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Copperweld on sales block; bid review seen ending soon

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By Jim Leonard

PITTSBURGH -- Pittsburgh-based steel tube producer Copperweld Corp. is on the sales block, with an announcement expected to be forthcoming in the next four weeks, an industry source said.

Offers for the company and its subsidiaries have been under review by Dennis McGlone, the company's president and chief executive officer, and other executives for the past six months, the source said, adding that the company was nearing the end of the bid review process.

"They're getting near the end of the process," the source said. "Last year was a great year for steel companies and 2005 is going to be very strong as well. Copperweld made a lot of money last year and now is a good time to unload it."

McGlone declined to comment, citing the company's privately held status and confidentiality agreements with investors.

"There are lots of rumors and we don't comment on market rumors," McGlone said. "Any such materials are kept between ourselves and our shareholders."

The potential sale of Copperweld and its subsidiaries didn't surprise industry analysts, who say the strong steel market makes any steel-related company an attractive acquisition.

"It's no surprise at all," Michael D. Locker, president of Locker Associates Inc., New York. "Consolidation marches on and there's no reason why the pipe and tube market should be exempt because it's not a very consolidated market. Size does make a difference when you're playing that game. There's a lot of downstreaming going on. You can capture more value on the finished product than you can on the coil. Consolidation is not finished and you are absolutely going to see more of it on the pipe and tube side going forward."

Steel analyst Charles A. Bradford, president of Bradford Research Inc., New York, said prices have soared for steel tubing companies. He said it's only natural that Copperweld would be attractive to buyers with the steel industry enjoying a record year in 2004 and publicly traded steel tube manufacturers reporting high earnings.

"I believe consolidation is going to occur in the pipe and tube market and with service centers as well because the value of anything related to steel is very high," Bradford said. "There are several initial public offerings out there right now and this is just another way of selling out. There are companies that were bankrupt 19 months ago that are now up for sale. This is what happens at the peak of cycles. When business is good, everyone wants to sell."

Copperweld had revenue of more than \$1 billion in 2004. Founded in 1915, the company has 2,400 employees at 13 plants in the United

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States, United Kingdom and Canada.

The company has steel tube manufacturing facilities in Chicago and southern Canada, and bimetallic wire facilities in Fayetteville, Tenn., and at Telford in Shropshire, England. The company also manufactures steel automotive cross beam parts for Ford Motor Co., Dearborn, Mich., and General Motors Corp., Detroit, at its plants in Canada.

Copperweld emerged as a standalone company in December 2003 after parent company LTV Corp. filed for bankruptcy in 2000 and reorganized the profitable subsidiary. As part of the LTV restructuring, McGlone was promoted to president and chief operating officer of Copperweld before becoming chief executive in March of last year.

The LTV bankruptcy resulted in the sale of its idled steel mills to W.L. Ross & Co. LLC, a New York investment firm, in February 2002 for \$325 million.

Copperweld was profitable throughout the bankruptcy proceedings and was able to attract separate but undisclosed debtor-in possession financing through GE Commercial Finance, Stamford, Conn.

Investor Wilbur Ross Jr. used the remnants of LTV to form International Steel Group Inc., Cleveland, in 2002.

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