

**A PROPOSED STRATEGIC PLAN FOR NUCOR CORPORATION**

**STOCK SYMBOL: NUE**

BY

A TEAM OF FOUR BBA STUDENTS

NOTE: THIS WAS AN A PROJECT IN DR. FRED DAVID'S CAPSTONE BBA STRATEGIC MANAGEMENT COURSE AT FRANCIS MARION UNIVERSITY IN FLORENCE, SOUTH CAROLINA IN THE SPRING 2017

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## EXECUTIVE SUMMARY

Our strategic plan for Nucor involves twelve recommendations. These recommendations are based off conclusions drawn from a EFEM, CPM, Ratio Analysis, IFEM, SWOT analysis, BCG, IE matrix, SPACE matrix, QSPM, Perceptual Maps and organizational structure. They are also based off information gleaned from research done on Nucor, its competitors and the steel industry itself. The industry overall is expected to have negative industry growth so some retrenchment strategies are recommended. A few market penetration strategies are recommended as well based upon opportunities within the SWOT analysis and conclusions drawn from the matrices.

The two best strategies according to the QSPM is opening a DRI facility in California to penetrate the convenient export markets to Asia and to open a Vulcraft/Verco plant in Washington State. We also recommend creating a new website for online sales and new brokerage offices. Forming a joint venture with Facor Steel Limited to penetrate India's steel market is another recommendation. These strategies are market penetration strategies for Nucor.

When it comes to organizational structure, we recommend that the CEO no longer hold the title of president or chairperson. We also recommend that the board of directors become more diverse. Within our recommended structure, the COO is established and divisional presidents report directly to them. The functional executives report to the CEO.

# MISSION STATEMENT

**Current:**

“Nucor Corporation is made up of approximately 20,000 teammates whose goal is to "Take Care of Our Customers." We are accomplishing this by being the safest, highest quality, lowest cost, most productive and most profitable steel and steel products company in the world. We are committed to doing this while being cultural and environmental stewards in our communities where we live and work. We are succeeding by working together”

**Proposed:**

Nucor Corporation’s primary goal is to "Take Care of Our Customers." (1,2) We will accomplish this by being the safest steel company in the world. (3) Nucor provides the highest quality, lowest cost, most productive and most profitable steel and steel products company in the world. (4,7) We are committed to doing this while being cultural and environmental stewards in our communities where we live and work. (5,6) We are succeeding by working together with customers, employees and shareholders (8) to provide growth to our workers and the communities around us. (9)

## Vision Statement

**Current:**

Non-existent.

**Proposed:**

Nucor Corporation’s vision is to become the world leader in the steel industry, while providing care to our teammates, our customers, the environment and the communities in which we live and work.

## External Factor Evaluation Matrix (EFEM)

Opportunities		Weight	Rating	Weighted Score
1	The automotive market is the second largest end market for steel, with a record year of 17.5 million vehicles sold.	0.10	2	0.2
2	In 2015, the US congress passed a five-year surface transportation bill that would provide an estimated \$325.0 billion for public transportation and highway projects.	0.10	1	0.1
3	Utilities are a major market for industry products and the value of utilities construction is expected to increase over 2016.	0.05	1	0.05
4	Steel prices have rebounded partially of late, helped by punitive trade actions that led to levy of tariffs on imports	0.05	3	0.15
5	The value of construction is projected to rise in 2016, presenting a potential, though modest, opportunity for the industry.	0.02	3	0.06
6	Annual projected growth of the steel industry from '16-'21 at 2.5%.	0.02	2	0.04
7	Foreign steel imports are down 14.7% in 2016	0.02	2	0.04
8	Steel demand in Asia and Oceania has experienced an increase in steel use volume from 685.4 million tons in 2007 to 1030.4 million tons in 2016 creating an opportunity for Nucor to penetrate the Asia market of steel.	0.01	2	0.02
9	India is anticipated to act as the next growth engine, given its progressing construction and manufacturing sectors, rapid urbanization and structural reforms.	0.01	1	0.01
10	Steel prices in the EU is expected to rise 1.4% in 2016.	0.01	2	0.02
Threats		Weight	Rating	Weighted Score
1	Finished imports in 2015 captured 29% market share, slightly down from 2014, but still 27% higher than 2013. These imports will force lower steel prices making it difficult for Nucor to maintain sales prices and profit levels.	0.12	2	0.24
2	The world price of steel is projected to remain at historically low prices in 2016, posing a significant threat to the industry.	0.10	1	0.10
3	The world steel demand will decrease by close to 1.0% in 2016 then increase by 0.4% in 2017.	0.08	2	0.16
4	The private spending on metalworking machinery is expected to decline.	0.08	3	0.24
5	Elevated import level /China's steel usage is expected to decrease 4% in 2016	0.08	2	0.16
6	A steep drop in oil prices in 2015 had a significant impact on demand for energy-related steel, which is the 3rd largest end market for steel in the US.	0.04	2	0.08
7	The Car and Automobile Manufacturing industry, a major consumer of iron and steel. Demand from Car and Automobile Manufacturing is projected to decrease in 2016.	0.03	4	0.12
8	Imports' share of domestic demand will decline from 23.0% in 2016 to a projected 22.8% in 2021. (IBIS world)	0.03	3	0.09
9	Government funding for highways, requiring an extensive use of metal liners, plates and bar joists, is expected to remain stagnant over 2016, representing a potential threat to the industry.	0.03	3	0.09
10	Industry production is closely linked to demand for steel because it is used in a n variety of industrial applications. The industrial production index is expected to decline in 2016.	0.02	3	0.06
<b>Total EFE Score</b>		<b>1.00</b>		<b>2.03</b>

## Competitive Profile Matrix (CPM)

Critical Success Factors	Weight	<u>Nucor</u>		<u>United States Steel Corp</u>		<u>AK Steel Holding Corp.</u>	
		Rating	Score	Rating	Score	Rating	Score
Safety	0.15	4	0.60	2	0.30	3	0.45
Customer Service	0.14	4	0.56	3	0.42	2	0.28
Employee Satisfaction	0.13	4	0.52	3	0.39	2	0.26
Market Penetration	0.11	4	0.44	3	0.33	2	0.22
Financial Profit	0.10	3	0.30	3	0.30	2	0.20
Recycling	0.09	3	0.27	1	0.09	2	0.18
Low Cost Production	0.08	4	0.32	3	0.24	2	0.16
Product Quality	0.07	4	0.28	3	0.21	2	0.14
Price Competitiveness	0.04	3	0.12	4	0.16	2	0.08
Customer Loyalty	0.04	3	0.12	4	0.16	1	0.04
Company Culture	0.04	4	0.16	1	0.04	2	0.08
R&D	0.01	2	0.02	1	0.01	3	0.03
<b>Totals</b>	<b>1.00</b>		<b>3.71</b>		<b>2.65</b>		<b>2.12</b>

## RATIO ANALYSIS

<b>Profitability Ratios</b>	<b>12/31/15</b>	<b>12/31/14</b>
<b>ROA%</b>	4.63%	2.40%
<b>ROE%</b>	9.26%	4.71%
<b>Gross Profit Margin</b>	9.03%	9.62%
<b>Operating Profit Margin</b>	6.40%	5.30%

<b>Liquidity Ratios</b>	<b>12/31/14</b>	<b>12/31/15</b>
<b>Quick Ratio</b>	1.76	2.61
<b>Current Ratio</b>	3.07	4.15

<b>Debt Management</b>	<b>12/31/14</b>	<b>12/31/15</b>
<b>LT Debt to Equity</b>	0.56	0.59
<b>Total Debt to Equity</b>	0.93	0.83
<b>Times-Interest-Earned</b>	7.12	4.09
<b>Total Debt-to-Total-Assets</b>	0.48	0.45

<b>Asset Management</b>	<b>12/31/14</b>	<b>12/31/15</b>
<b>Fixed Asset Turnover</b>	4.14	3.23
<b>Total Asset Turnover</b>	1.37	1.10
<b>Receivables Turnover</b>	10.88%	9.52%
<b>Inventory Turnover</b>	7.18	6.08
<b>Accounts Payable Turnover</b>	20	21.07

## Internal Factor Evaluation Matrix (IFEM)

	Strengths	Weight	Rating	Weighted Score
1	Incentive based pay systems reduce Nucor's payroll costs. Wages are pegged to the productivity of the employee.	0.10	4	0.40
2	Nucor-Yamato Steel will install a \$75 million cooling process that will lead to significant alloy reductions, saving an estimated \$12 million in alloy costs annually.	0.10	4	0.40
3	Having a significant portion of their raw materials supply under their control minimizes risk associated with the global sourcing of raw materials.	0.09	4	0.36
4	Nucor has implemented a long-term raw materials investment strategy focused on reducing the cost structure of their steelmaking operations, providing greater metallic's input flexibility, creating a shorter supply chain and achieving greater control over their key steel mill metallic inputs.	0.09	4	0.36
5	Nucor is North America's most diverse steel producer.	0.07	4	0.28
6	Because Nucor uses electric arc furnaces to produce their steel, they can easily vary their production levels to match short-term changes in demand, unlike their blast furnace-based integrated competitors.	0.07	4	0.28
7	Nucor's unique management philosophy allows them to foster loyalty among its people. (Empowering employees to make decisions while they work.)	0.07	4	0.28
8	Nucor's \$365 million investments in engineered bar have allowed them to increase shipments to the automotive market by 20% to 1.4 million tons per year.	0.06	4	0.24
9	Vulcraft/Verco group (Nucor's steel product segment) is the nation's largest producer and leading innovator of open-web steel joists, joist girders and steel deck.	0.04	3	0.12
10	Nucor is second in the steel industry in price stability ranked 65 out of 100, only following behind Friedman Inds Inc.	0.02	3	0.06



	Weaknesses	Weight	Rating	Weighted Score
1.	Net sales to external customers in the steel mills segment decreased 25% due to a 17% decrease in the average sales price per ton from \$788 in 2014 to \$651 in 2015 and a 9% decrease in tons sold to outside customers.	0.07	2	0.14
2.	Lack of market diversification. Most revenue from Nucor is derived from the US.	0.05	1	0.05
3.	Nucor's steel production decreased 8.7% from 2014.	0.04	1	0.04
4.	Sales for the raw materials segment decreased 41% from 2014.	0.04	1	0.04
5.	Sales per employee dropped 25% from 2014-2015.	0.02	2	0.04
6.	2014 gross margins were negatively impacted by \$8.9 million in inventory-related purchase accounting adjustments associated with their acquisition of Nucor Steel Gallatin.	0.02	2	0.04
7.	Consolidated net sales decreased 22% to 16.44 billion compared with \$21.11 billion in 2014.	0.02	1	0.02
8.	Return on Stockholders' Equity dropped from 9.3% in 2014 to 4.7% in 2015.	0.01	2	0.02
9.	Net sales to external customers in the steel products segment decreased 2% from 2014 due to a 1% decrease in tons sold to outside customers and a 1% decrease in the average sales price per ton from \$1,383 in 2014 to \$1,374 in 2015.	0.01	2	0.02
10.	In 2015, Nucor recorded \$244.8 million in charges for impairments and losses on assets compared with \$25.4 million in 2014.	0.01	2	0.02
	<b>Total IFE Score</b>	<b>1.00</b>		<b>3.21</b>

# SWOT ANALYSIS

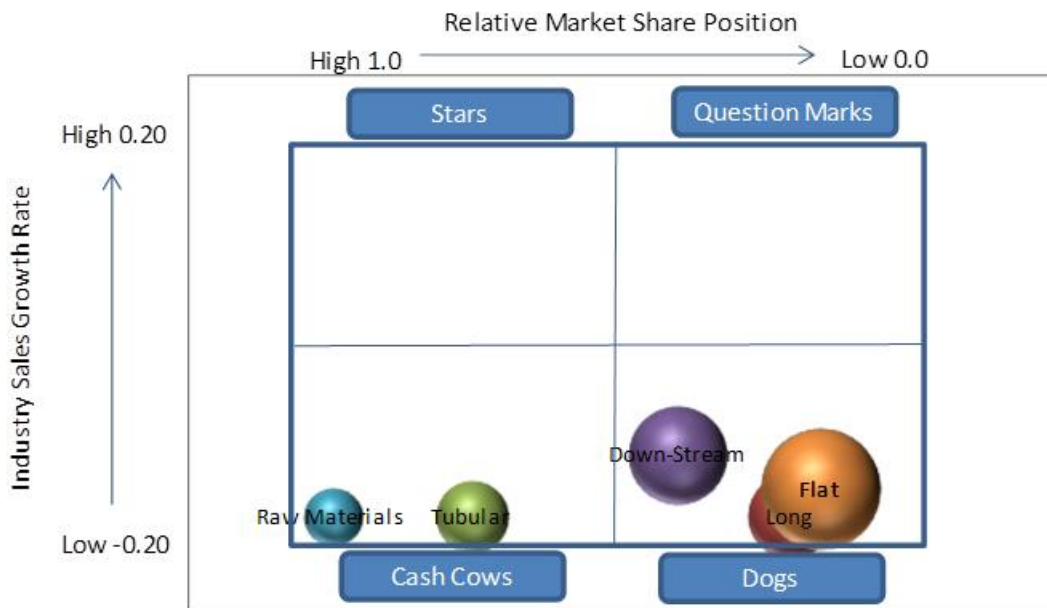
SO Strategies
1. Establish websites to sell products directly to construction consumers. (S9, O5, O7)
2. Hire new sales agents to increase construction sales. (S2,O6)
3. Create new contacts with automotive companies on the West Coast, through new brokerage offices to sale directly to these new customers. (S2, S8, O2, O10)
4. Open DRI facility in California to penetrate the convenient export markets to Asia. This region holds the third largest share of the industry establishments. (O8, S4)

ST Strategies
1. Increase sales with government contracts for upcoming highway projects. (S6, S2, T9)
2. Continue investment into downstream projects while prices are low, to gain competitive advantage. (S10, S4, T3, T10)
3. Continue investing in the raw materials segment while steel prices are low. (S3,T2)
4. Build a new DRI plant near the western coast to continue gaining market shares in raw materials segment. (S4,T3)

WO Strategies
1. Open DRI facility in California to penetrate the convenient export markets to Asia. (W1, W9, O3, O4)
2. Establish websites to sell products directly to construction consumers (W3, W4, W5, W7, O1)
3. Add new division on West Coast to achieve a low- cost production for that Region (W1, O4, O6)
4. Form a joint venture with Facor Steel Ltd a firm having competency in India. (W2, O9)

WT Strategies
1. Diversify products with new Vulcraft plant. (W2, W5)
2. Increase sales 10% by gaining a government contract for highway and bridge buildings. (T9, W1)
3. Open Vulcraft/Verco plant in Washington State. (W3, T2)

# BCG MATRIX

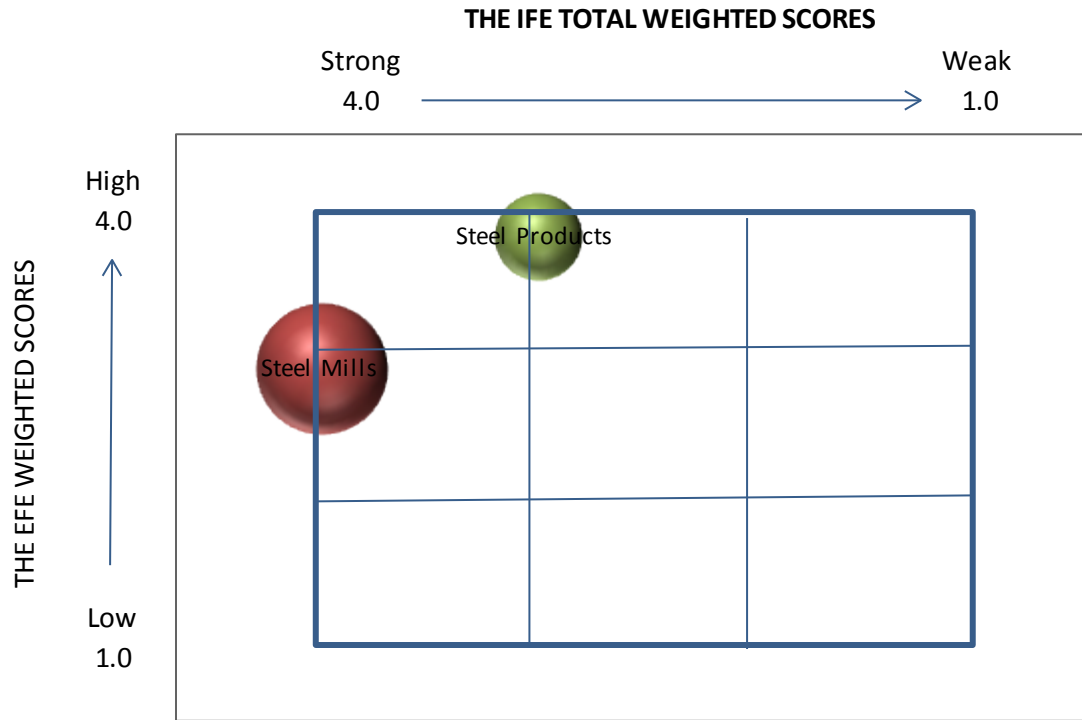


Product	Our Firm's Revenues	Top Rival Firm's Revenues	Division Market Growth Rate	Relative Market Share Position
Flat	4,628,805	36,226,000	-0.21	0.16
Long	3,005,450	13,996,000	-0.25	0.21
Tubular	2,137,413	2,809,000	-0.26	0.76
Down-Stream	3,966,895	9,123,000	-0.16	0.41
Raw Materials	1,388,050	1,388,050	-0.40	1.00

Nucor took a hit in the last year because of a decline in steel prices. Flat, Long, and Downstream products will be regrouping between cost and asset reduction in order to reverse declining profit. Recommended to lower cost would be the investment into safety and training to keep from any further accidents or equipment failure, as well as the investment into research and development to find lower cost solutions for these product segments. Nucor should develop new products for the tubular and raw materials segment, these recommendations for a new Vulcraft plant for tubular products, and a new raw materials plant to diversify the products that Nucor already offers.

Note: Nucor's raw materials segment took such a large fall in market growth rate following an equipment failure in the new DRI plant.

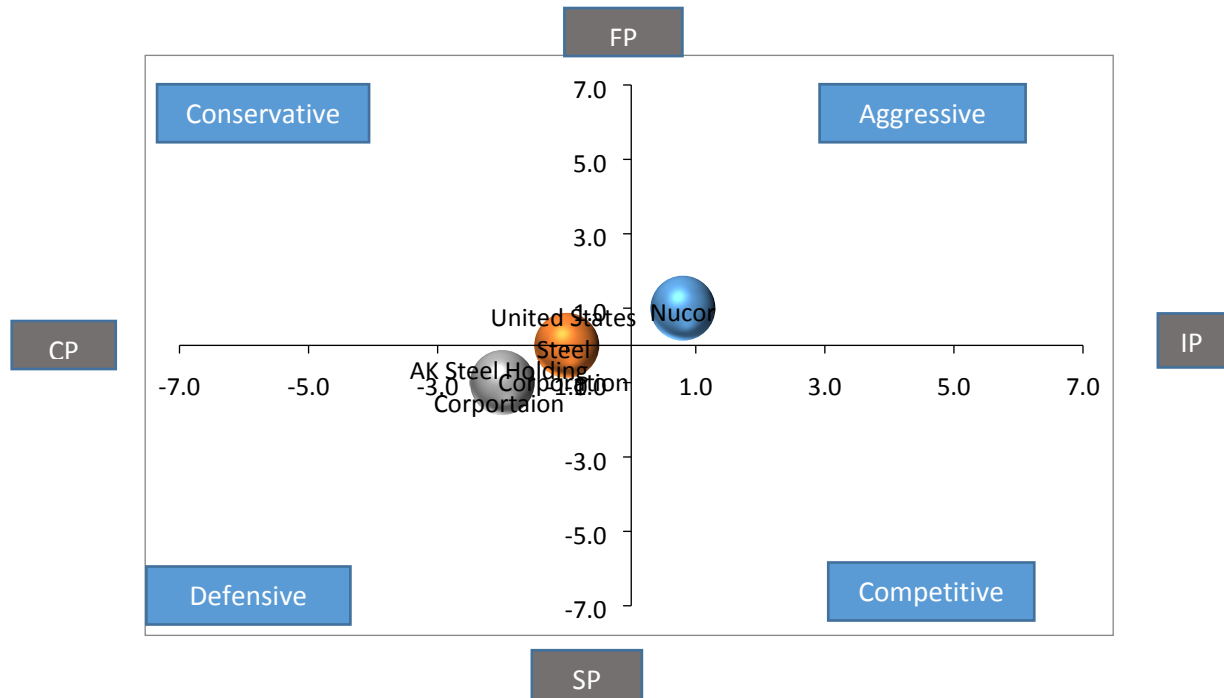
# IE MATRIX



IE Matrix	Nucor's Division Revenues	Estimated IFE Score	Estimated EFE Score
Steel Mills	629,793	4	3
Steel Products	276,048	3	4
Raw Materials	(283,938)	2	1

According to the IE Matrix, Nucor should use the Steel Mill and Steel Products division to grow and build the company. In reference to strategies we will continue to grow the steel products segments by adding a new Vulcraft plant. Our recommendations also include market penetration in these two segments with new online sales and brokerage offices to expand Nucor's markets.

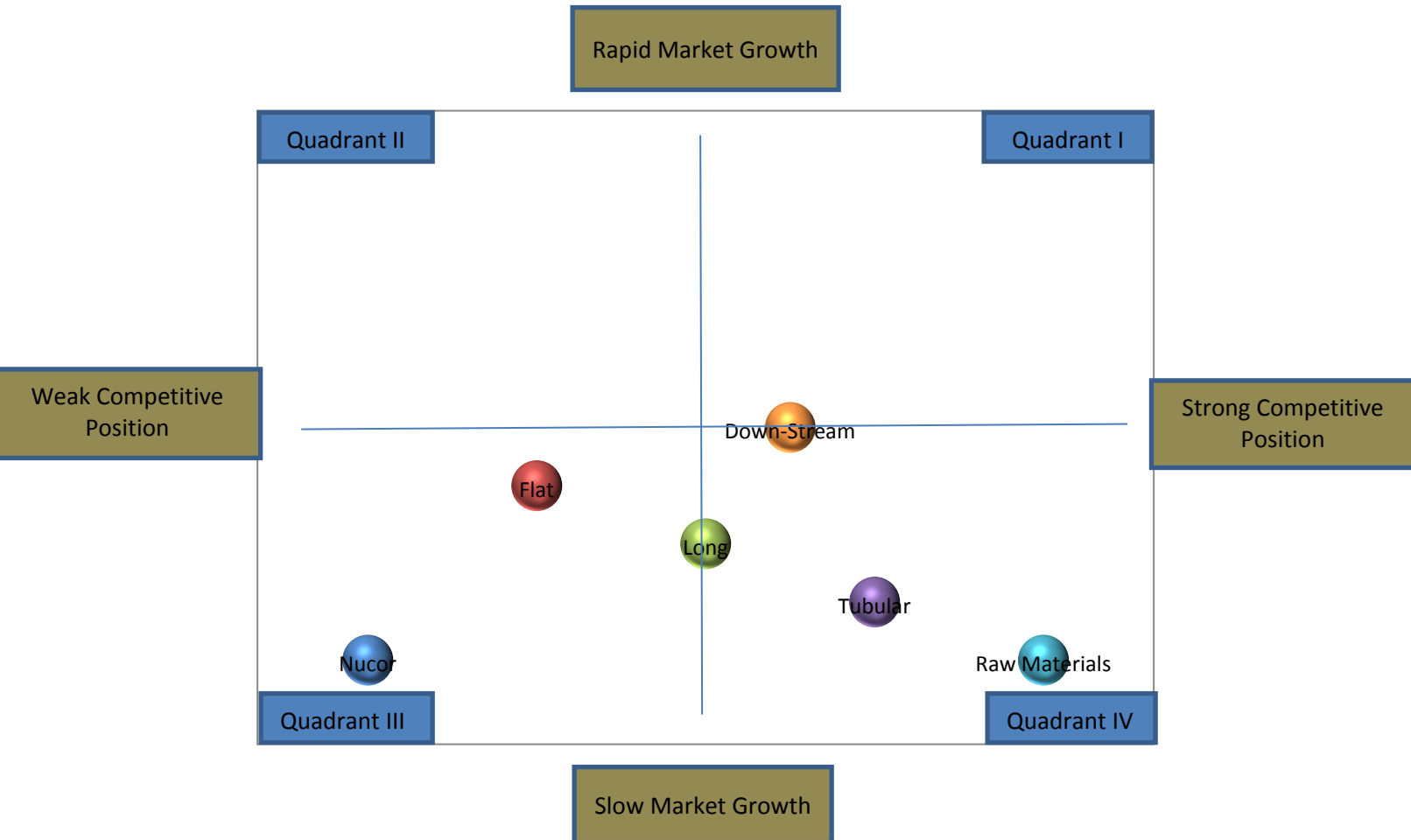
# SPACE MATRIX



<i>Internal Analysis:</i>		<i>External Analysis:</i>	
<b><u>Financial Position (FP)</u></b>		<b><u>Stability Position (SP)</u></b>	
Return on Investment (ROI)	3	Rate of Inflation	-4
Leverage	2	Technological Changes	-3
Liquidity	4	Price Elasticity of Demand	-3
Working Capital	5	Competitive Pressure	-2
Cash Flow	5	Barriers to Entry into Market	-2
<b><u>Financial Position (FP) Average</u></b>	<b>3.8</b>	<b><u>Stability Position (SP) Average</u></b>	<b>-2.8</b>
<b><u>Competitive Position (CP)</u></b>		<b><u>Industry Position (IP)</u></b>	
Market Share	-2	Growth Potential	3
Product Quality	-2	Financial Stability	4
Customer Loyalty	-4	Ease of Entry into Market	2
Technological know-how	-4	Resource Utilization	5
Control over Suppliers and Distributors	-2	Profit Potential	4
<b><u>Competitive Position (CP) Average</u></b>	<b>-2.8</b>	<b><u>Industry Position (IP) Average</u></b>	<b>3.6</b>

Based on research we gathered we compared Nucor and its competitor's financial position, stability position, competitive position, and industry position. According to our recommendations, Nucor should aggressively work on expanding their markets which are presented in the recommendations as a new Raw Materials segment to penetrate the export options on the west coast, as well as new DJJ brokerage offices to increase sales.

# GRAND MATRIX



Division	X-Axis	Y-Axis
Flat	3	4
Long	5	3
Tubular	7	2
Down-Stream	6	5
Raw Materials	9	1

The Grand Strategy Matrix suggests that Tubular and Raw Materials segments should form a joint venture, which is presented in the recommendations with Facor Steel Limited which will expand markets to India. For the downstream segment of products we will recommend the acquisition of Champion Iron Limited to penetrate new markets in China and Brazil. The flat segment will begin diversification with the new acquisition of Suncoke energy to achieve lower cost for that segment.

## Quantitative Strategic Planning Matrix (QSPM)

		SO4		WT3	
Strengths	Weight	AS	TAS	AS	TAS
1 Incentive based pay systems reduce Nucor's payroll costs. Wages are pegged to the productivity of the employee.	0.10	3	0.30	4	0.40
2 Nucor-Yamato Steel will install a \$75 million cooling process that will lead to significant alloy reductions, saving an estimated \$12 million in alloy costs annually.	0.10	0	0.00	0	0.00
3 Having a significant portion of their raw materials supply under their control minimizes risk associated with the global sourcing of raw materials.	0.09	4	0.36	1	0.09
4 Nucor has implemented a long-term raw materials investment strategy focused on reducing the cost structure of their steelmaking operations, providing greater metallic input flexibility, creating a shorter supply chain and achieving greater control over their key steel mill metallic inputs.	0.09	4	0.36	2	0.18
5 Nucor is North America's most diverse steel producer.	0.07	3	0.21	2	0.14
6 Because Nucor uses electric arc furnaces to produce their steel, they can easily vary their production levels to match short-term changes in demand, unlike their blast furnace-based integrated competitors.	0.07	3	0.21	1	0.07
7 Nucor's unique management philosophy allows them to foster loyalty among its people. (Empowering employees to make decisions while they work.)	0.07	0	0.00	0	0.00
8 Nucor's \$365 million investments in engineered bar have allowed them to increase shipments to the automotive market by 20% to 1.4 million tons per year.	0.06	0	0.00	0	0.00
9 Vulcraft/Vercor group (Nucor's steel product segment) is the nation's largest producer and leading innovator of open-web steel joists, joist girders and steel deck.	0.05	0	0.00	0	0.00
10 Nucor is second in the steel industry in price stability ranked 65 out of 100, only following behind Friedman Inds Inc.	0.02	0	0.00	0	0.00

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2	Lack of market diversification. Most revenue from Nucor is derived from the US.	0.07	4	0.28	3	0.21
3	Nucor's steel production decreased 8.7% from 2014.	0.05	0	0.00	0	0.00
4	Sales for the raw materials segment decreased 41% from 2014.	0.05	3	0.15	1	0.05
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6	2014 gross margins were negatively impacted by \$8.9 million in inventory-related purchase accounting adjustments associated with their acquisition of Nucor Steel Gallatin.	0.03	0	0.00	0	0.00
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8	Return on Stockholders' Equity dropped from 9.3% in 2014 to 4.7% in 2015.	0.01	0	0.00	0	0.00
9	Net sales to external customers in the steel products segment decreased 2% from 2014 due to a 1% decrease in tons sold to outside customers and a 1% decrease in the average sales price per ton from \$1,383 in 2014 to \$1,374 in 2015.	0.01	2	0.02	1	0.01
10	In 2015, Nucor recorded \$244.8 million in charges for impairments and losses on assets compared with \$25.4 million in 2014.	0.01	1	0.01	2	0.02

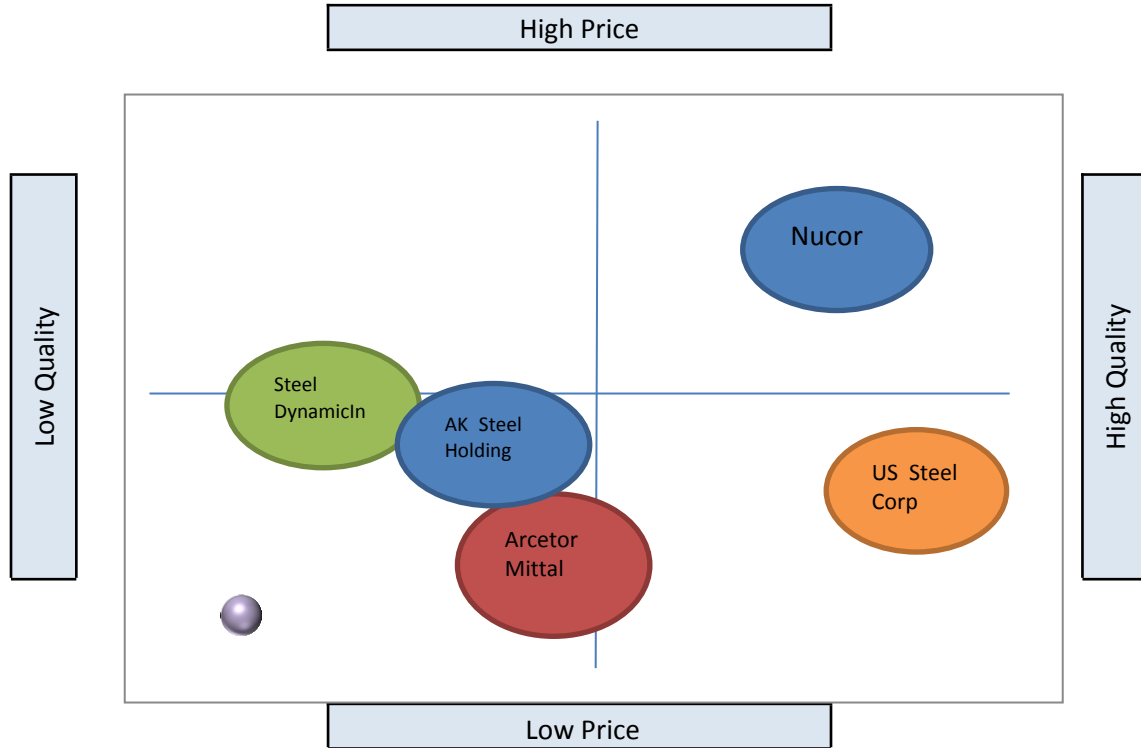


		SO4		WT3		
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8	Steel demand in Asia and Oceania has experienced an increase in steel use volume from 685.4 million tons in 2007 to 1030.4 million tons in 2016 creating an opportunity for Nucor to penetrate the Asia market of steel.	0.01	4	0.04	3	0.03
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10	Industry production is closely linked to demand for steel because it is used in a n variety of industrial applications. The industrial production index is expected to decline in 2016.	0.02	0	0.00	0	0.00
<b>TOTALS</b>				<b>3.31</b>		<b>1.81</b>








The QSPM is using the EFE and IFE factors to find the best strategy for Nucor. These two strategies include opening DRI facility in California to penetrate the convenient export markets to Asia, (O8, S4) and to open a Vulcraft/Verco plant in Washington State. (W3, T2) According to the QSPM matrix SO4 is the better option with a 3.31 TAS.

## PERCEPTUAL MAPS



Nucor's research and development department will ensure that Nucor's strong cash equivalents and short-term investment position provides many opportunities for prudent deployment of our capital. Nucor's highest capital allocation priority is to reinvest those funds in order to profitably grow our business through capital projects at our existing operation. By increasing sales and gaining government contracts for infrastructure, joint ventures, and more Nucor will stay strong in the steel manufacturing technology.



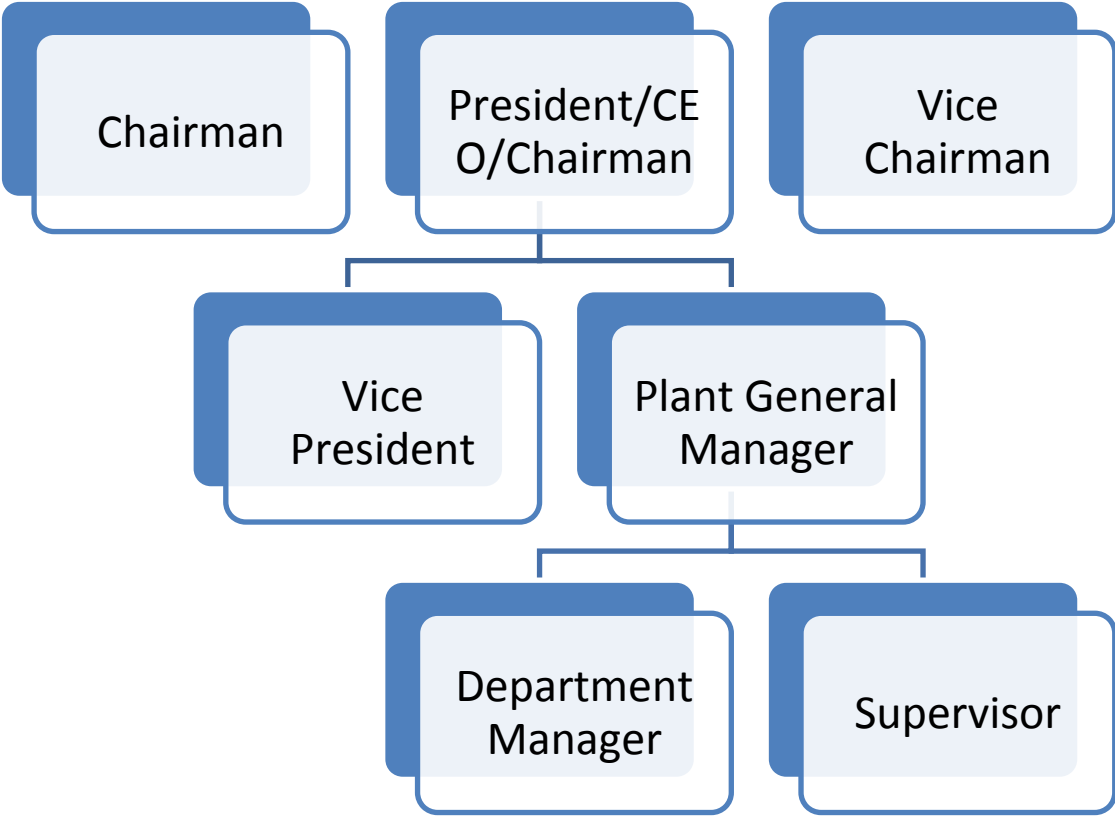
-  25.1% Hot rolled sheet and stripe
-  23.8% Hot rolled bar and shapes
-  19.6% Cold rolled sheet and strips
-  15% other
-  12% Steel Ingots and semi-finished shapes
-  3.6% Tubular products
-  1.5% Cold finished bars and shapes

Nucor is acquiring SunCoke Energy and Champion Iron Limited to invest in Nucor’s raw material segment and Nucor’s material process segment. The purchase of these companies will increase the number of facilities available to make Nucor’s hot rolled and cold rolled steel sheets and strips, the industry’s main products, which account for nearly half of sales at 25.1% and 19.0%, primary product made by US steel mills. Hot rolled and cold-finished steel bars account for 23.8% of sales. Steel bars are used as tension devices in reinforced concrete and other masonry structures.

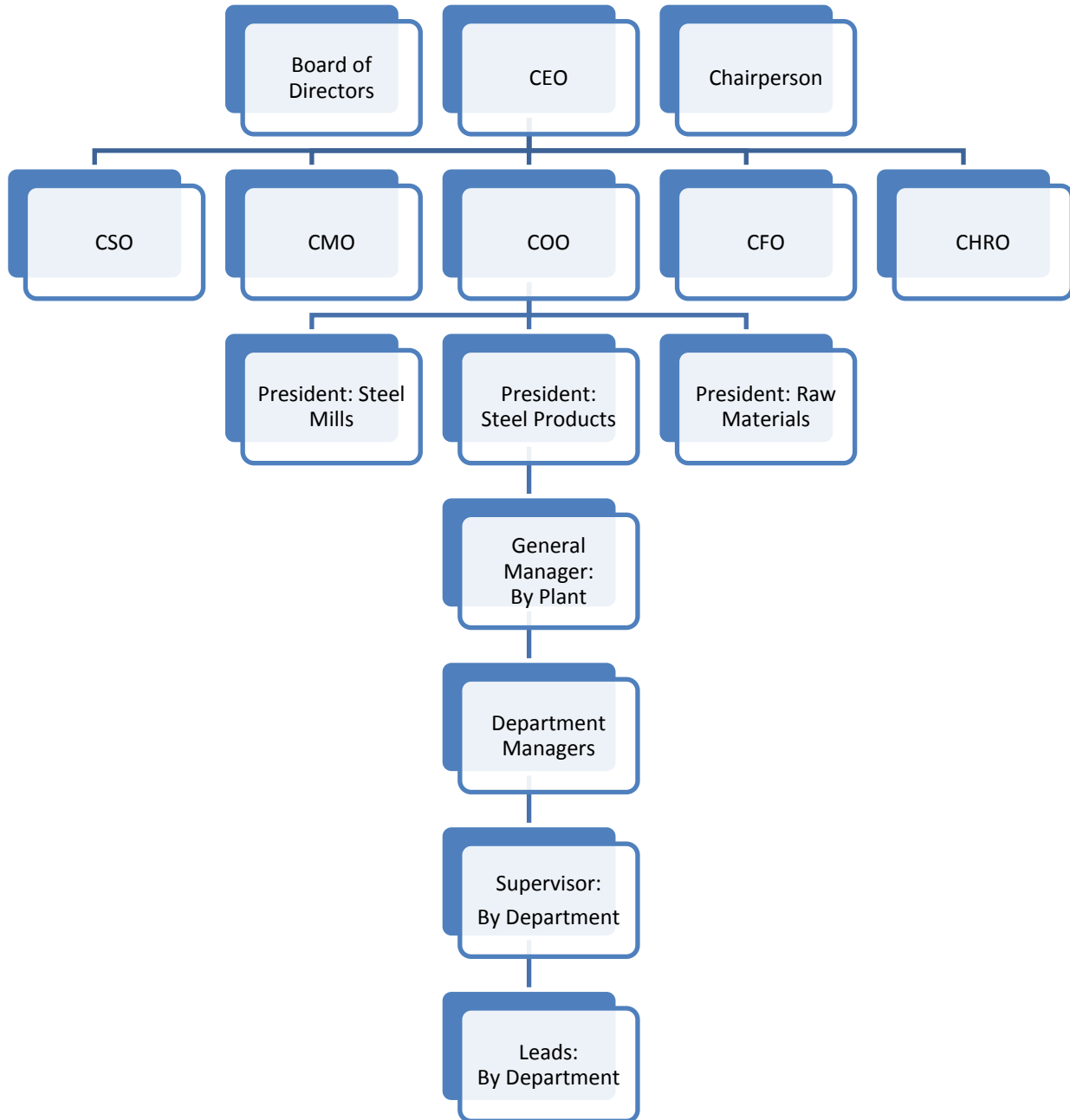


# ORGANIZATIONAL STRUCTURE

Current:



**Recommended:**



This recommended organizational chart accomplishes the following:

- The CEO no longer holds the title of president or chairperson.
- The board of directors will be more diverse.
- A COO was established and divisional presidents report directly to them.
- Functional executives report to CEO.
- Divisional and SBU type structures.

## CORPORATE VALUATIONS

<b>Nucor</b>	
Stockholders' Equity - (Goodwill + Intangibles)	\$4,986,290
Net Income x 5	\$4,902,105
(Share Price/EPS) x Net Income	\$23,686,875
Number of Shares Outstanding x Share Price	\$23,686,875
<b>Method Average</b>	<b>\$14,315,536</b>

<b>US Steel Corp</b>	
Stockholders' Equity - (Goodwill + Intangibles)	\$2,240,000
Net Income x 5	(\$8,210,000)
(Share Price/EPS) x Net Income	(\$5,656,427)
Number of Shares Outstanding x Share Price	\$5,846,720
<b>Method Average</b>	<b>(\$1,444,927)</b>

<b>Champion Iron Limited</b>	
Stockholders' Equity - (Goodwill + Intangibles)	\$84,315,526
Net Income x 5	(\$38,844,690)
(Share Price/EPS) x Net Income	\$129,482,300
Number of Shares Outstanding x Share Price	\$19,649,315
<b>Method Average</b>	<b>\$48,650,613</b>

<b>Suncoke Energy</b>	
Stockholders' Equity - (Goodwill + Intangibles)	\$55,200,000
Net Income x 5	\$72,000,000
(Share Price/EPS) x Net Income	\$59,686,957
Number of Shares Outstanding x Share Price	\$551,090,371
<b>Method Average</b>	<b>\$184,494,332</b>



<b>CHAMPION IRON LIMITED</b>	
<b>STOCKHOLDER'S EQUITY</b>	84,315,526
<b>NET INCOME (LOSS)</b>	(-7,768,938)
<b>EPS</b>	-0.06
<b># OF SHARES OUTSTANDING</b>	19,649,315
<b>STOCK PRICE</b>	\$1.00
<b>GOODWILL &amp; INTANGIBLES</b>	0

<b>SUNCOKE ENERGY</b>	
<b>STOCKHOLDER'S EQUITY</b>	311,100,000
<b>NET INCOME</b>	14,400,000
<b>EPS</b>	2.07
<b># OF SHARES OUTSTANDING</b>	64,229,647
<b>STOCK PRICE</b>	\$14.50
<b>GOODWILL &amp; INTANGIBLES</b>	255,900,000

## RECOMMENDATIONS

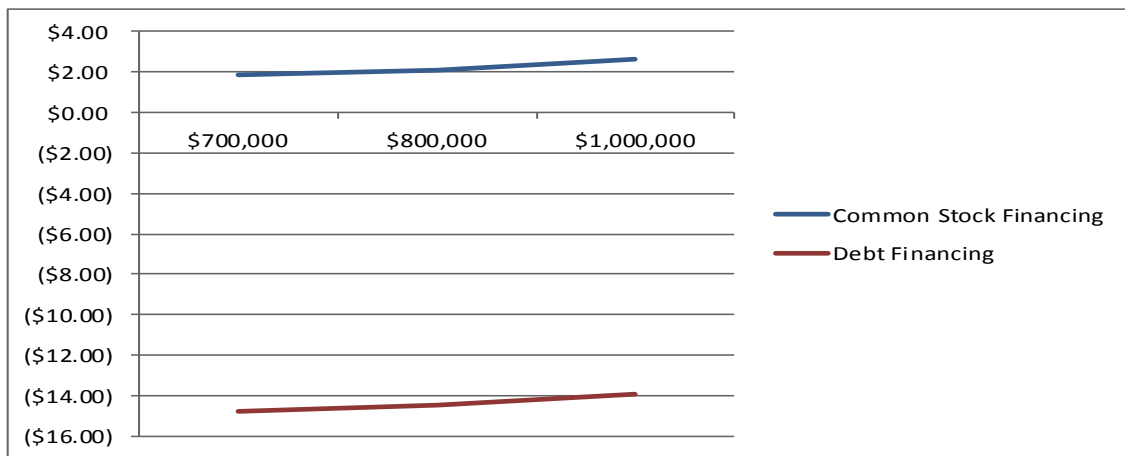
Recommendation	Total Cost
1. Invest \$2 million in Nucor's research and development department to ensure we stay leaders in steel manufacturing technology.	2,000,000
2. Open DRI facility in California to penetrate the convenient export markets to Asia. This region holds the third largest share of the industry establishments.	750,000,000
3. Increase sales by 10% by gaining a government contract for highway and bridge buildings. -Hire two new sales agents to ensure these contracts. (2 new sales agents @ \$40,000 per year.)	240,000
4. Open Verco/Vulcraft plant in Washington State. (On-site interview with plant manager.)	150,000
5. Establish websites to sell products directly to construction consumers. Total cost: \$300,000 with annual maintenance costs of \$3,000,000.	9,300,000
6. Form a joint venture with Facor Steel Limited in India to penetrate India's steel market. Total cost: \$100 million	100,000,000
7. Acquire Champion Iron Limited to invest in the Raw Materials segment of Nucor. This backward integration will increase Nucor's control over their suppliers. Total Cost: \$19.7 Million	19,700,000
8. Acquire SunCoke Energy to expand Nucor's raw material process segment. The acquisition of SunCoke will allow Nucor to penetrate markets in Canada, Brazil, and India. Total Cost: \$551,090,371	551,090,371
9. Open DJJ brokerage offices in Canada and Mexico to expand sales for Nucor. Total Cost: \$120,000. (\$60,000 per brokerage office.)	120,000
10. Invest \$8 million in Nucor safety training to prevent any further accidents in the plants.	8,000,000
11. In order to diversify the board of director's one new chairman will be hired at \$2 million per year for the next three years. (Based on current chairman salaries)	6,000,000
12. Referring to the new organizational chart two new presidents will be hired at \$600,000 per year for the next three years. (Based on current president salaries)	1,800,000
<b>Total Cost for Recommendations</b>	<b>1,448,400,371</b>

**Note:** We will increase dividends for Nucor to 700,000, 900,000, and 1,200,000 respectively in the next three years. Dividends will be paid out of cash, which will not affect the capital needed for our recommendations.

## EPS/EBIT ANALYSIS

	Common Stock Financing			-	Debt Financing		
	<u>Recession</u>	<u>Normal</u>	<u>Boom</u>	-	<u>Recession</u>	<u>Normal</u>	<u>Boom</u>
<b>EBIT</b>	\$700,000	\$800,000	\$1,000,000		\$700,000	\$800,000	\$1,000,000
<b>Interest</b>	0	0	0		5,938,440	5,938,440	5,938,440
<b>EBT</b>	700,000	800,000	1,000,000		5,238,440	5,138,440	4,938,440
<b>Taxes</b>	70,000	80,000	100,000		523,844	513,844	493,844
<b>EAT</b>	630,000	720,000	900,000		4,714,596	4,624,596	4,444,596
<b># Shares</b>	342,159	342,159	342,159		318,850	318,850	318,850
<b>EPS</b>	<b>\$1.84</b>	<b>\$2.10</b>	<b>\$2.63</b>		<b>(\$14.79)</b>	<b>(\$14.50)</b>	<b>(\$13.94)</b>

	Stock	95%	Debt	5%
		<u>Recession</u>	<u>Normal</u>	<u>Boom</u>
<b>EBIT</b>		\$700,000	\$800,000	\$1,000,000
<b>Interest</b>		296,922	296,922	296,922
<b>EBT</b>		403,078	503,078	703,078
<b>Taxes</b>		40,308	50,308	70,308
<b>EAT</b>		362,770	452,770	632,770
<b># Shares</b>		340,993	340,993	340,993
<b>EPS</b>		<b>\$1.06</b>	<b>\$1.33</b>	<b>\$1.86</b>



Our conclusion based on the EBS/EBIT analysis is to finance our recommendations 95% by stock and 5% by debt. Our interest rate is 4.10%, our tax rate is 10%, and our amount of capital is \$1,448,400,371.

## ACTUAL FINANCIAL STATEMENTS

Income Statement	12/31/2014	12/31/2015	Percent Change
<b>Revenues</b>	\$21,105,141	\$16,439,276	-22.11%
<b>Cost of Goods Sold</b>	19,198,615	14,858,014	-22.61%
<b>Gross Profit</b>	1,906,526	1,581,262	-17.06%
<b>Operating Expenses</b>	532,693	698,493	31.12%
<b>EBIT</b>	1,373,833	882,769	-35.74%
<b>Interest Expense</b>	169,256	173,531	2.53%
<b>EBT</b>	1,204,577	709,238	-41.12%
<b>Tax</b>	388,787	213,154	-45.17%
<b>Non-Recurring Events</b>	0	0	#DIV/0!
<b>Net Income</b>	815,790	496,084	-39.19%

Balance Sheet	12/31/2014	12/31/2015	Percent Change
<b>Assets</b>			
<b>Cash and Equivalents</b>	\$1,124,144	\$2,039,469	81%
<b>Accounts Receivable</b>	2,068,298	1,383,823	-33%
<b>Inventory</b>	2,745,032	2,145,444	-22%
<b>Other Current Assets</b>	504,414	185,644	-63%
<b>Total Current Assets</b>	6,441,888	5,754,380	-11%
<b>Property Plant &amp; Equipment</b>	5,287,639	4,891,153	-7%
<b>Goodwill</b>	2,068,664	2,011,278	-3%
<b>Intangibles</b>	862,093	770,672	-11%
<b>Other Long-Term Assets</b>	955,643	822,916	-14%
<b>Total Assets</b>	15,615,927	14,250,399	-9%
<b>Liabilities</b>			
<b>Accounts Payable</b>	993,872	566,527	-43%
<b>Other Current Liabilities</b>	1,103,904	818,646	-26%
<b>Total Current Liabilities</b>	2,097,776	1,385,173	-34%
<b>Long-Term Debt</b>	4,360,600	4,360,600	0%
<b>Other Long-Term Liabilities</b>	1,082,433	718,613	-34%
<b>Total Liabilities</b>	7,540,809	6,464,386	-14%
<b>Equity</b>			
<b>Common Stock</b>	151,237	151,426	0%
<b>Retained Earnings</b>	7,378,214	7,255,972	-2%
<b>Treasury Stock</b>	(1,494,629)	(1,558,128)	4%
<b>Paid in Capital &amp; Other</b>	2,040,296	1,936,743	-5%
<b>Total Equity</b>	8,075,118	7,786,013	-4%
<b>Total Liabilities and Equity</b>	<b>15,615,927</b>	<b>14,250,399</b>	-9%

## PROJECTED FINANCIAL STATEMENTS

Projected Income Statement	12/31/2016	12/31/2017	12/31/2018
<b>Revenues</b>	\$18,083,204	\$19,529,860	\$21,092,249
<b>Cost of Goods Sold</b>	16,274,883	16,600,381	16,873,799
<b>Gross Profit</b>	1,808,320	2,929,479	4,218,450
<b>Operating Expenses</b>	542,496	585,896	632,767
<b>EBIT</b>	1,265,824	2,343,583	3,585,682
<b>Interest Expense</b>	175,861	178,191	180,521
<b>EBT</b>	1,089,963	2,165,392	3,405,161
<b>Tax</b>	108,996	216,539	340,516
<b>Non-Recurring Events</b>	0	0	0
<b>Net Income</b>	980,967	1,948,853	3,064,645

<b>Projected Balance Sheet</b>	<b>12/31/2016</b>	<b>12/31/2017</b>	<b>12/31/2018</b>
<b>Assets</b>			
<b>Cash and Equivalents</b>	\$2,053,604	\$2,979,857	\$4,690,802
<b>Accounts Receivable</b>	1,384,323	1,384,923	1,385,623
<b>Inventory</b>	2,146,444	2,148,444	2,151,444
<b>Other Current Assets</b>	185,644	185,644	185,644
<b>Total Current Assets</b>	5,770,015	6,698,868	8,413,513
<b>Property Plant &amp; Equipment</b>	5,641,153	5,761,153	5,911,153
<b>Goodwill</b>	2,011,278	2,011,278	2,011,278
<b>Intangibles</b>	770,672	770,672	770,672
<b>Other Long-Term Assets</b>	822,916	822,916	822,916
<b>Total Assets</b>	15,016,034	16,064,887	17,929,532
<b>Liabilities</b>			
<b>Accounts Payable</b>	566,527	566,527	566,527
<b>Other Current Liabilities</b>	818,646	818,646	818,646
<b>Total Current Liabilities</b>	1,385,173	1,385,173	1,385,173
<b>Long-Term Debt</b>	4,505,440	4,505,440	4,505,440
<b>Other Long-Term Liabilities</b>	718,613	718,613	718,613
<b>Total Liabilities</b>	6,609,226	6,609,226	6,609,226
<b>Equity</b>			
<b>Common Stock</b>	491,254	491,254	491,254
<b>Retained Earnings</b>	7,536,939	8,585,792	10,450,437
<b>Treasury Stock</b>	(1,558,128)	(1,558,128)	(1,558,128)
<b>Paid in Capital &amp; Other</b>	1,936,743	1,936,743	1,936,743
<b>Total Equity</b>	8,406,808	9,455,661	11,320,306
<b>Total Liabilities and Equity</b>	<b>15,016,034</b>	<b>16,064,887</b>	<b>17,929,532</b>

Note: We weren't able to get the template to show it, but we think in 2018 Nucor can purchase treasury stock with the cash and cash equivalents which would lower the amount shown.

## HISTORICAL FINANCIAL RATIOS

Historical Ratios		
	12/31/2014	12/31/2015
<b>Current Ratio</b>	3.06	4.23
<b>Quick Ratio</b>	1.75	2.61
<b>Total Debt-to-Total-Assets Ratio</b>	0.50	0.48
<b>Total Debt-to-Equity Ratio</b>	1.01	0.92
<b>Times-Interest-Earned Ratio</b>	8	5
<b>Inventory Turnover</b>	7.69	7.32
<b>Fixed Assets Turnover</b>	3.99	3.36
<b>Total Assets Turnover</b>	1.35	1.15
<b>Accounts Receivable Turnover</b>	10	12
<b>Average Collection Period</b>	35.77	30.72
<b>Gross Profit Margin %</b>	9%	10%
<b>Operating Profit Margin %</b>	7%	5%
<b>ROA %</b>	5%	3%
<b>ROE %</b>	11%	7%

## PROJECTED FINANCIAL RATIOS

Projected Ratios					
	12/31/2016		12/31/2017		12/31/2018
<b>Current Ratio</b>	4.17		4.84		6.07
<b>Quick Ratio</b>	2.62		3.29		4.52
<b>Debt-to-Total-Assets Ratio</b>	0.44		0.41		0.37
<b>Debt-to-Equity Ratio</b>	0.79		0.70		0.58
<b>Times-Interest-Earned Ratio</b>	7		13		20
<b>Inventory Turnover</b>	8.42		9.09		9.80
<b>Fixed Assets Turnover</b>	3.21		3.39		3.57
<b>Total Assets Turnover</b>	1.20		1.22		1.18
<b>Accounts Receivable Turnover</b>	13		14		15
<b>Average Collection Period</b>	27.94		25.88		23.98
<b>Gross Profit Margin %</b>	10%		15%		15%
<b>Operating Profit Margin %</b>	7%		12%		17%
<b>ROA %</b>	7%		12%		17%
<b>ROE %</b>	12%		21%		27%



## RETAINED EARNINGS TABLE

	Net Income -	Divs Paid =	REarnings +	Prior Yr BSheet RE =	Current RE
<b>2015</b>	496,084	551,370	(55,286)	7,378,214	7,322,928
<b>2016</b>	980,967	700,000	280,967	7,255,972	7,536,939
<b>2017</b>	1,948,853	900,000	1,048,853	7,536,939	8,585,792
<b>2018</b>	3,064,645	1,200,000	1,864,645	8,585,792	10,450,437

Note: The last column of numbers in this table correctly match the respective retained row numbers in the projected balance sheets given above.