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Nucor set to pay \$113M for rebar maker Marion

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By Jim Leonard

PITTSBURGH -- Nucor Corp. confirmed Monday that it plans to buy reinforcing bar producer Marion Steel Co., Marion, Ohio, for around \$113 million in cash, a move aimed at expanding its existing steel bar products group.

The Charlotte, N.C.-based company, which reported \$11.4 billion in 2004 revenue, said the deal should be completed by mid-June and was expected to immediately boost earnings. The transaction is subject to approval by Nucor's board, regulatory authorization and other closing conditions.

Marion, which began operations in 1982, has finished steel capacity of about 400,000 tons annually and total capacity of 450,000 tons, with permits to produce 475,000 tons. In addition to rebar, the company produces rounds, angles, flats and steel sign posts. Nucor said it would not acquire Marion's median barrier business.

Nucor's planned purchase of Marion was first disclosed in mid-February (*AMM*, Feb. 11).

"Marion represents an excellent addition and complement to Nucor's existing bar products group," Daniel R. DiMicco, Nucor's vice chairman, president and chief executive officer, said. "It's a very strategic fit for us in Ohio, where we don't have any facilities. Their technology is not outdated, but we plan to update the plant like we have done at all of our other facilities. They have an excellent team of people running the operation and it's been profitable and a very customer-oriented steel producer."

Market sources said several companies had looked into acquiring Marion, including Bayou Steel Corp., LaPlace, La.; Gerdau Ameristeel Corp., Tampa, Fla.; Roanoke Electric Steel Corp., Roanoke, Va.; and Steel Dynamics Inc., Fort Wayne Ind.

Mike Parrish, Nucor's executive vice president, said the folding of Marion into the Nucor bar mill group would enhance the level, reliability and quality of service to its customers. "We've been looking at this acquisition since the third quarter of last year. It's a good fit with our existing mills, strategically and geographically," he said, noting that Marion's mill is close to many steel consumers.

Parrish said Marion has 325 workers at the non-unionized plant and a total of 380 employees. "We expect to retain substantially all of Marion's employees," he added.

Executives of Marion Steel didn't return calls seeking comment.

A Midwest rebar producer said Nucor's announcement wasn't a surprise. "It was anticipated and has been rumored for weeks. It certainly makes sense for them," he said. "It's just further

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consolidation in the rebar end of the market, which is healthy for everyone. And this isn't the end. You're going to see more consolidation in the rebar and merchant products market as we go forward. The big just keep getting bigger."

Michael D. Locker, president of Locker & Associates Inc., New York, said Nucor continues its march to acquire value-added companies on the "back end" of the business. "It's very smart, intelligent long-term strategy," he said. "You make more money on the end-use of steel than you do in the production of steel at the mill. They want the finish end to where it will be used by the end-user and to capture the value. It's a good move and I'm not surprised at all."

However, steel analyst Charles A. Bradford, president of Bradford Research Inc., New York, said the acquisition looks "very expensive" to him. "I believe it's higher per ton-about \$282.50 per ton-than what they paid for Birmingham Steel (Corp.), and most of the deals done in recent years were less than \$150 per ton," he said. "I don't know much about Marion Steel, but maybe it helps Nucor's position. But I'm not surprised by the acquisition. There are a number of companies for sale, but the asking prices for these companies are awfully high. However, consolidation is going to continue in this market."

DiMicco maintained that Nucor didn't overpay for the company. "The cost of Marion is about \$250 per ton and is being purchased in the same consistent capacity per ton that we acquired Birmingham Steel and Auburn Steel," he said. "So on that basis it is very comparable in cost per ton."

The Marion Steel purchase is Nucor's second acquisition of an Ohio-based company in the past year. It bought a steel plant in Decatur, Ala., from Columbus, Ohio,-based Worthington Industries Inc. in August for \$82 million (*AMM*, Aug. 4).

In January, Nucor entered into a joint-venture agreement with Ambassador Steel Corp., Auburn, Ind., to form NuFab Rebar LLC, a new reinforcing bar fabricator (*AMM*, Jan. 13). Nucor said it expects the venture to grow through both greenfield projects and the acquisition of existing assets. Ambassador Steel, the largest independent rebar fabricator in the United States, has facilities in Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Ohio and Wisconsin.

It was the second agreement with a rebar fabricator in a year for Nucor. In January 2004, the company agreed to form a joint venture with Harris Steel Inc., a wholly owned subsidiary of Harris Steel Group and the second-largest rebar fabricator in the United States (*AMM*, Jan. 28, 2004).

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