



## FEATURED OPTIONS RADAR REPORT



### Bulls See Further Upside in Top Steelmaker as Next-Gen Mill Starts Up

**Ticker/Price:** STLD (\$65.50)

**Steel Dynamics (STLD)** with 2000 January 2024 \$100 calls bought on 10/21 for over \$1M and previously saw May \$75/\$60 bull risk reversals open 2000X. STLD also with January \$80 calls bought and 4000 now in open interest. STLD shares pulled back in September to just above the rising 200-day moving average and last week worked back above YTD VPOC and recently put in a bullish 8/21 moving average crossover while sitting on key support this week and a weekly close above \$66.25 would be bullish. STLD is one of the largest domestic steel producers and metal recyclers in the United States. Its primary sources of revenue are from the manufacture and sale of steel products, the processing and sale of recycled ferrous and nonferrous metals, and the fabrication and sale of steel joists and deck products. STLD gets 48% of revenues from construction related activities and just 12% exposure to Auto. On its latest call STLD noted the nonresidential construction market is strong, especially in areas that support online retail, computing activities and pharmaceuticals, specifically represented by construction of distribution and warehouse facilities. STLD has a market cap of \$13.3B and trades 6X Earnings, 3.3X EBITDA and 2.73X Book with revenues growing 89% in 2021 and EBITDA +300% with 1H22 seen strong before lapping tough comps and the cycle potentially peaking out. STLD has always screened as a best-in-class name with higher EBITDA margins than its peers, strong free cash flow conversion and gaining market share. STLD also has a very strong balance sheet with room for incremental capital returns. STLD noted last quarter its new Texas electric-arc-furnace steel mill starting production before the end of this year as its most significant growth initiative to date that represents lower carbon emitting, next-generation electric furnace steel production capability. Analysts have an average target of \$75 on shares with short interest low at 2% of the float. MSCO downgraded shares on 10/18 on concerns of peak pricing for the industry. Seaport started at Buy with a \$75 target in August expecting strong results that next few quarters. Hedge Fund ownership fell 17% last quarter.

#### Hawk Vision:



**Hawk's Perspective:** STLD has always been our top Steel name and I can see this cycle lasting longer than some expect and carry into mid-2022, so I would expect shares can push up to \$80+.

**Confidence Ranking:** \$\$