# How Trump’s Policies Could Benefit This Steel Company

## Description

The Trump administration has had a significant impact on the markets. No individual in the world holds as much influence over the markets as does President Trump. One simple tweet can lead to significant market fluctuations.

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In Canada, companies have been impacted by the uncertainty of NAFTA negotiations and the proposed tariffs on imported steel. Some will be negatively impacted, while others stand to benefit.

One such company is **Russel Metals Inc.** (TSX:RUS).

**First, a little background**

Russel Metals is one of Canada’s largest metal distributors. It serves 46,000 clients with operations on both sides of the border. Canada accounts for approximately 70% of its revenues and the oil & gas industry represents about 35% of its business.

The company operates in three segments: energy products, steel distributors, and metals service centres. It is the only publicly listed Canadian metals service center and distribution company.

Russel Metals is also highly diversified across its customer base; no customer accounts for more than 3% of revenues in any segment.

**Why are tariffs good news?**

The company’s business operations make it unique; it does very little cross boarder trading. What does this mean? It means the higher the steel price, the higher the margins.

> *“The impact for us can be nothing but positive, because higher steel prices are good for us. We are not impacted like a Canadian steel mill because we don’t ship anything to the U.S.”*
> – Marion Britton, Chief Financial Officer

Don’t believe it? The market does.

Since the Trump Presidency, the company’s stock has almost doubled in value.

The company is also looking to further take advantage of the situation. In April, it closed its acquisition of North Carolina’s DuBose Steel, Inc. The purchase is expected to add about $85 million in revenue to Russel’s top line.

It has a strong balance sheet and low leverage. In other words, it is well positioned for further acquisitions.

**Why invest?**

Are the benefits of higher steel prices not enough? Here are more positives to consider.

Russel has an attractive 5.42% dividend yield, which is well covered by earnings, which are expected to grow by approximately 20% next year.

The oil & gas sector is enjoying a renaissance on the backs of higher oil-prices. This will be a boon for the company as the industry accounts for a big portion of its business.

It is also undervalued. The company is trading at a cheap 12.5 times forward earnings. Its price-to-book, price-to-earnings and price-to-sales are all below industry averages. Given that Russel’s return on investment (ROI) and return on equity (ROE) are both double industry averages, there’s a disconnect here.

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*Here’s the bottom line*. Russel is a solid long-term play with impressive growth prospects.

**CATEGORY**

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

**TICKERS GLOBAL**

1. TSX:RUS (Russel Metals)

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