

Pittsburgh Post-Gazette

Hostile suitor dismisses Wheeling-Pitt's outlook

By Len Boselovic, Pittsburgh Post-Gazette

Thursday, July 27, 2006

Wheeling-Pittsburgh Steel yesterday elevated its second-quarter earnings outlook, but the good news was dismissed by Esmark, the steel processor and distributor that wants to take control of the embattled steel producer.

Wheeling-Pitt said it expects second quarter operating income of \$19 million, about \$8 million more than previously forecast.

The company cited higher prices and lower-than-expected costs.

Esmark Chairman and Chief Executive Officer James T. Bouchard said even after the more optimistic forecast, Wheeling-Pitt's profits will be meager compared to what the rest of the industry is reporting.

"We are in one of the greatest steel cycles of all time and all they can do is \$19 million?" Mr. Bouchard told a gathering of investors in New York. "That type of income is totally unacceptable to Esmark."

The Chicago Heights, Ill., company wants to gain control of Wheeling-Pitt's board and merge with the Wheeling, W.Va., steelmaker. Its \$1.1 billion proposal values Wheeling-Pitt shares at \$20. The stock eclipsed that price tag yesterday in heavier than normal trading, closing at \$21.97, up \$2.14.

Wheeling-Pitt has rejected Esmark's bid and is pursuing an alliance with Companhia Siderurgica Nacional. Combining with the Brazilian steelmaker "will deliver significantly more value than the recent proposal by Esmark," Chairman and Chief Executive Officer James G. Bradley said.



Alyssa Cwanger, Post-Gazette

Employees work around a central exhaust pipe in this file photo from Wheeling-Pittsburgh Steel's metallurgy facility at the firm's Mingo Junction plant in Ohio.

Click photo for larger image.

Previous coverage:

■ [Esmark wants word on Wheeling-Pitt's Brazilian negotiations](#) (07/25/06)

"Our board is firmly committed to protecting the interests of all shareholders and protecting against any attempt to deprive them of value that is rightfully theirs," Mr. Bradley said.

Esmark wants to oust Mr. Bradley and Chief Financial Officer Paul J. Mooney, citing Wheeling-Pitt's inconsistent performance since it emerged from bankruptcy in 2003. At the time, the steelmaker had debt of \$380.5 million, vs. debt of \$394.6 million at the end of the first quarter, Mr. Bouchard noted.

The former U.S. Steel sales executive told investors Esmark's management team would include seasoned industry veteran V. John Goodwin as vice president of mill operations.

Mr. Goodwin spent 27 years at U.S. Steel, including serving as general manager of the Mon Valley and Gary (Ind.) Works, before becoming president and chief operating officer of National Steel. He subsequently ran Beta Steel, a Portage, Ind., producer and was an executive at the former International Steel Group, a conglomeration of steel companies that last year merged with Mittal Steel, the world's largest steel company.

Esmark has nominated a slate of nine directors, including former Alcoa executive C. Frederick Fetterolf, to take on incumbent directors at Wheeling-Pitt's next shareholders meeting. A date for the meeting has not been set.

Wheeling-Pitt will announce its second-quarter results Aug. 8.