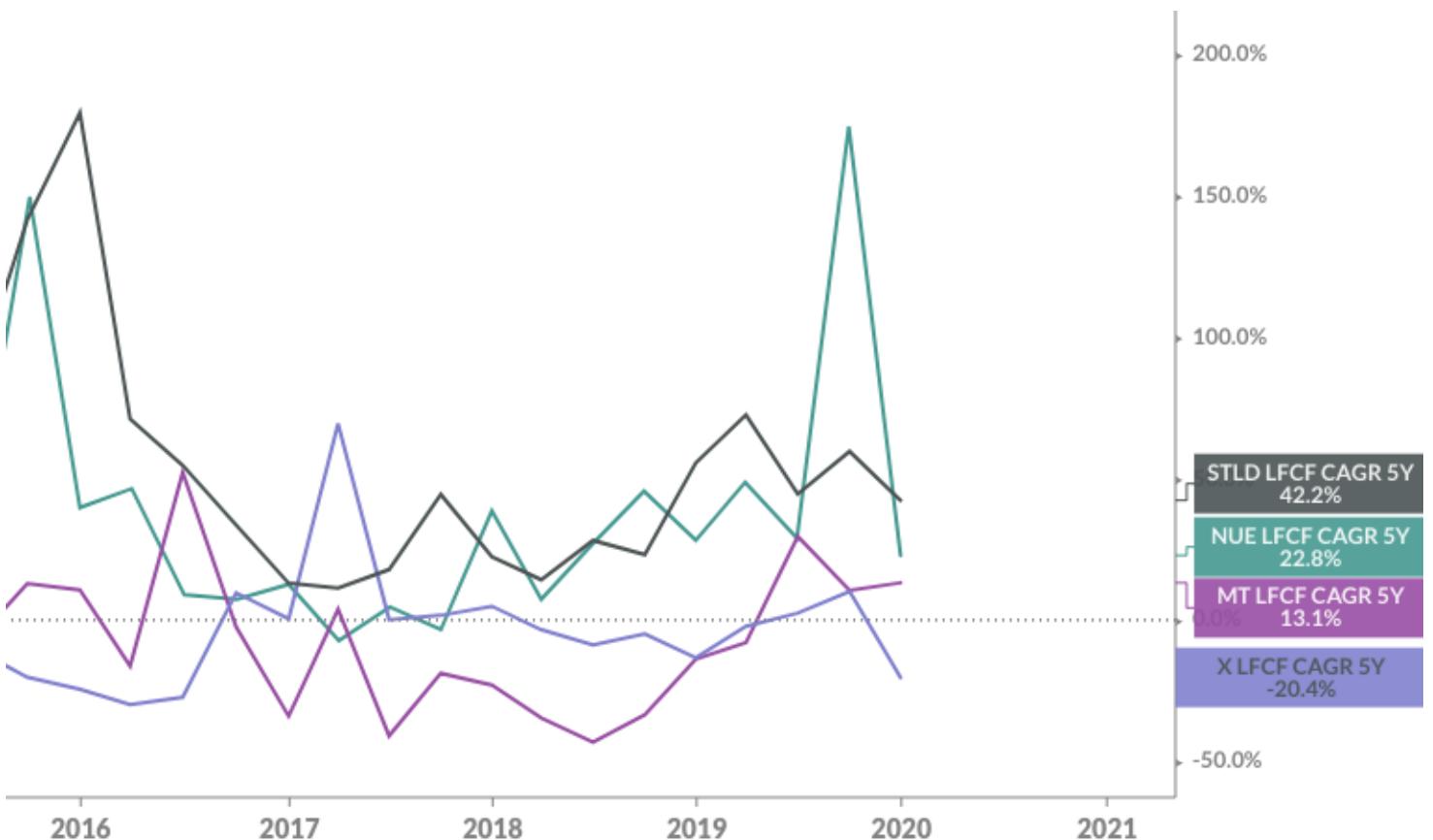




# NUE FUNDAMENTALS

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Last but not least, over the last 5 years, NUE has averaged a 22.8% compounded annual growth rate in levered free cash flow as we saw the chart above in the cash flow section. X has been unable to grow cash flow growth and STLD has been doing a fantastic job on their end.





# NUE TECH ANALYSIS

**NUE** Nucor Corp. NYSE

14-Apr-2020

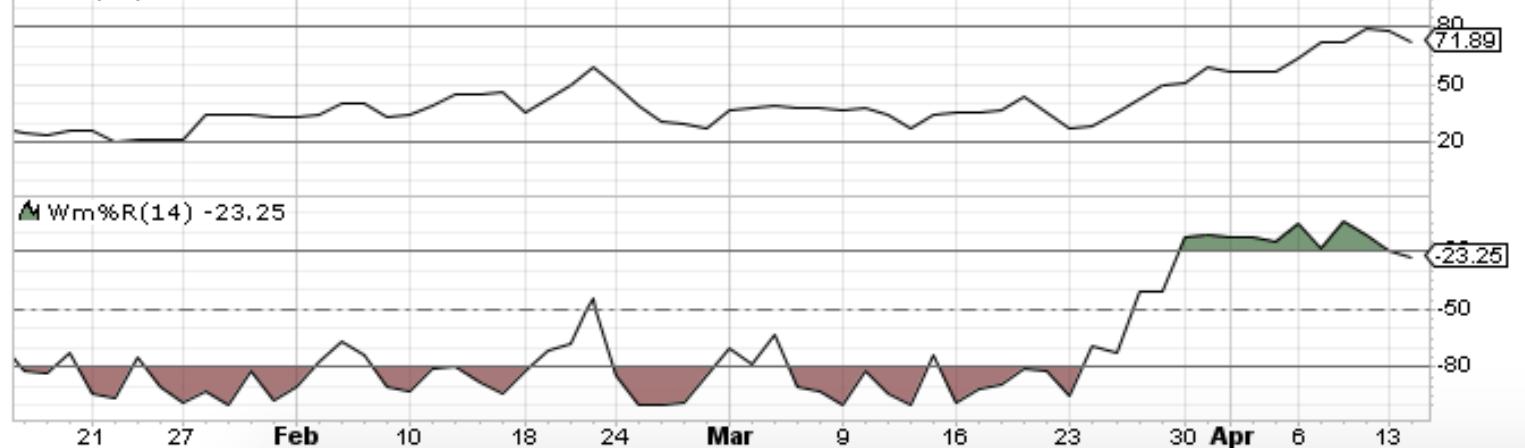
Open 39.54 High 39.97 Low 37.84 Close 38.38 Volume 3.3M Chg -0.41 (-1.06%) ▼

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▲ RSI(14) 54.86



▲ MFI(14) 71.89





# TECH ANALYSIS SUMMARY

Looking at the charts, we believe NUE is going to pull back in the short term. The stock has hit overbought on MFI and W%R and on top of this it has been unable to break and hold past its 50 day moving average of \$39.54.



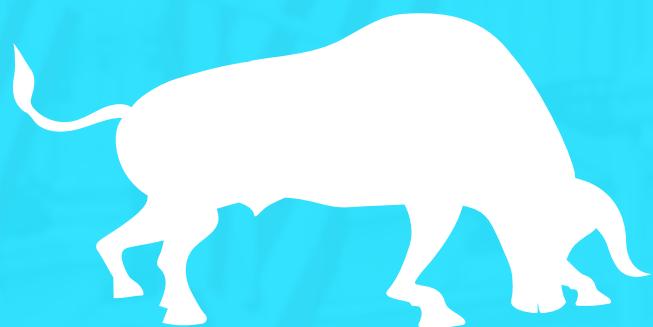
CUBE believes shares are going to pullback to the pivot point of \$35.59 where the stock should then find support as it also has the 20DMA of \$34.29 as a second layer of support.

In the case those two levels do not hold, it could get pretty ugly as the next support would be the S1 level of \$27.63 and lower BB of \$27.22.

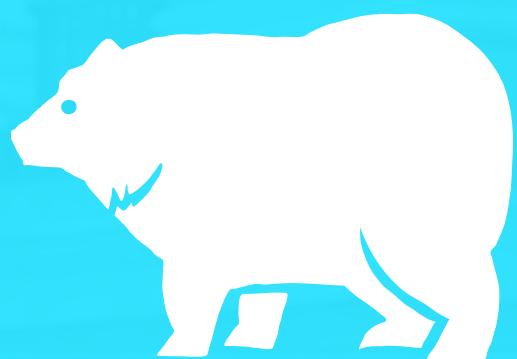
In the case that the pivot point does hold, we believe NUE will consolidate and make another attempt at the 50DMA.

# BULLISH OR BEARISH?

.....



VS.



**MORE BULLISH  
(POSITIVE)**



**MORE BEARISH  
(NEGATIVE)**



**CUBE**  
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# NUE CONCLUSION

Overall, CUBE actually believes Nucor is one of the best names in the industry, if not the best. While COVID19 has really put a damper on growth in the near-term, NUE is well capitalized to handle the headwinds that will arise. In addition, their Q1 insight to the quarter that ended last week was also very encouraging.

It's also worth noting that steel imports into the U.S. fell 17% to 25.3M tons in 2019, the lowest levels since 2010 and we hope this will continue as Section 232 really starts to take hold. On the flip side, we hope to see the USMCA agreement lead to more exports for NUE and its peers.

From a valuation standpoint, NUE is very attractive to CUBE and we will be adding it to our watchlist. While we are bullish on the stock long-term due to lower interest rates and an expected ramp in infrastructure investments, the stock does look like it will pullback in the near-term. All in all, we think management has done a great job returning capital to shareholders while also being responsible enough to position themselves for safety in times like these - something many companies today cannot say.

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