



American Metal Markets

Esmark fight brings SDI, Goodwin in ring vs. W-P

By Scott Robertson

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Esmark Inc. is ready for a fight in its bid to take over Wheeling-Pittsburgh Steel Corp., James P. Bouchard, the Chicago-based company's co-founder, chairman and chief executive officer, said. To prove it, the company has brought on two steel heavyweights to help it carry the day.

Bouchard, speaking during a presentation to investors Wednesday in which he outlined Esmark's plans for the steelmaker, said that his steel services company has enlisted long-time steel industry executive John Goodwin as vice president of mill operations to run the day-to-day operations of the steel plant and is in talks with Steel Dynamics Inc. (SDI), Fort Wayne, Ind., on consulting and raw materials strategies related to the electric-arc furnace at Wheeling-Pittsburgh.

Esmark's presentation in New York came less than an hour after Wheeling-Pittsburgh released a statement saying it expected its second-quarter operating earnings to reach \$19 million, about \$8 million more than its previous guidance, thanks to higher-than-expected revenue from higher steel selling prices and lower-than-expected costs.

Wheeling-Pittsburgh's ongoing talks to form a strategic alliance with Cia. Siderúrgica Nacional (CSN), Rio de Janeiro, Brazil, "remain positive and we believe this combination will deliver significantly more value than the recent proposal by Esmark," James G. Bradley, Wheeling-Pittsburgh's chairman, president and chief executive officer, said Wednesday. "Our board is firmly committed to protecting the interest of all shareholders and protecting against any attempt to deprive them of value that is rightfully theirs."

Those were fighting words to Esmark, and Bouchard took off the gloves during his presentation. He congratulated Wheeling-Pittsburgh for turning an operating profit in the quarter, but then said simply that a \$19-million operating profit in today's strong steel market "simply is not good enough."

"We have a plan, a management team and a strategic partner that will help us bring that mill's costs down. We want to make this a low-cost service center and steel production company. The operating costs must come down," Bouchard said. "This is a fight, and we are fighters. We want to get this low-cost supply chain put through. When you come with \$19 million to a fight, that's like bringing a small club. That's not going to be enough."

Craig T. Bouchard, Esmark's president, was sharply critical of the current Wheeling-Pittsburgh management team for what he called the mismanagement of the company to date, and said shareholders will decide if Esmark's offer is the right one for the company's future.

"If it's a fair fight and we lose, fine," he said. "We'll go on building our service center business. But I don't think that's going to happen."

Esmark said it will bring to the battle heavy hitters such as Keith Busse, president and chief executive officer of SDI, and Goodwin, former mill manager of U.S. Steel's Mon Valley (Pa.) and Gary (Ind.) Works and former chief executive officer of both National Steel Corp. and Beta Steel Corp.

Busse said Wednesday that Esmark has been a long-time customer of his steel mill, and SDI would be happy to work with Esmark on a consulting basis.

"If they are successful in acquiring Wheeling-Pitt, we think there are some areas in technology where we could consult with them that would be beneficial to both of us," said Busse, who at the outset of Wheeling-Pittsburgh's plans to install electric furnace steelmaking was sharply critical of the move. "Technology is one area where we can work with them and raw materials is another. We are involved in the Mesabi Nugget project and we think there are some things there that can work to the benefit of both parties."

Busse stressed that no formal agreement had been reached between Esmark and SDI, but said SDI is looking forward to working with Esmark if it is successful. "They are one of our biggest customers and we have always had a great working relationship with them," he said. "If there are areas we can help, we will try to do it."

The Bouchards outlined their plans for Wheeling-Pittsburgh, essentially using the steelmaker to produce steel as part of its supply chain, which it will model after similar operations in Europe. The Esmark business containing Wheeling-Pittsburgh would create a "niche" regional steel producer that would combine the strengths of the steel company with Esmark's downstream operations. The plan is for the company to remain 75-percent downstream operations with 25 percent built around the Wheeling-Pittsburgh EF.

The company wouldn't target such markets as automotive or appliances, instead concentrating on providing steel to small original equipment manufacturers throughout the Ohio Valley. James Bouchard said Esmark would be the only steel company in the United States capable of filling a 2-ton order up to a 20,000-ton order.

Goodwin, who was credited during the presentation with turning around steel operations he led, said he was looking forward to the challenge of working with the Esmark team and the Wheeling-Pittsburgh assets.

"All of the turnarounds I have been involved with have one common thread," Goodwin said. "It's not capital. It's human capital, and that has to be developed by both the

management and union leadership working together. Magic happens when those two groups get together and make things happen. That's what can happen here."