



Süddeutsche Zeitung (Munich, Germany) **“A delightful small family business”**

Four years ago, the Bouchard brothers bought an insignificant steel company which might soon be one of the 500 biggest companies in the US

By Paul-Anton Krüger

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James P. Bouchard, 46, and his brother Craig T., who is seven years older, make no secret of who their role model and mentor is. On the Internet site of their company Esmark there is a fax from the magazine *Midwest Industry*, October 1963 edition. Their father, Robert C. Bouchard, is pictured smiling on the front page. At Inland Steel, which has now been swallowed up in the empire of the world market leader Mittal, “he worked his way up from the post room to the management level”, says James Bouchard, who is known as Jim.

Their father let it be known back then that he would not let his sons win either at chess or at table tennis. It was a willingness to get stuck in and an ability to assert himself that had brought him success, and he wanted to educate James, Craig and their five siblings to follow the same path.

The brothers have demonstrated that they have taken these virtues on board ever since they turned their dream into reality. “We have always talked about how we wanted to establish a delightful small family business in the steel industry,” says Jim. At the beginning of 2003, he bought his first steel company with his own money. It had 22 employees and an annual turnover of four million dollars. His brother became involved with Esmark as an investor. Less than four years later, their family business is set to appear in the *Fortune 500* list of the biggest US companies. The lower limit for inclusion in the list was turnover of 4.3 billion dollars.

Slovakian business model

The prospects are good: the Bouchards are heading a consortium which wants to purchase the Sparrows Point steelworks near Baltimore in the east coast state of Maryland from Mittal at an estimated cost of 1.35 billion dollars after the US anti-trust authorities forced the company to sell because of the Arcelor takeover. It would be the biggest deal in the aggressive expansion which became possible thanks to industry knowledge and contacts.

As he admits himself, Jim “has had steel in his blood from an early age” and, after a work placement with his father’s company in 1987, he began his career at US Steel. By contrast, for the first 25 years of his professional career, Craig had nothing to do with blast furnaces and steel mills. An injury meant that he had to give up his hopes of a career as a professional baseball player and initially he put his energies into his economics degree. He became chief economist and vice president at First National Bank in Chicago. In 1998, he was appointed chief executive officer of the listed software company Numerix, which sells risk analysis programs for financial service providers. The brothers’ entry into the steel business, which was planned for 2000, was delayed when US Steel sent Jim, by now vice president responsible for the European business, to Kosice in Slovakia to overhaul an ailing steelworks.

It was there that he picked up the business model with which Esmark wants to be successful in the American market: the production supply chain from melting the iron ore right through to marketing all from one source. In just under three years, the brothers laid the foundation for a strong sales operation, bought eight further wholesale steel dealers and refining companies in the Mid West with more than 2000 regular customers for 200 million dollars. They increased the capacity and invested in order to make the companies, most of which were purchased at book value, profitable. Under the umbrella of the holding company, the independent companies in the steel business, which is characterized by small businesses, benefited from their greater purchasing power in the market. According to James, last year the conglomerate turned over an estimated 700 million dollars with 600 employees.

Finally, in November 2006, the Bouchards prepared to make the jump to the premier league of US steel companies with a bold plan. They seized control of the ailing Wheeling-Pittsburgh steelworks in West Virginia and therefore acquired their own production capacities. They saw off a rival Brazilian bidder - with the aid of the steelworkers’ union, against the management. The shareholders of Wheeling-Pitt appointed a management team nominated by Esmark and they were then able to sell their stocks to Esmark at a profit or exchange them for shares in the merged company. Due to the unusual transaction, a reverse merger, Esmark was listed on the stock exchange without any complications.

If the intended purchase is successful, Esmark would be number four among US steel companies with annual production of 6.5 million tonnes and turnover of 4.5 billion dollars. The crisis-hit Sparrows Point steelworks might prove to be a rough diamond for Esmark which, once polished, will light up the whole company: Wheeling-Pitt will take 350,000 tonnes of raw steel every year at a preferential price, which will lower the costs there and at the same time will also help to make full use of the capacity at Sparrows Point. Ultimately, this will enable Esmark to manage with low inventories, react more quickly and offer cheaper products. The Bouchards want to compensate for the competitive disadvantage of the steelworks - high raw material prices - by including the world’s largest ore supplier in the consortium.

If the plan works, the cover of Fortune magazine might soon be appearing on the Esmark website.

Caption

Jim (left) had “steel in his blood from an early age”, Craig first wanted to be a professional baseball player and then a banker. Photo: Esmark

Esmark (Info Box)

James and Craig Bouchard got the name for their company from a friend of the family: Esmark was a holding company in Chicago in the 1980s which managed famous food and drink brands such as Tropicana fruit juices. The brothers were fascinated by the company’s streamlined structure and asked the former boss of Esmark Donald Kelly, with whose sons they had grown up, for permission to use the name. Kelly agreed - on the condition that he would be allowed to purchase shares in the company.