

# PITTSBURGH TRIBUNE-REVIEW

## *Pittsburgh Tribune Review* **Steering 'dinosaur' to profitability**

By C.M. Mortimer

Thursday, January 25, 2007

WHEELING, W.Va. --- James P. Bouchard, chairman and CEO of Esmark Inc., a fast-growing Chicago-based steel processor, has no "buyer's remorse" since seizing control over moribund Wheeling-Pittsburgh Steel in November. In fact, Bouchard likens his acquisition to a 1957 Chevrolet -- a solid machine that needs some fine-tuning to stay on the road of a rapidly consolidating steel industry.



James Bouchard, left, and his brother Craig Bouchard, the new owners of Wheeling-Pittsburgh Steel, sit in their office at Wheeling-Pittsburgh Steel's headquarters in Wheeling, W.Va.  
Justin Merriman/TRIBUNE-REVIEW

Oozing confidence, Bouchard is looking forward to another acquisition, of the former Weirton Steel Corp., and has already picked out a new name -- Weirton Sheet & Tin -- should he successfully acquire the hot roll, cold roll and tin assets of the neighboring steelmaker from Arcelor Mittal, the world's largest steelmaker.

Last week, Esmark signed a letter of intent with Arcelor Mittal to buy parts of Weirton, particularly its finishing facilities. Bouchard's plan is to combine the best of Weirton's assets with Wheeling-Pitt's steelmaking capabilities and Esmark's large customer base to create a solid steel company.

The idea of combining Wheeling-Pitt and Weirton isn't new, as previous merger initiatives date back to 1999.

"Two dinosaurs can mate to make a big dinosaur," Bouchard said. The steel industry veteran said Esmark is close to acquiring an undisclosed steel coating company to complete the symmetry.

Esmark was founded in 2003 by Bouchard and his brother, Craig T. Bouchard. The company provides value-added steel products to about 2,000 customers in the Midwest. Esmark has acquired nine steel companies since it was formed.

The Bouchard brothers took control of Wheeling-Pitt last year when the company's directors named James chairman and CEO and Craig president and vice chairman. They replaced Wheeling-Pitt CEO James G. Bradley.

Their hoped-for deal to add Weirton is no slam dunk. It is subject to approvals from the U.S. Department of Justice and the Independent Steelworkers Union, which represents about 1,250 members at Weirton.

Netherlands-based Mittal must sell one of its U.S. assets, either Weirton or a mill at Sparrows Point, near Baltimore, to resolve antitrust issues raised by its ongoing merger with Arcelor SA of Luxembourg. Weirton Steel filed for Chapter 11 bankruptcy in May 2003 and was sold twice in 18 months, first to International Steel Group, which was then sold to Mittal.

James Bouchard said several steps have been taken to improve performance at Wheeling-Pitt --- including a managerial housecleaning, renegotiation of high-cost steel slab deals and elimination of natural-gas hedging in favor of paying market prices.

"In combination, these steps will drive costs downward," Bouchard said.

Not everyone is that confident. "I just don't see it, unless they reduce personnel. They have to get the head count down," said Charles Bradford, an independent steel analyst for Soleil Securities in New York.

Beginning Feb. 1, Bouchard said the company plans to restart Wheeling-Pitt's electric arc furnace at Mingo Junction, Ohio -- a key asset idled since November.

"It will be the most productive furnace in the world. We will take production to 2.5 million tons of steel annually," said Bouchard, 45, of Sewickley, during an interview at the company headquarters in Wheeling on Tuesday.

Bradford was skeptical of Bouchard's chances of success. "Bouchard is a salesman, not a steel guy. Basically, he's trying to do an IPO (initial public offering) with his service centers," he said.

"They (the Bouchards) got my attention real fast when they offered to work for one dollar and take stock. It tells me they want to make money," said Mike Eddy, 53, of Brilliant,

Ohio, and a member of United Steelworkers Local 1190 at Mingo Junction. Eddy has worked at Wheeling-Pitt for 29 years.

Wheeling-Pitt employs about 3,100 workers in West Virginia, Ohio and Pennsylvania. The USW represents about 2,500 hourly workers at its operations in Mingo Junction, Martins Ferry and Yorkville, Ohio, Follansbee, W.Va., and at a cold-rolled sheet plant in Allenport, Washington County.

"I promise we're going to be a world leader. If all goes smoothly, the merger will occur in May," said Craig Bouchard, 53.

James Bouchard believes he can convince Weirton's Independent Steelworkers Union that Esmark offers the best chance for their company to prosper. He said Esmark's profit-sharing plan with the USW spans the company, so gains at one operation are shared by all.

"They (Esmark) may be the eventual buyer, but the union is taking a neutral attitude," said Dave Gossett, spokesman for the Independent Steelworkers Union.

Bouchard is slowly winning the hearts and minds of Wheeling-Pitt's steelworkers, who have been distrustful of managerial practices that twice put the company in the jaws of bankruptcy.

"We're definitely a lot more involved, particularly in financial and sales meetings. Before, it was their (management) way or the highway," said Ron White, vice president of USW Local 1190, which represents about 1,500 Mingo Junction workers.

Santo Santoro, a USW field representative who represents Wheeling-Pitt workers in Ohio and northern West Virginia, says he notices change at Wheeling-Pitt. "It's amazing. They share information with us, and we're not kept in the dark," he said.

James Bouchard said it's all part of the plan. "We have to deserve the trust of the worker. We have to lead by example. Our philosophy is to be a coach, student and a leader, not just a boss," he said.