

STOCK ANALYSIS REPORT**United States Steel Corporation (X) – Analysis by Nathan Ramos – September 28, 2009**<http://www.betapeg.com>

Industry: **Steel and Iron**
Sector: **Basic Materials**
Recommendation: **SELL**
Price: **\$46.31 (as of September 28, 2009)**
Intrinsic Value: **\$47.30 or 2.14% undervalued**
52 Week Low-High: **\$16.66-78.65**
Fundamentals Grade: **D**
Investment Style: **Mid Cap Growth**
Consider Buying: **When less than \$36.38**

CORPORATE INFORMATION

Location: 600 Grant Street
Pittsburgh, PA 15219
Phone: 412-4331121
Fax: 412-4334818
Web Site: <http://www.ussteel.com/>
Employees: 49,000
Exchange: NYSE

BUSINESS SUMMARY

United States Steel Corporation (U. S. Steel) is an integrated steel producer with production operations in North America and Europe. The Company has annual raw steel production capability of 31.7 million net tons (tons) (24.3 million tons in North America and 7.4 million tons in Europe). U. S. Steel is also engaged in other business activities including the production of coke in both North America and Europe and iron ore pellets in North America, and transportation services (railroad and barge operations), real estate operations, and engineering and consulting services in North America. U. S. Steel has three reportable operating segments: Flat-rolled Products (Flat-rolled), U. S. Steel Europe (USSE) and Tubular Products (Tubular).

ANALYSIS

United States Steel (X) is experiencing difficulties on multiple fronts. Competition from highly subsidized Chinese steelmakers is weighing heavily on the Company which filed a trade complaint with the Commerce Department. US Steel faces an industry-wide slowdown in the demand for steel which the fundamentals are increasingly reflecting. Profit margins, earnings yields, and return on equity are below the sector average indicating low profit levels. The debt-income ratio indicates high debt levels as it would take US Steel more than 8 years to pay its long-term debt with just profit. The dividend yield is below the sector average and the PE ratio is 149% higher than its five year average indicating the Company may be overvalued. US Steel has outperformed an average of 76% of the market in the last 12 months indicating the stock to be overvalued relative to its fundamentals grade of 43%. The Company's target price has been lowered from \$53.73 to \$47.30 for FY2009 which is slightly undervalued from the current price. The current ratio indicates US Steel is maintaining safe liquidity levels despite the difficulties they are facing.

KEY STATISTICS

Dividend Rate per Share:	\$0.29
Dividend Yield:	0.63%
Earnings Yield:	5.71%
EPS (past 12-mo.):	\$2.64
Institutional Ownership:	83%
Market Capitalization:	\$6.62 Bil – Mid Cap
Net Income (past 12-mo.):	\$378 Mil
Net Profit Margin:	2.26%
Return on Equity:	2.40%
Revenue (past 12-mo.):	\$16.70 Bil
Total Shares Outstanding:	143.30 Mil

PRICE RATIOS:

Forward P/E:	3.90
PEG:	0.19
PB:	1.36
PE:	17.52
PS:	0.40

FINANCIAL CONDITION:

Current Ratio:	2.54
Debt/Income:	8.82
Debt Ratio:	0.69

PRICE HISTORY**5-Year Price Chart**

The chart indicates a bearish flag pattern as indicated by the bold lines. The stock can be expected to remain flat or go lower short term as indicated by this pattern. For more information on this pattern, go to <http://www.chartpatterns.com/flagsandpennants.htm>.

HISTORICAL FINANCIAL PERFORMANCE AND ESTIMATES (in millions)

Date	2004	2005	2006	2007	2008	2009 Est.
<i>Capital Expenditures</i>	\$579.00	\$741.00	\$612.00	\$692.00	\$896.00	\$956.58
<i>Current Assets</i>	\$4,351.00	\$4,842.00	\$5,196.00	\$4,959.00	\$5,732.00	\$6,037.81
<i>Current Assets/Share</i>	\$38.17	\$44.42	\$43.66	\$42.03	\$49.41	\$51.54
<i>Current Liabilities</i>	\$2,535.00	\$2,749.00	\$2,702.00	\$3,003.00	\$2,778.00	\$2,888.08
<i>Current Liabilities/Share</i>	\$22.24	\$25.22	\$22.71	\$25.45	\$23.95	\$24.63
<i>Current Ratio</i>	1.72	1.76	1.92	1.65	2.06	\$2.10
<i>Dividend Payout</i>	\$39.00	\$60.00	\$77.00	\$95.00	\$129.00	\$156.86
<i>Dividend Rate</i>	\$0.34	\$0.55	\$0.65	\$0.81	\$1.11	\$1.34
<i>Dividend Yield</i>	0.67%	1.15%	0.88%	0.67%	3.16%	3.36%
<i>EPS</i>	\$9.96	\$8.35	\$11.55	\$7.45	\$18.21	\$20.05
<i>Free Cash Flow/Share</i>	\$7.20	\$4.38	\$8.57	\$8.81	\$6.57	\$7.13
<i>Long-term Debt</i>	\$1,363.00	\$1,363.00	\$943.00	\$3,147.00	\$3,064.00	\$3,510.53
<i>Long-term Debt/Share</i>	\$11.96	\$12.50	\$7.92	\$26.67	\$26.41	\$29.98
<i>Net Cash Balance</i>	\$1,037.00	\$1,479.00	\$1,422.00	\$401.00	\$724.00	\$652.39
<i>Net Cash/Share</i>	\$9.10	\$13.57	\$11.95	\$3.40	\$6.24	\$5.55
<i>Net Income</i>	\$1,135.00	\$910.00	\$1,374.00	\$879.00	\$2,112.00	\$2,347.38
<i>Net Profit Margin</i>	8.12%	6.48%	8.74%	5.21%	8.89%	8.92%
<i>Operating Cash Flow</i>	\$1,400.00	\$1,218.00	\$1,632.00	\$1,732.00	\$1,658.00	\$1,770.73
<i>PB</i>	1.43	1.58	1.99	2.56	0.83	\$1.04
<i>PE</i>	5.15	5.76	6.33	16.08	1.93	\$3.90
<i>PS</i>	0.42	0.37	0.55	0.84	0.17	\$0.25
<i>Revenue/Share</i>	\$122.59	\$128.80	\$132.06	\$142.99	\$204.78	\$219.79
<i>Sales (millions)</i>	\$13,975.00	\$14,039.00	\$15,715.00	\$16,873.00	\$23,754.00	\$25,712.36
<i>Shares Outstanding</i>	114	109	119	118	116	117.42
<i>Stock Price</i>	\$51.25	\$48.07	\$73.14	\$119.77	\$35.20	\$47.30
<i>Total Assets</i>	\$11,064.00	\$9,822.00	\$10,586.00	\$15,632.00	\$16,087.00	\$17,573.40
<i>Total Assets/Share</i>	\$97.05	\$90.11	\$88.96	\$132.47	\$138.68	\$150.06
<i>Total Equity</i>	\$4,074.00	\$3,324.00	\$4,365.00	\$5,531.00	\$4,895.00	\$5,310.63
<i>Total Equity/Share</i>	\$35.74	\$30.50	\$36.68	\$46.87	\$42.20	\$45.22
<i>Total Liabilities</i>	\$6,990.00	\$6,498.00	\$6,221.00	\$10,101.00	\$11,192.00	\$12,322.70
<i>Total Liabilities/Share</i>	\$61.32	\$59.61	\$52.28	\$85.60	\$96.48	\$105.37

RELATIVE STRENGTH

United States Steel has outperformed an average of 76% of the market in the last 12 months indicating the stock to be overvalued relative to its fundamentals grade of 43%.

STOCK PRICE VALUATION**Stock Price Estimates (FY2009)**

Methodologies	Intrinsic Values	Discount Rates
<i>52 Week</i>	\$44.35	-4.24%
<i>Cash</i>	\$31.27	-32.47%
<i>Cash Flow</i>	\$42.21	-8.86%
<i>Current Assets</i>	\$36.71	-20.72%
<i>Current Liabilities</i>	\$34.20	-26.14%
<i>Current Ratio</i>	\$35.91	-22.47%
<i>Dividend Growth</i>	\$55.95	20.82%
<i>Earnings</i>	\$38.77	-16.28%
<i>Free Cash Flow</i>	\$38.22	-17.47%
<i>FS</i>	\$30.39	-34.38%
<i>Gamma</i>	\$35.14	-24.12%
<i>Inverse Gamma</i>	\$31.59	-31.78%
<i>Long-term Debt</i>	\$30.45	-34.26%
<i>Market Ratio</i>	\$35.20	-23.99%
<i>PB</i>	\$47.11	1.73%
<i>PBII</i>	\$70.84	52.97%
<i>PE</i>	\$78.24	68.96%
<i>PEII</i>	\$128.36	177.19%
<i>Profit Margin</i>	\$35.31	-23.76%
<i>PS</i>	\$54.86	18.46%
<i>PSII</i>	\$54.66	18.03%
<i>PSIII</i>	\$96.43	108.24%
<i>Revenue</i>	\$37.78	-18.42%
<i>Stock Price I</i>	\$31.19	-32.65%
<i>Stock Price II</i>	\$77.37	67.06%
<i>Stock Price III</i>	\$38.64	-16.56%
<i>Total Assets</i>	\$38.09	-17.75%
<i>Total Equity</i>	\$37.72	-18.54%
<i>Total Liabilities</i>	\$31.96	-30.99%
<i>Yield</i>	\$40.04	-13.54%
Future Intrinsic Value	\$47.30	2.14%

United States Steel is valued at \$47.30 for FY2009 which is 2.14% undervalued for the fiscal year at a current price of \$46.31 (September 28, 2009).

INSIDER ACTIVITY

The following corporate insiders or major shareholders have recently filed transaction reports with the SEC.

Date	Name	Transaction	Num Shares	Price(s)	Value
05/26/09	ZOVKO GREGORY A	Grant	4,360	NA	NA
05/26/09	GARRAUX JAMES D	Grant	15,900	NA	NA
05/26/09	GOODISH JOHN H	Grant	35,356	NA	NA
05/26/09	HAGGERTY GRETCHEN R	Grant	20,720	NA	NA
05/26/09	LOHR DAVID H	Grant	17,011	NA	NA
05/26/09	SURMA JOHN P JR	Grant	15,075	NA	NA
05/26/09	SUVER SUSAN M	Grant	7,390	NA	NA
05/26/09	BABCOKE GEORGE F	Grant	11,846	NA	NA
01/15/09	DARNALL ROBERT J	Grant	2,419	\$37.20	90,000.20
01/15/09	DROSDICK JOHN G	Grant	2,419	\$37.20	90,000.20
01/15/09	GEPHARDT RICHARD A	Grant	2,419	\$37.20	90,000.20
01/15/09	LEE CHARLES ROBERT	Grant	2,419	\$37.20	90,000.20
01/15/09	LIPTON JEFFREY MARC	Grant	4,839	\$37.20	180,000.02
01/15/09	LUCCHINO FRANK J	Grant	2,419	\$37.20	90,000.20
01/15/09	MCNEAL GLENDA G	Grant	2,419	\$37.20	90,000.20
01/15/09	SCHOFIELD SETH E	Grant	2,419	\$37.20	90,000.20
01/15/09	SPANIER GRAHAM B	Grant	2,419	\$37.20	90,000.20
01/15/09	SUTHERLAND DAVID S	Grant	4,839	\$37.20	180,000.02
01/15/09	TRACEY PATRICIA A	Grant	2,419	\$37.20	90,000.20

MAJOR HOLDERS

TOP INSTITUTIONAL HOLDERS

Holder	Shares	% Out	Value*	Reported
Capital Research Global Investors	9,880,612	6.89	\$353,133,072	30-Jun-09
VANGUARD GROUP, INC. (THE)	6,676,888	4.66	\$238,631,977	30-Jun-09
STATE STREET CORPORATION	5,758,983	4.02	\$205,826,052	30-Jun-09
Barclays Global Investors UK Holdings Ltd	5,023,619	3.51	\$106,149,069	31-Mar-09
Capital World Investors	5,020,000	3.50	\$179,414,800	30-Jun-09
FMR LLC	3,578,394	2.50	\$127,891,801	30-Jun-09
Ameriprise Financial, Inc.	3,182,533	2.22	\$113,743,729	30-Jun-09
MORGAN STANLEY	2,613,153	1.82	\$93,394,088	30-Jun-09
APG All Pensions Group	2,605,546	1.82	\$93,122,214	30-Jun-09
TCW GROUP, INC. (THE)	2,514,868	1.75	\$89,881,382	30-Jun-09

TOP MUTUAL FUND HOLDERS

Holder	Shares	% Out	Value*	Reported
INVESTMENT COMPANY OF AMERICA	6,931,592	4.84	\$247,735,098	30-Jun-09
GROWTH FUND OF AMERICA INC	3,503,200	2.44	\$125,204,368	30-Jun-09
VANGUARD 500 INDEX FUND	1,100,954	.77	\$23,263,158	31-Mar-09
SPDR TRUST SERIES 1	1,072,830	.75	\$83,262,336	30-Sep-08
VANGUARD TOTAL STOCK MARKET INDEX FUND	1,047,073	.73	\$22,124,652	31-Mar-09
FUNDAMENTAL INVESTORS INC	1,000,000	.70	\$35,740,000	30-Jun-09
AMERICAN FDS INSURANCE SER-GROWTH/INCOME FD	938,820	.66	\$33,553,426	30-Jun-09
PRICE (T.ROWE) VALUE FUND	890,000	.62	\$31,808,600	30-Jun-09
VANGUARD INSTITUTIONAL INDEX FUND-INSTITUTIONAL INDEX FD	874,806	.61	\$18,484,650	31-Mar-09
FIDELITY MID-CAP STOCK FUND	750,000	.52	\$29,812,500	31-Jul-09

MAJOR DIRECT HOLDERS (FORMS 3 & 4)

Holder	Shares	Reported
SURMA JOHN P	229,354	24-Aug-09
GOODISH JOHN H	103,610	1-Jun-09
HAGGERTY GRETCHEN R	93,876	1-Jun-09
LOHR DAVID H	47,264	1-Jun-09
STERLING THOMAS W III	35,113	13-Jun-08

COMPETITION

DIRECT COMPETITOR COMPARISON

	X	AKS	MT	NUE	Industry
Market Cap:	6.32B	2.16B	55.87B	14.74B	627.13M
Employees:	49,000	6,800	296,000	21,700	2.95K
Qtrly Rev Growth (yoy):	-68.50%	-64.50%	-59.90%	-65.10%	17.10%
Revenue (ttm):	16.70B	5.33B	87.59B	16.73B	799.87M
Gross Margin (ttm):	11.11%	10.44%	8.82%	10.18%	27.32%
EBITDA (ttm):	1.29B	361.70M	7.03B	1.72B	152.03M
Oper Margins (ttm):	4.07%	2.77%	2.85%	6.92%	6.90%
Net Income (ttm):	378.00M	-361.90M	-666.00M	520.14M	N/A
EPS (ttm):	2.64	-3.280	-0.485	1.644	1.39
P/E (ttm):	17.52	N/A	N/A	28.49	14.18
PEG (5 yr expected):	0.19	N/A	N/A	N/A	1.31
P/S (ttm):	.40	0.41	0.65	0.88	0.59

AKS = AK Steel Holding Corp.

MT = Arcelor Mittal

NUE = Nucor Corporation

Industry = Metal Fabrication

OFFICERS AND DIRECTORS

John P. Surma	Chairman of the Board, Chief Executive Officer
Gretchen R. Haggerty	Chief Financial Officer, Executive Vice President
David J. Rintoul	President of U. S. Steel Canada
John H. Goodish	Chief Operating Officer, Executive Vice President
James D. Garraux	Senior Vice President - Labor Relations & Environmental Affairs, General Counsel
David H. Lohr	Senior Vice President - Strategic Planning, Business Services and Administration
George F. Babcoke	Senior Vice President, European Operations; President - U. S. Steel Kosice
Michael S. Williams	Senior Vice President - North American Flat Roll Operations
Douglas R. Matthews	Vice President - Tubular Operations; President of U. S. Steel Tubular Products, Inc.
Gregory A. Zovko CPA	Vice President, Controller

GLOSSARY

Bear Market: Market dominated by sellers.

Beta: A measure of stock price history relative to the market price history which indicates volatility. A company with a beta of 1 would be as volatile as the market. A beta less than one indicate less volatility to the market. The higher the beta, the more volatile a stock price is.

Bull Market: Market dominated by buyers.

Dividend Rate per Share: The amount of dividends paid per share.

Dividend Yield: The dividend return as a percentage of the stock price.

Earnings: The amount of profits that a company produces during a specific period.

Earnings per Share (EPS): Total earnings divided by all shares outstanding.

Fair Value: The price at which a stock is intrinsically valued.

Fiscal Year: Any 12-month period that a company uses for accounting purposes.

Forward P/E: Same as the traditional P/E except the estimated future EPS is used. If earnings are expected to grow in the future, the estimated P/E will be lower than the current P/E.

Fundamental Analysis: Method of stock analysis in which the company data is used to place an *intrinsic value* of the stock. This value is compared to the current market price. If the *intrinsic value* is less than the market price, the stock is undervalued, indicating a potential buy position.

Fundamental Grade: A grading system used to evaluate the quality of a company based on fundamental analysis.

Industry: A category used to describe a company's primary business activity.

Insider Activity: Corporate insiders (i.e. CEOs, executives, etc.) and major shareholders transactions of stock.

Institutional Investor: A non-bank investor who trades stocks in such large amounts that they require special treatment and lower commissions.

Institutional Ownership: The percentage of institutional investors who have a position in stock.

Intrinsic Value: The actual value of a stock based on tangible and intangible aspects of the company.

Investment Style: A classification used to indicate what kind of investors the stock is most attractive too. There are nine categories and they include:

- Large value
- Large blend
- Large growth
- Medium value
- Medium blend
- Medium growth
- Small value
- Small blend
- Small growth

Market Capitalization: The market value of a company is the value of its outstanding shares. This figure is found by taking the stock price and multiplying it by the total number of shares outstanding.

Outstanding Shares: Stock currently held by investors.

Price/Earnings (PE) Ratio: A valuation ratio of a company's current share price compared to its per-share earnings.

Calculated as:

$$= \frac{\text{Market Value per Share}}{\text{Earnings per Share (EPS)}}$$

The P/E ratio is a comparison of the stock price and earning. The lower the P/E, the better valued the company relative to earnings.

Price/Sales (P/S) Ratio: A ratio for valuing a stock relative to its own past performance. Price to sales is calculated by dividing a stock's current price by its revenue per share for the trailing 12 months:

$$\text{PSR} = \frac{\text{Share Price}}{\text{Revenue Per Share}}$$

Revenue: The income that comes directly from business operations.

Sector: A group of stocks in the same industry or market.

Target Price: An analyst's estimated stock price for a given period of time.

Technical Analysis: Method of stock analysis in which stock price data is used to determine trends. Charting the stock price history indicates up trends (buy), down trends (sell), and flat trends (even). Support lines drawn along lows and resistance lines drawn along highs indicate the time to buy and sell.

Volatility: A measure of the fluctuations in stock price. The higher the volatility, the more you can win and lose. *Betas* higher than 1 are more volatile than the market. If the market goes up 1%, a stock with a beta = 3 would likely go up 3%. Likewise, the same the can be true for declines.

SOURCES OF INFORMATION

1. <http://www.investopedia.com>
 2. <http://www.moneycentral.msn.com>
 3. <http://www.finance.yahoo.com>
 4. <http://www.finance.google.com>
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ANALYTICAL METHODOLOGY

This stock report is based on the financial models developed by Nathan Ramos and available to the public at www.betapeg.com. Ratings are based on a ratio of fundamentals to valuation. Highly rated stocks have excellent fundamentals and high valuation relative to market value while low rated stocks have weak fundamentals and low valuation relative to market value.

DISCLAIMER

This document was prepared by Nathan Ramos, a non-certified stock analyst. The material contained is based upon information considered to be accurate but is not warranted by its source. Any opinions expressed are in good faith and are only correct as of the stated date of the report. This report serves as a guide to researching a particular company and does not serve any professional advisory function whatsoever.
