

“One of the world’s premier investment banks
to the steel, metals and mining industries.”

*Peter F. Marcus, Managing Partner
World Steel Dynamics*

MILLER MATHIS

Experienced. Savvy. Relentless.

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1 / Executive Summary

Executive Summary

INDUSTRY RELATIONSHIPS AND EXPERTISE

- ▶ Miller Mathis represents steel and metals companies all over the world
- ▶ We have deep industry knowledge and relationships with all of the major industry players
- ▶ Miller Mathis works frequently with Peter Marcus of *World Steel Dynamics* (“WSD”), the world’s leading industry analyst
 - The combination of WSD and Miller Mathis provides industry analysis, advice and deal execution that is unparalleled

INDEPENDENT AND OBJECTIVE ADVICE

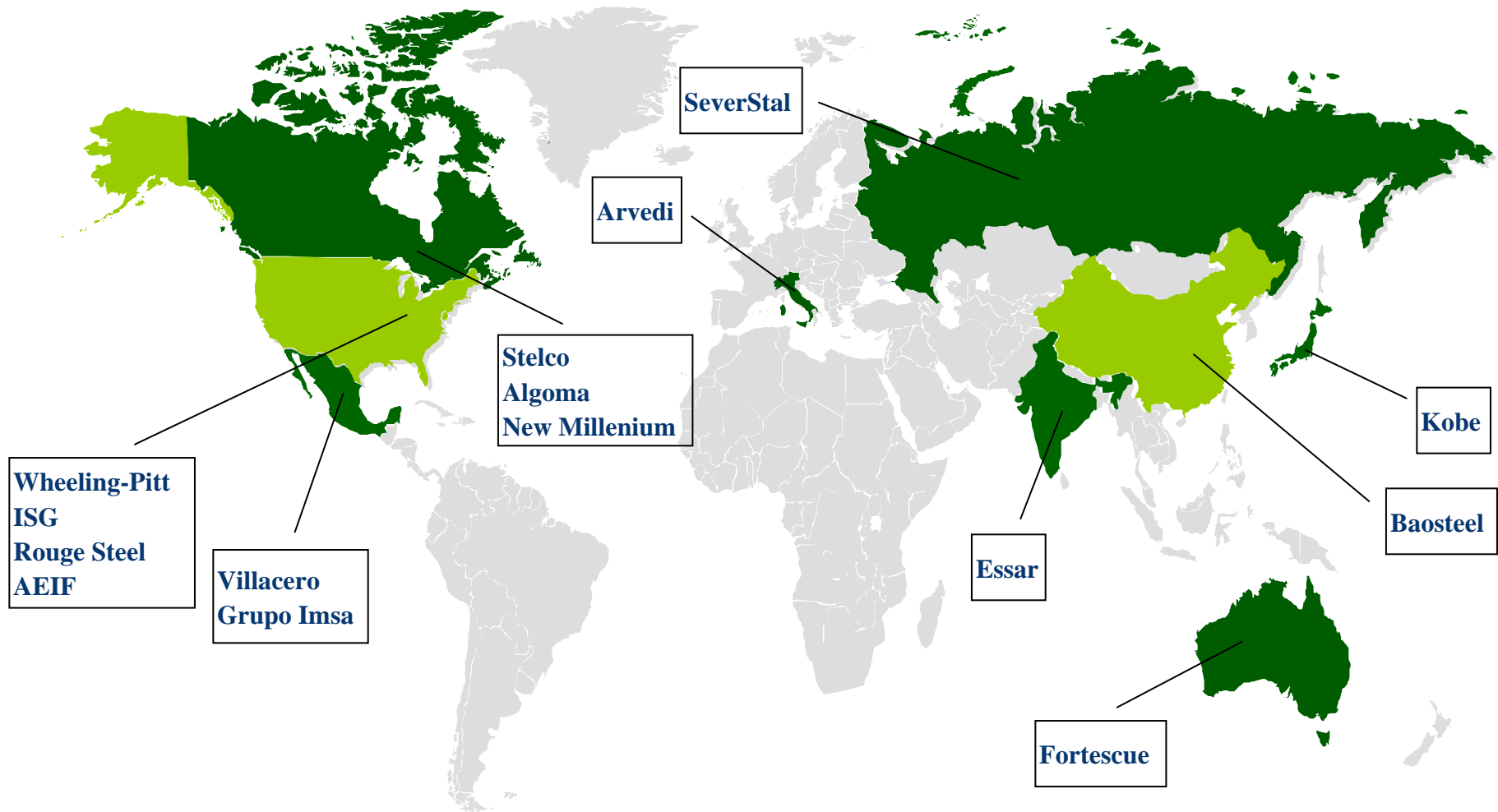
- ▶ We are an independent firm
- ▶ We provide our clients pure, unbiased advice, free from any conflicts of interest

COMMITMENT TO CLIENT SERVICE

- ▶ We work relentlessly on behalf of our clients – 24/7
- ▶ We act with utmost professionalism and discretion

Executive Summary

Miller Mathis Assignments Span the Global Steel Industry



Executive Summary

Top Boutique Investment Bank in the Steel Industry

Top M&A Steel Advisors in 2006

Ranking by Announced Deals

Ranking	Advisor
1	UBS
2	Credit Suisse
2	JP Morgan
4	Goldman Sachs
4	Morgan Stanley
6	Miller Mathis
6	HSBC
6	ABN AMRO
6	Deutsche Bank
6	Merrill Lynch

Source: Thomson.

Executive Summary

Strategic Advisory Services

Acquisition &
Divestiture
Strategy

Negotiations with
Partners, Creditors &
Shareholders

Labor &
Union Relations

Investing in &
Launching New
Technologies

Evaluating
Greenfield Projects

Marketing JVs &
Other Commercial
Opportunities

**Miller Mathis Works Closely with Companies to
Help Them Achieve their Strategic Goals**

Executive Summary

M&A Services

SELL SIDE

- ▶ We design transaction processes aimed at maximizing competition among potential buyers in order to yield the highest value

BUY SIDE

- ▶ We perform detailed due diligence and valuation analysis, and then structure the transaction to provide the optimal solution for our clients

RECENT ASSIGNMENTS



Executive Summary

STEEL INDUSTRY RELATIONSHIPS

STRATEGIC OPPORTUNITIES

- ▶ Miller Mathis frequently presents attractive strategic opportunities to major steel companies



NEW MILLENNIUM
CAPITAL CORP.



RELATIONSHIPS IN KEY EMERGING MARKETS

- ▶ Miller Mathis has relationships with a number of leading companies in China, Ukraine, India, Brazil, and other emerging markets



2 / Recent Miller Mathis Steel Experience

Recent Miller Mathis Steel Engagements



Advising this Italian Steel Company on Strategic Options

Ongoing



Advising this Japanese Steel Company on Strategic Options

Ongoing

NEW MILLENNIUM
CAPITAL CORP.

Advising this Canadian Iron Ore Company on Strategic Options

Ongoing



Advising this Mexican Steel Company on Strategic Options

Ongoing



Advised this American Steel Company on Strategic Options

2006



Advised this Russian Steel Company on its Merger with Arcelor

2006

Recent Miller Mathis Steel Engagements



Advised this Chinese Steel Company on Strategic Options

2006



Advised this Indian Steel Company on Strategic Options

2006



Advised a Major Shareholder of this Canadian Steel Company on Strategic Options

2006



Advised this Australian Iron Ore Company on Strategic Options

2006



Advised the AEIF Union of this American Steel Company on Strategic Options

2006



Advised this Mexican Steel Company on Strategic Options

2005

Recent Miller Mathis Steel Engagements

The logo for Stelco, featuring the word "stelco" in a bold, black, sans-serif font. The letters "s" and "t" are lowercase, while "e", "l", "c", and "o" are uppercase. The logo is set against a light green rectangular background.

Advised a Prospective
Acquirer of this Canadian
Steel Company

2005



Advised a Prospective Acquirer
of this American Steel Company

2005



Advised this Russian Steel
Company on Strategic Options

2005



Advised this American Steel
Company on its
Reorganization and Sale

2004

3 / Firm Biographies

Miller Mathis Biographies

Robert M. Miller, *Managing Director*

Mr. Miller is a nationally prominent financial advisory and restructuring expert, with over 25 years of experience advising a broad range of companies and other parties. Mr. Miller specializes in steel, metals and mining, and represents many of the world's most prominent companies in these sectors. He is considered one of the world's leading financial and strategic advisors to the steel industry. He is regularly consulted by top industry executives and participates in many industry conferences and functions. Since the early 1980s Mr. Miller has also been recognized as one of the country's leading bankruptcy and restructuring experts, having worked in dozens of the largest, most complex, highest profile and sophisticated situations, including Macy's, Trump Taj Mahal, Days Inn, A.H. Robins, Continental Airlines, Insilco Corporation, Integrated Resources, Revere Copper & Brass and, more recently, Rouge Steel, NortWestern Corporation, Polar Air Cargo and Horizon Natural Resources, to name just a few. Over the years Mr. Miller has been written up and profiled in all the major media, including the NY Times, Wall Street Journal, Business Week, Forbes, Fortune, Crain's and many others, in addition to radio and television. Mr. Miller's background prior to forming Miller Mathis includes Senior Partner of Berlack, Israels and Liberman and Managing Director at Morgan Joseph and Financo, Inc. Mr. Miller received a J.D. degree from St. John's University School of Law, where he was an Editor of the Law Review, and a B.S. degree *cum laude* from Boston University.

H. Sean Mathis, *Managing Director*

Mr. Mathis has over 25 years of advisory, principal investing and business/management experience. Mr. Mathis has acted as a financial advisor to a wide variety of companies on mergers and acquisitions, financings and restructurings, beginning with his career at Lehman Brothers and, prior to co-founding Miller Mathis, working as a Managing Director at Morgan Joseph and Financo, Inc. Mr. Mathis's extensive business/management experience includes his work as Chairman of Allis Chalmers, Inc. from 1996 – 1999, Chairman of Universal Gym Equipment from 1996 – 1997, President of RCL and RCL Capital Corporation from 1991 – 1995 and President of Ameriscribe Corp. from 1989 – 1993, as well as a Director of several companies. He also served as Chairman of the Official Equity Committee in the restructurings of A.H. Robins Co., Salant Corporation, Allis-Chalmers and Revere Copper & Brass. Mr. Mathis has substantial principal investing experience, serving as President of Litchfield Asset Holdings, Inc., an investment advisory company which he founded in 1983. Mr. Mathis has testified on numerous occasions as an expert witness on matters such as valuation, corporate finance and restructuring. Mr. Mathis received his B.A. from Allegheny College and his M.B.A. from Wharton Graduate School of Business.

Miller Mathis Biographies

Julia M. Whitehead, *Senior Advisor*

Ms. Whitehead has spent more than twenty years providing strategic and financial advice to businesses in various stages of development. As President of Pearson Enterprises, she has advised a variety of clients from a media convergence venture to a data mining company and was a principal and co-founder of Chusid/Whitehead Associates, a recognized authority in the rehabilitation of distressed real estate co-ops. Ms. Whitehead, a co-holder of a patent on a mortgage product and process used in the restructuring of excessive mortgage debt, has served as financial advisor and expert witness in numerous bankruptcy proceedings and other litigation matters including the asset recovery proceedings of National Heritage Life Insurance Company which, at the time, was the subject of one of the largest white collar frauds ever uncovered. Ms. Whitehead was also previously an executive at International Finance Group, Inc., a private merchant bank engaged in turnaround management where she served as interim CFO of Ameriscribe, an NYSE-listed facilities management company and acted as financial advisor to Wheeling-Pittsburgh Steel Company during its bankruptcy proceedings. Ms. Whitehead was also formerly a Senior Vice President in Corporate Finance at Dean Witter Reynolds and a Corporate Development officer at the First Boston Corporation. Ms. Whitehead started her career at the General Electric Company where she was trained in that company's renowned Financial Management Program and held positions in finance and strategic planning including manager of international strategic planning for the \$6 billion consumer products businesses. Ms. Whitehead received her M.B.A. in Finance and Public Policy from the Johnson School of Management of Cornell University with Distinction and her B.A. in Economics and Political science from Yale University.

Marcelo Messer, *Vice President*

Mr. Messer joined Miller Mathis at its inception in February 2004. From 2002 – 2003, Mr. Messer worked with Robert Miller and H. Sean Mathis at Morgan Joseph and Financo, where he worked on a number of major assignments including Horizon Natural Resources, NorthWestern Corp., Rouge Industries and Kasper. From 1997 – 2000, Mr. Messer worked at Credit Suisse First Boston, where he executed M&A, corporate finance and restructuring transactions, primarily for consumer products and industrial companies. Mr. Messer received an M.B.A. degree from Stanford University Graduate School of Business in 2002 and a B.A. degree in Economics with Distinction, and *summa cum laude*, from Yale University in 1997.

Miller Mathis Biographies

Alexander Tsukernik, Associate

Mr. Tsukernik joined Miller Mathis in April 2004. From 2003 – 2004, Mr. Tsukernik worked at Cohen & Steers Capital Advisors, where he executed numerous M&A, corporate finance and restructuring transactions, primarily for healthcare and real estate companies. From 2001 – 2002, Mr. Tsukernik worked in the Investment Banking division of JPMorgan Securities, where he executed numerous corporate finance transactions, primarily for insurance companies. Mr. Tsukernik received a B.A. degree in Mathematics and Economics from Cornell University in 2001. He is also a CFA charter holder.

Frederick J. Li, Analyst

Mr. Li joined Miller Mathis in May 2005. From 2003 – 2004, Mr. Li worked at Credit Suisse First Boston, where he executed and worked on M&A and corporate finance transactions primarily for global industrial and services companies, including Bluescope, Novartis and Vitro. Mr. Li received a B.S. degree in Finance and General Accounting with distinction, *magna cum laude*, from the Stern School of Business at New York University in 2003.

Kevin B. Kemper, Analyst

Mr. Kemper joined Miller Mathis in October 2006. From 2005 – 2006, Mr. Kemper worked in the Investment Banking division of HSBC Securities, in the Health Care group, where he executed both M&A and financing transactions primarily for Biotech and Specialty Pharmaceutical companies. From 2004 – 2005, Mr. Kemper worked as a consultant with Factset Research Systems serving clients in the Investment Management space. Mr. Kemper received a B.A. degree in Economics from the University of California at Berkeley in 2003.

4 / Selected Articles and Publications

Selected Articles and Publications



Global contest for steel supremacy

By Robert Miller

Published: October 5 2006

The steel industry is consolidating. Some people believe the process is winding up. In fact, it is just beginning. The potential bid by India's Tata for the Anglo-Dutch Corus is the latest example.

Mittal, Arcelor and Severstal fought the first battle in a global contest for supremacy. Mittal won. Casual observers saw its acquisition of Arcelor as an endgame, a "bottom of the ninth" inning scenario – to use a baseball metaphor. The combined group became the top steel producer in North America, Europe and South America, with three times the output of its biggest rival.

Arcelor Mittal's ascendancy is deceptive, however. The group represents just 11 per cent of the world steel market. The top five steelmakers account for about a fifth. There is plenty of scope, and good reason, for more big deals. The consolidation game is far from over; we are only in the "bottom of the first" inning.

Within about five years there will be five to six steel giants – larger, more powerful companies with enough scale and resources to bring a new dimension of success to the industry. In time, the Mittal Arcelor deal may not loom as large.

The new steel industry will have a number of distinctive characteristics. The giants will own a more balanced portfolio of assets in developed and emerging markets, benefiting from the stability of the former and the low costs of the latter. The industry leaders will also be more self sufficient. In the past, steelmakers have suffered from volatile markets in key raw materials such as iron ore and coking coal. They will look to overcome this vulnerability by securing their supplies.

Selected Articles and Publications



Global contest for steel supremacy (cont'd)

New technologies will be embraced to make better quality steel, faster and cheaper. Producers will focus on higher grades – such as the steel used for cars – in order to differentiate themselves from commodity producers.

The handful of “superpowers” will each make in excess of 100m tonnes of steel a year and hail from around the globe. China will almost certainly be home to one big producer. Its steel industry is the world’s largest and accounts for more than a third of global output. The Chinese government is encouraging mergers between domestic producers.

The Russian steel industry, which has some of the world’s most efficient and profitable steelmakers, is also seeing internal consolidation. The eventual winners will surely compete on a global stage. Severstal and Evraz have offered us a glimpse of the future with their pursuit of several international deals, including Severstal’s recent attempt to merge with Arcelor.

Outside China and Russia there are key players such as US Steel and Nucor in North America, Nippon Steel and JFE in Japan, Posco in South Korea, ThyssenKrupp in western Europe, Tata Steel and Sail in India and Ternium, Gerdau, Usiminas and CSN in Latin America. Any or all of these companies could become a consolidator and create a formidable counterweight to Arcelor Mittal. Steel manufacturers must now decide if their company is a buyer or a seller.

What are the implications of consolidation? For consumers, raw material suppliers, steel manufacturers and investors, the outlook is mixed. With consolidation the price of steel will probably rise. Consumers will ultimately pay more.

Selected Articles and Publications



Global contest for steel supremacy (cont'd)

What are the implications of consolidation? For consumers, raw material suppliers, steel manufacturers and investors, the outlook is mixed. With consolidation the price of steel will probably rise. Consumers will ultimately pay more.

Demand for the raw materials used to manufacture steel will soar. By 2015, demand for materials such as iron ore and coking coal is estimated to rise by 40 per cent, driven by the needs of India and China. As a result, shortages may develop. Supplying these materials could be lucrative.

Big steel producers will spend more on research and development. With advances in technology and manufacturing and fabrication processes, we will have better, higher quality products to support the container, packaging, construction and motor industries.

The victors in this process of consolidation will be far more efficient companies that are better able to control pricing. This will help to temper severe performance cycles the industry has traditionally experienced. Financial markets will see a more stable sector as a better investment.

Through the white heat of consolidation a great deal of business will be done and a great deal of money will be made. The challenge for those forging these steel giants is the economic and cultural complexity they will involve. Those that get it right will be richly rewarded.

The writer is managing director of Miller Mathis, a New York-based investment bank. Miller Mathis represented Severstal in the contest for Arcelor .

Selected Articles and Publications



SEPTEMBER 13, 2006

Insight

By Robert M. Miller

Global Steel is Coming Together

Arcelor/Mittal is the beginning of a consolidation movement among the world's steelmakers, says Robert Miller. Are steel superpowers on the way?

The recent contest for control of Arcelor, won by Mittal Steel, will lead to the combination of the world's two largest steel companies and, as such, represents a watershed event for the global steel industry. Many casual observers of the business assume that the race for supremacy will be over once this fusion is completed, since the new company will be the No. 1 steel producer by output in North America, Europe, and South America—and will be more than three times larger than its next largest competitor.

But the race is far from over. In baseball terms, it's the bottom of the first inning rather than the bottom of the ninth. Consolidation has become the mantra of the steel business in recent years, as the forces of globalization sweep through the industry. Steel companies now operate on a worldwide basis, across country and continent lines, as they seek to control their operating environment and better serve their customers.

In light of this, going forward I believe the most successful major steelmakers will have the following characteristics:

- They will own a balanced portfolio of assets in developed and emerging markets, benefiting from the stability of the former and the low costs of the latter.
- They will become increasingly self-sufficient in the necessary raw materials used to manufacture steel—particularly iron ore and coking coal—as the volatility of the market price and availability of these resources in recent years has challenged steelmakers.
- They will embrace new technologies for making steel better, faster, and more cheaply.
- They will concentrate on producing higher grades of steel, such as automotive steel, in order to differentiate themselves from commodity producers.

Selected Articles and Publications



Global Steel is Coming Together (cont'd)

INDUSTRY SUPERPOWERS. This combination of strengths will allow the major steelmakers to better regulate and control pricing and maintain a more stable operating and financial environment. That, in turn, will likely lead to a re-rating of the industry by the financial markets, as its historically severe cyclicity is moderated by the consolidation efforts of the major players.

Most industry observers believe the steel industry is heading toward a small handful of "superpowers" that will each produce in excess of 100 million tons a year. This raises the questions: Who will emerge as the industry leaders along with Arcelor-Mittal, and how smoothly will consolidation proceed?

Despite its current No. 1 position, Arcelor-Mittal currently controls only about 10% of the world steel market. Indeed, the top five steelmakers combined account for only slightly more than 20% of the 1.1 billion-ton world market. In contrast, in the much more consolidated automotive industry, the top five producers control approximately 55% of the world market, a number which should increase even more if various consolidation scenarios occur, such as a possible alliance between GM (GM) and Nissan (NSANY)-Renault.

GLIMPSE OF THE FUTURE. So who are the potential challengers to Arcelor-Mittal for supremacy in steel? The answer could come from many places around the world. The Chinese steel industry, which is the world's largest and accounts for more than 35% of global output, is currently consolidating internally under the active encouragement of the Chinese government. The emerging survivors will have a dominant foothold in the world's largest steel market and will possess the size and financial might to become global consolidators if they choose.

Selected Articles and Publications



Global Steel is Coming Together (cont'd)

Similarly, the Russian steel industry, which includes some of the world's lowest cost and most profitable steelmakers, is also undergoing a process of internal consolidation. The eventual winners there will surely compete on a worldwide stage. We have already seen a glimpse of this future as Severstal and Evraz have both pursued several international acquisitions, including Severstal's recent attempt to merge with Arcelor.

Outside of China and Russia, there are several prominent players such as US Steel and Nucor (NUE) in the U.S., Nippon Steel and JFE in Japan, POSCO in South Korea, ThyssenKrupp and Corus in Western Europe, Tata Steel and SAIL in India, and Ternium, Gerdau, Usiminas, and CSN in Latin America. Any or all of these companies could become acquirers and create formidable counterweights to Arcelor-Mittal.

MIXING TRADITIONS. Consolidation in the steel industry will necessarily involve the merging and synthesis of cultures as well as companies. Understanding these cultural differences, being sensitive to their nuances, and managing them correctly, will be the difference between success and failure. For example, the Arcelor/Mittal merger typifies the challenges of combining companies with different corporate cultures and backgrounds.

Selected Articles and Publications

FINANCIAL NEWS

Severstal picks boutique for Arcelor merger agreement

David Rothnie

19 Jun 2006

A New York-based consultancy is at the centre of the controversial €26bn (\$33bn) merger agreement between Severstal, the Russian steelmaker, and Paris-listed Arcelor.

Miller Mathis, consultancy specialising in the steel, metals and mining sectors, has an advisory role to Severstal alongside ABN Amro. The Russian company has secured a recommendation from Arcelor's board for its bid which, if successful, would scupper an earlier hostile offer worth €5.8bn from Mittal Steel.

The merger agreement between Severstal and Arcelor, which includes a €140m break fee, aroused controversy last week after the publication by Arcelor of details that disclosed the amount of control Alexei Mordashov, Severstal's owner, would have over the new company.

US-based shareholders in Arcelor, run by Guy Dollé, voiced fears that the document severely limited the ability of Mittal Steel to formulate a new offer for Arcelor.

Under the terms of the deal, which Arcelor's board has recommended to shareholders, Mordashov gets 295 million Arcelor shares, or a total stake of 32.2% in the company. Arcelor receives 89.6% of Severstal, steel and mining assets, and €1.25bn in cash from Mordashov.

The merger would thwart the rival €37.74 per share bid for Arcelor from Mittal Steel that values the company at €25.8bn.

Bob Miller, founder of Miller Mathis, has first-hand experience of Severstal's appetite for bold interventions.

Selected Articles and Publications

FINANCIAL NEWS

Severstal picks boutique for Arcelor merger agreement (cont'd)

Miller was advising bankrupt US steelmaker Rouge Steel when it was bought for \$285m (€225m) by Severstal two years ago. Rouge Steel was built by Henry Ford and marked the first Russian investment in the industrial heart of the US. Miller said: “Severstal came out of the blue on Rouge Steel and won over every constituent, as well as beating US Steel. It was a remarkable victory.”

Severstal hired Miller two years later to look at Arcelor alongside ABN Amro, whose first formal mandate for Severstal came last year when it advised the company during the \$2.8bn privatisation of Turkish steelmaker Erdemir and the bank sat on the sidelines when Mittal made its bid in January.

Jitesh Ghadia, a managing director at ABN Amro and the lead banker to Severstal, said: “Seven banks are advising Arcelor and six are advising Mittal. ABN Amro decided to remain neutral because we thought the deal would take some interesting turns.”

Aside from providing advice, ABN Amro lent €1.25bn to Severstal chief executive Alexei Mordashov to enable him to purchase 295 million Arcelor shares.

Neither Miller nor ABN Amro can claim credit for originating the merger. Arcelor and Severstal have had several discussions since 1996, when Mordashov and Dollé first met. Merger talks first took place in 2002, becoming more serious in 2004 when the companies hired McKinsey to study the logic of combining the two companies.

Bankers said a merger failed to materialise because Mordashov did not want to run the risk of a shareholder vote. One banker said: “Mordashov never wanted to run the risk of a deal failing, so Mittal forced his hand and he dropped a lot of his conditions.”

Arcelor was in discussions with at least four other companies including NLMK of Russia, and Brazilian steel company CSN, which also prompted Severstal to act quickly.

Selected Articles and Publications

THE STEEL INDUSTRY'S KEY PRINCIPLES

Robert M. Miller
Managing Director, Miller Mathis & Co., LLC
September 2006

The steel industry is entering a period of consolidation, with the primary objectives of the industry leaders being to blunt the cyclical volatility that has historically plagued the industry and to achieve a re-rating of steel stocks in the public capital markets.

The “winners” in this new era will be those companies that have the following characteristics: (a) they will own a balanced portfolio of assets in developed and emerging markets, benefiting from the stability of the former and the low costs of the latter; (b) they will become increasingly more self-sufficient in the necessary raw materials used to manufacture steel, particularly iron ore and coking coal, as the volatility of the market price and availability of these resources in recent years has challenged steelmakers; (c) they will embrace new technologies for making steel better, faster and cheaper; and (d) they will concentrate on producing higher grades of steel, such as automotive steel, in order to differentiate themselves from commodity producers.

Against this backdrop, every steel company must now consider whether it is a buyer, a seller, or whether it can continue to exist as an independent. The stakes are high. As steel's tectonic plates shift, the rules of the game change quickly. World Steel Dynamics, a leading industry analyst, has referred to this steel era as the “Age of Discontinuity”. Let me give you a few examples.

First, at one time the steel industry was essentially local, manufacturing steel for local businesses and uses. Now the industry is truly global, regularly crossing country and continent lines in a quest to produce the best quality products at the cheapest prices, while serving the interests of its customers. Many of the major steel companies are seeking to assemble a portfolio of developed country and emerging market assets in order to take advantage of the efficiencies and synergies across the spectrum that such balance affords.

Second, having weathered recent large price increases and shortages in key raw materials, such as iron ore and coking coal, steelmakers are now vertically integrating by buying raw material assets – bucking a decades-old trend against such integration. Indeed, in several sale situations over the last two years, including Kryvorizhstal and Dofasco, the inclusion of significant raw material assets was a key factor in the competition that developed.

Selected Articles and Publications

THE STEEL INDUSTRY'S KEY PRINCIPLES (cont'd)

Third, the competition for growth has changed the industry's valuation parameters. In 2003, towards the end of the last down portion of the steel cycle, steel company assets were selling for roughly \$100 per tonne. In 2005/2006, however, several major steel transactions took place at prices ranging up to \$1,000 per tonne or more. This price competition in turn has encouraged a number of formerly independent steel companies to put themselves up for sale in order to take advantage of an exuberant market. It remains to be seen whether the acquisition of Arcelor by Mittal Steel will slow down the price competition, as these two companies were previously fierce competitors for available assets.

In this consolidation era, here are the key principles that steel buyers and sellers must consider before proceeding:

Sellers

1. Prime Time. The most important principle for a seller is whether the company is “ready for Prime Time”, meaning whether the company has taken the necessary steps to put itself up for sale and to better assure a successful outcome. These include a thorough understanding of the business's pros and cons, having audited financials, a data room, a dedicated transaction team within the company, hired good professionals, etc. The process of selling a company is a lot like preparing for a NASA launch. It's a multi-step, multi-month process that will provide challenges and stresses to the company's system. Don't start before you're ready.
2. The Story. Once a company has decided to put itself up for sale, and has hired professionals, the company must put together an information memorandum for buyers describing the company, its assets, finances, issues, etc. The key point is that the company must clearly articulate its “story”, its key assets, and why the company would be appealing to a potential buyer. A concise, well written story is critical to a successful outcome. It's not the quantity, it's the quality, that counts.
3. The Reluctant Seller. Does the seller really want to sell? This may sound like a strange question but for family-owned businesses, in particular, this is maybe the key question. Buyers don't want to waste time with sellers that are not serious about selling. And many sellers start off thinking that they want to sell but without being committed to the concept. This is a prescription for frustration.

Selected Articles and Publications

THE STEEL INDUSTRY'S KEY PRINCIPLES (cont'd)

4. Valuation. The key concern of a seller is valuation. The seller must have a realistic expectation of the market in advance of the process. Steel companies don't sell based on wishes and dreams, they sell like other businesses based upon established valuation criteria: comparable companies, precedent transactions, and discounted cash flow analysis.

5. Selling Process. The objective of the selling process must be to maximize competition, which in turn will maximize value. Ordinarily a two-step auction process is best, where in step one a wide net is cast for potential buyers and participants are asked to submit non-binding expressions of interest, and then in step two the most serious candidates are invited to take part in due diligence, final offers are made, contracts drafted, etc. All other things being equal the total time frame for a transaction can be 3-4 months.

Buyers

1. Business Fit. The first and most important question that any buyer will ask is whether the seller is a good business fit for the buyer. Long product companies generally are interested in other long products companies, etc. What are the unique or key attributes of the seller? Do they synch with those of the buyer? What are the synergies of a combination? Cost savings? Geographical fit? Technologies? Management? A lot of these questions will be answered by the seller's Information Memorandum.

2. Currency. A key issue for both buyer and seller is the currency of the transaction. Does the buyer have an attractive stock to offer the seller? Is the seller interested only in cash? The "art of the deal" includes creative financing techniques in order to match the expectations of buyers and sellers.

3. The Cost of the Acquisition. The cost of an acquisition goes beyond how much the buyer has to pay the seller. It includes an analysis of what the "lost opportunity cost" is to a prospective buyer if it chooses not to participate in the transaction, and the "competitive cost" to a prospective buyer if a competitor wins the transaction.

Selected Articles and Publications

THE STEEL INDUSTRY'S KEY PRINCIPLES (cont'd)

4. Cultural fit. The acquisition of any company involves a combination of corporate cultures. Many times it also involves the combination of personal cultures, particularly when the merger involves a cross-continental combination. The ability of companies to mesh cultures and personalities is a key concern for any buyer.

The foregoing Principles will guide steel industry buyers and sellers as they navigate through the waters of consolidation. For sure, the industry that emerges from this period of consolidation will be economically stronger, geographically more diverse, and more valuable from a market perspective.