



## FEATURED OPTIONS RADAR REPORT



### Bulls See Steel Leader Surging Through Early 2022

Ticker/Price: NUE (\$114.75)

#### Analysis:

**Nucor (NUE)** calls were hot on 9/7 early in the session before a midday TV pump with over 12,000 October 22<sup>nd</sup> (W) \$140 calls bought to open \$0.95 to \$1.20 while longer-term size bull trades bought 2500 April 2022 \$140 calls \$5.70 to \$6.10. NUE still has some size in September \$125 and \$130 calls from buyers on 8/10 and 8/11 while October \$110/\$92.5 bull risk reversals opened 5000X on 5/28 with all of the calls still in open interest. NUE has also seen 3900 January \$110 calls bought in OI. NUE shares are +115% YTD and surged from February to May before dipping in June and July and recently on another push higher forming a bull wedge below recent highs. NUE has overhead resistance at \$120 and \$123.50 levels currently with upside potential to \$140 or higher. NUE is a leading manufacturer of steel and steel products as well as direct reduced iron for steel mills. NUE's largest steel mill segment produces 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. NUE's end-markets are led by Construction and Transports with Energy, Industrial and Auto smaller contributors. Steel demand has been very strong recently and NUE is pursuing capability increases instead of capacity additions. NUE management has focused on entering growing markets with its "expand beyond" strategy such as renewables, and warehousing trends for e-commerce, data centers, and food storage, among many others to move away from the cyclical nature of its core business. NUE also looks due for capital returns in form of buybacks with it set to generate \$4B in FCF. NUE sees demand holding strong into 2022, as driven by the construction industry. Management also expect the automotive industry to require years to replenish dealer inventories and rental car fleet. Orders remain at historic highs while management still expect service center inventories to remain below historical averages. NUE currently has a market cap of \$34B and trades 9.75X Earnings, 4X FY21 EBITDA and 26.85X FCF with a 1.4% dividend yield. NUE forecasts see strength through Q1 2022 before tough comps start to set in and will see Y/Y declines in revenues/EBITDA. Analysts have an average target of \$110 with short interest low at 1.5% of the float. Argus raised its target to \$140 recently citing strong demand, record earnings and a strong balance sheet. Seaport started at Buy in August with a \$130 target seeing the industry near a peak but still room for 2H21 upside to estimates before a pending correction. Hedge Fund ownership dipped 4.8% last quarter.

#### Hawk Vision:



**Hawk's Perspective:** NUE has pulled back a bit and been an interesting first-choice of option traders in the Steel names, a quality company that can likely see momentum continue through year-end.

**Confidence Ranking:** \$\$