



- Home
- Columns
- Features
- Buzz
- Events
- Pricing
- Live Data
- Classified
- Subscribe
- Support
- Contact
- Other Pubs
- Research

- Search:
- Advanced...

## Arcelor poised to increase offer for Dofasco: analysts

Jan\*9\*2006 9:33PM

By Maria Guzzo

PITTSBURGH -- Dofasco Inc.'s board of directors is recommending that shareholders accept ThyssenKrupp AG's offer to buy the Canadian steelmaker, but a number of industry analysts are not convinced it will discourage Arcelor SA, Luxembourg, from making another bid.

German steelmaker ThyssenKrupp upped its original offer Jan. 3 to Canadian \$63 (\$53.93) per common share, and the Dofasco board is recommending that shareholders tender their shares before the offer expires Jan. 25.

The board of Hamilton, Ontario,-based Dofasco also recommends that shareholders reject the Arcelor offer announced Dec. 23, primarily because the revised ThyssenKrupp offer is less conditional than the Arcelor bid while offering the same cash price to shareholders.

Michael Locker, founder and president of New York-based consulting firm Locker Associates Inc., said he believes the bidding will go even higher. "Arcelor could raise the stakes," he said. "Arcelor really wants this. There's no question about that. Whether it's worth it is in the eye of the beholder, or in this case the buyer.

"There's no better company than Dofasco to make entry at the high end, and the iron ore mine certainly is a strong sweetener," Locker added.

Dofasco owns nearly all of Quebec Cartier Mining Co., a Port Cartier, Quebec,-based iron ore mine that sells the raw material to several companies, including Dofasco and AK Steel Corp., Middletown, Ohio.

Charles Bradford, president of Bradford Research Inc., a New York metals consulting firm affiliated with Soleil Securities Corp., said he doesn't believe the bidding has gone as high as it can go. "I thought the bidding would go to (Canadian) \$65 (\$55)," he said. "I was surprised Arcelor went up so little in the last round."

Bradford said he believes Arcelor was merely seeking information about Dofasco and upped its bid just enough to get at the financial particulars it was seeking to make a further decision on a higher bid. Whatever Arcelor does, Bradford believes ThyssenKrupp is going to match it.

What's more, the Arcelor bid is worth C\$100 million (\$85.6 million) less than it appears because of a break-up fee ThyssenKrupp instituted. "If anybody else besides ThyssenKrupp (buys Dofasco), they have to pay C\$100 million to ThyssenKrupp," Bradford said.

George Petrenko, a principal of XRoads Solutions Group LLC, New York, also thinks Arcelor may make another bid, but he's not sure how successful it will be. "(ThyssenKrupp has) a right of first refusal on anyone else's bid and my guess is they're going to prevail," he said.

Feedback



### Subscribe

The business news and price info you need.

[Try AMM](#)

Two week free trial!

[Register](#)

Daily Subscriber?

Unlimited access free!

[PDF Daily](#) | [Archive](#)

Download your electronic copy here

"Arcelor has too many conditions with respect to the shareholder rights plan and nominations to the board."

Petrenko also agrees that Dofasco is a quality buy. "It's a great set of assets that I'm sure any other steel company in this continuing consolidating environment would want to own," he said. "To have auto flat rolled is highly desirable in North America, plus there's the interest in the iron ore mine in Canada."

Petrenko said that whoever loses the Dofasco battle, or perhaps even the winner, will look elsewhere for purchases-particularly to Stelco Inc., Hamilton, which is undergoing a financial restructuring and selling off its non-core steelmaking assets.

"They'll also be looking at Stelco down the road," Petrenko said. "Our thoughts are it's not going to survive. They didn't do anything to fix its cost structure, but it's a good set of assets."

Dofasco's board of directors also unanimously approved deferring the separation of rights under the terms of Dofasco's shareholder rights protection plan with respect to the Arcelor offer for Dofasco's common shares announced Dec. 23. Accordingly, the separation time under the plan has been postponed with respect to the Arcelor offer until the close of business Feb. 28.

[Back](#) [Top](#)

---

DISCLAIMER/COPYRIGHT © 2006 AMERICAN METAL MARKET LLC.