



Niagara Sale Could Hold Bigger Implications

By Sam Kusic

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PITTSBURGH - The sale of Niagara Corp., the country's largest independent coldfinished steel bar maker, could have big implications for the industry down the road, one industry analyst said.

"It has the potential of reconfiguring the colddrawn business in the U.S.," Michael D. Locker, president of Locker Associates Inc., New York, said.

Niagara last week entered into a definitive agreement to be acquired by private equity firm Kohlberg & Co. LLC for \$16 a share, or about \$165 million. But the sale could be only an intermediary move, according to Michael Scharf, Niagara's chief executive officer, who said he believes that Kohlberg will at some point sell Niagara, perhaps to another steel manufacturer.

There is no clear market leader in the business, Locker said, with Niagara, Nucor Corp. and Republic Engineered Products Inc. together accounting for about 50 percent of the market. Niagara and Republic each account for around 300,000 tons and Nucor about 380,000 tons. Should one of those two buy Niagara down the road, it would transform the business, he said.

In the near future, though, other industry sources said the deal doesn't mean much more than the same company under different ownership. One producer questioned what Kohlberg will do with Niagara's management, although Scharf asserted that the management team is under contract to remain in place.

Scharf said the move was a good deal for investors, offering liquidity and a good price relative to historical prices. He and his brother, Gilbert, a company director, own about 38 percent of the company's outstanding shares.

The acquisition is set to close in September. Niagara's board of directors, which has approved the deal, is recommending that stockholders accept the offer. Stock options will be canceled in exchange for a payment equal to the difference between the purchase price and the exercise price of the option.

The company, which has been reviewing strategic alternatives for the past eight months, has operations in the United States and Britain employing about 1,600 people. In 2005, it posted net income of about \$17 million on sales of \$465.8 million.

Established in 1987, Kohlberg has offices in Mount Kisco, N.Y., and Palo Alto, Calif. It has five private equity funds with commitments of more than \$2.2 billion. It targets middlemarket companies, or those valued at between \$100 million and \$500 million, according to its Web site.