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# Canada Steel Maker Backs Offer From ThyssenKrupp

By [IAN AUSTEN](#)

TORONTO, Nov. 28 - Rebuffing a bid from Arcelor, the Canadian steel maker Dofasco on Monday endorsed instead an offer of 4.8 billion Canadian dollars (\$4.1 billion) that it solicited from ThyssenKrupp of Germany.

Dofasco sought the white knight bid after last week's hostile offer from Arcelor of Luxembourg. ThyssenKrupp's all-cash bid of 61.50 Canadian dollars a share represents about a 10 percent premium to Arcelor's bid and is about 40 percent above Dofasco's closing price the day before Arcelor announced its intentions.

Like Arcelor, ThyssenKrupp sees Dofasco as a way to expand its presence in North America. Dofasco's highly efficient and well regarded operation supplies steel to North America's Big Three automakers as well as to [Toyota](#) and [Honda](#).

"We are taking two very strong companies, ThyssenKrupp in Europe and Dofasco in North America, to create a truly global steel company," Karl-Ulrich Köhler, the chairman of ThyssenKrupp's steel division, said at a news conference here.

Arcelor said Monday that it was still weighing its options on Dofasco.

"It's still too early to say that we aren't still interested in Dofasco," Guy Dollé, the chief executive of Arcelor, said at a conference in Rio de Janeiro, according to Reuters.

Until Monday, Dofasco, whose 11,000 employees are largely nonunionized, had tried to maintain its independence within a rapidly consolidating industry.

In an apparent effort to meet Dofasco's concerns, ThyssenKrupp said it would allow the company to operate under its own name and management. The Canadian company would also be allowed to run ThyssenKrupp's North American steel operations, which include a stainless steel mill in Mexico and marketing and distribution operations in the United States and Canada.

Mr. Köhler also indicated that ThyssenKrupp would maintain the employee-profit sharing program Dofasco has offered since 1938 as well as the company's other benefit packages.

Michael D. Locker, a steel industry consultant based in New York and the editor of an industry newsletter, said Dofasco felt it had "a better chance of being a major player in the Thyssen world - the Arcelor world is much bigger right now."

ThyssenKrupp is smaller than Arcelor, but its customer base and products are similar to Dofasco's. In recent years, each company has invested heavily in new equipment and technologies, allowing them to concentrate on high-margin specialized steel used mostly by the automobile and packaging industries.

If its bid is successful, Mr. Köhler said that ThyssenKrupp, which is based in Düsseldorf, would probably use Dofasco to supply its large North American auto parts operations. They include the ThyssenKrupp Budd Company, based in Troy, Mich., which also has operations in Canada and Mexico. Budd manufactures parts ranging from steering columns to subframes of vehicles. Dofasco also owns Quebec Cartier Mining, an iron ore producer that counts ThyssenKrupp among its customers.

Donald A. Pether, chief executive of Dofasco, said the two companies had been in discussions for several months, though those talks were about forming possible joint ventures, rather than a takeover. Dofasco contacted ThyssenKrupp last week after Arcelor made its announcement, which followed talks with the Canadian company.

A small portion of Dofasco's galvanized steel output comes from a joint venture it operates with Arcelor. A Dofasco spokesman, Gordon Forstner, said it was unclear what impact a ThyssenKrupp takeover would have on that operation.

But Mr. Locker, the analyst, said it was likely that Arcelor would raise its offer, adding that it was not out of the question that other steel makers might join in the bidding despite the high offer price.

Canada's largest steel maker both by volume and revenue, Dofasco has been profitable for the last 11 years. Its main mill in Hamilton, Ontario, where the company is based, uses an unusual combination of traditional blast and electric furnaces allowing the company to easily switch between iron ore and scrap metal as the raw material for its production, Mr. Locker said.

"This is a premium property," Mr. Locker said. "There's no doubt that Dofasco is a superior performer within a world context."

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