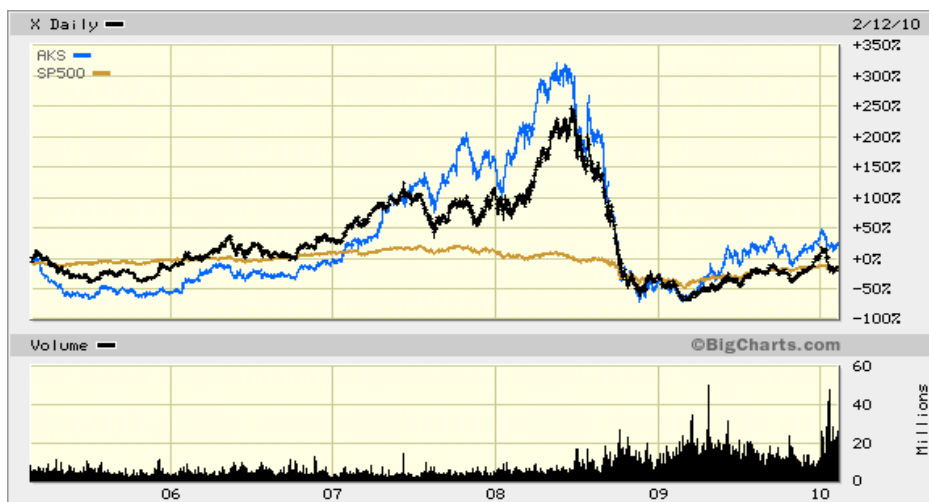


## United States Steel Corp. (X) 2/15/10

X operates a one of the largest integrated steel companies in North America and with global functions. The company operates in primarily three lines of products; Tubular Products, Flat Rolled, and U.S. Steel Europe. X deploys a vertically integrated business model and thus is also a large land owner in the U.S. X was founded in 1901 and is headquartered in Pittsburgh, Pennsylvania.

Current Price	\$47.98
52 Week High	\$66.45
52 Week Low	\$16.66
One Yr Target	\$62.50
Market Cap (in billions)	\$6.88
P/E (Trailing)	n/a
P/E(1 Yr Forward)	9.39
P/E/G	n/a
ROA	-8.92%
ROE	-29.28%
EPS	n/a
Beta	2.61
Annualized Dividend	\$0.20
Dividend Yield	0.42%
Analyst Consensus	2.60
Debt to Equity	2.34



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**Annual EPS**

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2006	\$11.59	
2007	\$7.45	-35.73%
2008	\$18.18	143.99%
2009	-\$9.77	-153.77%
ttm	n/a	n/a

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**Annual Revenue (in millions)**

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2006	\$15,715.00	
2007	\$16,873.00	7.37%
2008	\$23,754.00	40.78%
2009	\$11,048.00	-53.49%

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**Annual Net Income (in millions)**

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2006	\$1,374.00	
2007	\$879.00	-36.03%
2008	\$2,112.00	140.27%
2009	-\$1,401.00	-166.34%

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**Free Cash Flows (in millions)**

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2006	\$1,020.00	
2007	\$1,040.00	1.96%
2008	\$762.00	-26.73%
2009	-\$680.00	-189.24%

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**Required Rate of Return**

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20.55%

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**Dividend Growth Model**

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Present Value of 2015 Price	\$1.18
Holding Period Return (5 years)	-32.27%

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**Expected Annualized Return Model**

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Present Value of 2015 Price	\$40.21
Holding Period Return (5 years)	-2.96%

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**Residual Income Model**

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Intrinsic Stock Price	\$79.04
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# Analysis

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## Positives

## Negatives

Poor financial ratios such as no P/E, and negative ROA and ROE

Current stock price is overvalued by 2 of 3 valuation models

## Financial Statements

Income Statement is poor as revenue have declined and margins are slim

Balance Sheet is ok, Retained Earnings are nice but a good amount of Debt exists

Cash Flows are poor with Operating Cash negative and issuance of Equity and Debt lately

## Industry Analysis

Steel Industry is highly correlated with the broader economy, which looks slightly up

X is an average sized company and has average financial ratios

## Summary

X has had a bad run lately and its stock price has paid for it. Financial ratios and financial statements are down over the past several years as the Steel Industry was greatly hit by the economic crisis. X does seem to be a good industry player but does not have a great competitive advantage as its margins are very low. It is a highly levered firm and thus its ROE are very volatile, which partly explains the very high Beta. The high Beta also explains why the valuation models EAR and DG have the stock price as being overvalued. X's management forecasts a return to profitability with the gradual growth in the overall economy. Industry concerns and trends include; China becoming a net steel exporter, which could drive down steel prices, the return of oil transportation (pipelines), and the return of the auto industry. X has a good strategy of becoming more integrated and thus reducing costs, as well as returning to focus more purely on the steel industry. X has potential to see some good upside but at the current valuations it just doesn't seem worth the risk and thus earns a **hold**