

Worthington Industries Is On A Roll

by Robert Hauver

Steel and Metal Processor Worthington Industries, (WOR), has been on a roll since the June 4th lows, rising over 42%, vs. the S&P, which has gained approx. 6%. This is better than the Steel & Iron industry, which is up approx. 4%, but still down 9% for the year, vs. WOR's big 36.72% gain:

TICKER	Performance Year-To-Date	Beta	Variance From 52-Week High	Variance From 52-Week Low	Relative Strength Index (14)
WOR	36.72%	1.55	-0.89%	81.10%	82.15

Earnings Growth: Part of the attraction for WOR stems from its EPS growth figures, which show it to still be undervalued on a PEG basis for next year's earnings:

(Fiscal Years Ending 5/31)	P/E (Trailing 12 months)	5-Year P/E Range	EPS Growth 2011	EST'D EPS Growth 2012	PEG: 2012	Estimated EPS Growth Fiscal Year 2013	PEG: 2013
WOR	13.38	9.88 to 25.75	76.67%	7.55%	1.77	23.39%	0.57
2010 Normalized Diluted EPS:	\$0.90	2011 Normalized Diluted EPS:	\$1.59	2012 Est'd Normalized Diluted EPS:	\$1.71	2013 Est'd Normalized Diluted EPS:	\$2.11

Dividends: WOR has increased its quarterly dividends twice in 2011 and 2012, going from \$.10 to \$.13/share:

Ticker	Dividend Yield	Dividend Payout Ratio (Trailing 12 Mths)	Quarterly Dividend	Next Ex-Dividend Date approx.
WOR	2.36%	28.64%	\$0.13	9/12/12

Cash Secured Puts: After WOR's big run up, you might be leery of "buying at the high". Selling cash secured put options is one way to avoid this. Here's a put option trade, from our [free Cash](#)

[Secured Puts Table](#), that expires in December. This put option pays over 7 times WOR's next 2 quarterly dividends, and you'll have a lower breakeven cost:

WOR 7/13/12 PRICE PER SHARE	DIVIDEND PER SHARE \$ EX-DATES BEFORE PUT EXPIRATION	ANNUAL'D DIVIDEND YIELD %	PUT OPTION EXPIRATION MONTH & STRIKE PRICE	PUT BID PREMIUM	ANNUAL'D PUT YIELD	100% CASH RESERVE AMOUNT	BREAK-EVEN PRICE	52-WEEK LOW
\$22.71	\$0.26	2.63%	DEC. 2012 \$22.50	\$2.00	20.41%	\$2,250.00	\$20.50	\$12.84

Covered Calls: Since WOR's \$22.50 call strike price is below WOR's \$22.71 share price, this covered call trade cuts into potential assigned gains, if the stock gets assigned/sold at expiration. However, WOR's fairly high options yields still offer a nearly 30% annualized net yield. In general, it often pays to sell covered calls above the stock's current price, in order to leave room for additional potential price gains.

You can find more info on this and over 30 other high options yields trades in our free [Covered Calls Table](#):

WOR 7/13/12 PRICE PER SHARE	DIVIDEND PER SHARE \$ PAID PRIOR TO CALL EXPIRATION	ANNUAL'D DIVIDEND YIELD %	CALL OPTION EXPIRATION MONTH & STRIKE PRICE	CALL BID PREMIUM	ANNUAL'D CALL YIELD	TOTAL ANN'D STATIC YIELD	POTENTIAL ASSIGNED YIELD	ANNUAL'D TOTAL POTENTIAL YIELD
\$22.71	\$0.13	3.03%	SEPT. 2012 \$22.50	\$1.35	31.45%	34.47%	-4.89%	29.58%

Financials: WOR's mgt. ratios are mostly in line with its peers, and its debt load is lower. It does have a rather slim operating margin though:

Ticker	Return on Assets	Return on Equity	Return on Investment	Total Debt/Equity	Operating Margin
WOR	7.07%	16.67%	11.09%	0.77	4.01%
Industry Avgs.	9.10%	15.81%	12.19%	1.12	10.81%

Disclosure: Author had no shares of WOR at the time of this writing.

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