

[Customer Service](#)

[Register](#)

[Subscribe to BW](#)

[Get Four](#)

[Free Issues](#)

[Full Table of Contents](#)

[Cover Story](#)

[Up Front](#)

[Readers Report](#)

[Corrections &](#)

[Clarifications](#)

[Books](#)

[Technology & You](#)

[Economic Viewpoint](#)

[Business Outlook](#)

[News: Analysis &](#)

[Commentary](#)

[In Biz This Week](#)

INDUSTRIES

Steel: The Mergers Aren't Over Yet

Europe's Arcelor has slipped to No. 2, but CEO Dollé is shopping for acquisitions

You would think that Guy Dollé, the cerebral CEO of Europe's leading steelmaker, Arcelor, would have mixed feelings about Lakshmi N. Mittal. After all, when Mittal announced last fall that he was creating the world's largest steel company by buying U.S.-based International Steel Group Inc. (**ISG**), the Indian-born investor knocked Dollé's company into second place. But Dollé applauded. "It's a very positive signal to the industry that it has to move and consolidate," he says. "In coming years you will see a speeding up of mergers and acquisitions in the steel industry."

Advertisement

Dollé is determined that Arcelor be among the few

Sponsored by



Study reveals a surprising disconnect between compliance and performance.

LEARN MORE +

STORY TOOLS

- ▶ [Printer-Friendly Version](#)
- ▶ [E-Mail This Story](#)

RELATED ITEMS

Table: Steel's Elite

INDUSTRIES

[Not Your Father's Ethanol](#)

[Steel: The Mergers Aren't Over Yet](#)

TODAY'S MOST POPULAR STORIES

1. [AMD to Intel: Let's Rumble](#)
2. [At Motorola, "a Hop in Everybody's Step"](#)
3. [Biotechs' Fusion Fever](#)
4. [Why Qualcomm Has Its Wallet Out](#)
5. [JetBlue's Terminal Takes Wing](#)

[Get Free RSS Feed >>](#)

MARKET INFO

DJIA	10528.96	-41.00
S&P 500	1218.22	-3.51
Nasdaq	2137.99	-3.42

GO

Stocks Trade Lower

[Create / Check Portfolio](#)

[Launch Popup Ticker](#)

steel titans to survive that wave. The Luxembourg company was born out of the \$10 billion union of three of Europe's top producers -- France's Usinor, Luxembourg's Arbed, and Aceralia of Spain -- in 2002. Dollé, a veteran Usinor exec who became CEO at merger time, now wants to continue the process in Asia and North America, possibly even striking a deal with U.S. Steel ([X](#)) or Nucor ([NUE](#)). And some analysts believe he can pull it off. "Mittal and Arcelor are a sure thing to lead this consolidation," says Peter F. Marcus, managing partner of World Steel Dynamics Inc.

• [Find More Stories Like This](#)

Better market conditions are spurring the pace of M&A. After falling for years, steel prices began to rise in late 2003 and have stayed up ever since. Chinese demand -- the main driver -- is expected to surge by 11% this year, to 290 million metric tons, or 29% of the global market. Arcelor managed to raise its prices dramatically for 2005, winning 20% to 50% increases in annual contracts with car and packaging companies. Arcelor's shares are up 32% in the past year. And on Feb. 17, it's expected to report 2004 operating profits of \$4.2 billion -- over four times 2003's net -- on revenues of \$39 billion, according to Michael Shillaker, an analyst at CSFB in London.

Dollé will need this financial strength if he wants to double Arcelor's size -- and that may be necessary to compete. Many analysts believe that, in coming years, the fragmented industry will consolidate into four to six global behemoths, each with 80 million to 100 million metric tons of production capacity. In 2004, Mittal's estimated output of 58 million metric tons was about 16% larger than Arcelor's.

Arcelor is taking steps to match Mittal's growth. With 30% to 35% of the European market, it can't grow at home, and is largely absent from the U.S. and Asia. But the recent takeover of Brazil's Companhia Siderúrgica de Tubarão vaulted Arcelor to the top spot in Latin America. It has also signaled that it will bid for Erdemir, Turkey's largest steelmaker, which will be privatized later this year. In Japan, Arcelor has inked an R&D partnership with Nippon Steel.

In the U.S., the world's second largest market after China, Dollé admits he's on the hunt. But a new plant built from the ground up is out of the question: "An acquisition, partnership, or merger" is the way to go. The timing is right, given Arcelor's stock price, strong balance sheet, and the weak dollar. Among the top candidates are a handful of North American players analysts consider too small to succeed solo, including AK Steel ([AKS](#)), Dofasco, Schnitzer Steel Industries ([SCHN](#)), and Steel Dynamics ([STLD](#)). Bigger deals may also be possible. For now, neither Nucor nor U.S. Steel -- the largest U.S. players -- can match Mittal's global presence, points out Mary V. O'Connor, an analyst at New York's Locker Associates. A friendly hookup would help them survive. "Dollé's reputation is likely to attract merger partners who believe he can get the job done," adds WSD's Marcus.

Dollé also acknowledges that steel is a cyclical industry and that a slowdown in demand is inevitable. Like Mittal, he's betting that consolidation will mean that steelmakers -- who have been prone to overproduce when prices fall -- will exercise restraint this time. "It's better to cut production to avoid the price collapses," he says. With size, he hopes, will come a new sense of discipline.

[Washington Outlook](#)

[Asian Business](#)

[European Business](#)

[The Middle East](#)

[Economics](#)

[Government](#)

[The Corporation](#)

[Information Technology](#)

[Sports Biz](#)

[Finance](#)

[Management](#)

[Media](#)

[Industries](#)

[Social Issues](#)

[Working Life](#)

[Personal Business](#)

[Footnotes](#)

[The Barker Portfolio](#)

Business Directory



Need Help? Find experts in
your area in:

[Accounting](#)
[Advertising](#)
[Legal Services](#)
[Marketing](#)
[MBAs](#)
[Network Security](#)
[Public Relations](#)
[Web Conferencing](#)
[Web Design](#)

Inside Wall Street

Figures of the Week

Editorials

INTERNATIONAL

EDITIONS

International -- Readers

Report

International -- Finance

International -- Int'l

Figures of the Week

International -- Editorials

BUSINESS DIRE

Find local experts in:



PREMIUM CONTENT

MBA Insider

ONLINE FEATURES

Columnists

Book Reviews

BW Video

Interactive Gallery

Newsletters

Past Covers

By Stanley Reed in London with Adam Aston in New York

Business Directory



Need Help? Find experts in your area in:

- Accounting
- Advertising
- Legal Services
- Marketing
- MBA's
- Network Security
- Public Relations
- Web Conferencing
- Web Design

BW MALL SPONSORED LINKS

- **Free Trial: BPM Process Modeling for your Business** Savvion's Process Modeler provides comprehensive BPM from modeling to process execution and management. Easy to use visual tool allows simulation before implementation. Download Free Modeler Tool now.
- **\$160,000 Mortgage for Under \$785/Month** Refinance your mortgage and save \$1000s. Compare up to 4 free quotes - No Obligation!
- **\$200,000 Mortgage As Low As \$690/Mo** Get up to 4 mortgage, refinance, or home equity offers from leading lenders. Easy and fast online form. All credit welcome. Apply today and lock in a low rate!
- **Online Mortgage Quotes In Minutes - Free** Get a \$200,000 mortgage for as low as \$634/mo. Also check out our low home equity & refinance offers. Bad credit, bankruptcy, or poor credit is OK - US residents only.
- **Mortgage Refinancing - Act Now While Rates Are Still Low** Reduce your monthly payments, consolidate debt, access your cash. 100s of lenders compete for your loan. Up to 4 quotes in 24 hours. It's Fast, Free and Easy. [Click Here To Get Started.](#)

[Buy a link now!](#)

Get BusinessWeek directly on your desktop with our [RSS feeds](#). **XML**

Add BusinessWeek news to your Web site with our [headline feed](#).

BLOGS

- Blogspotting
- Brand New Day
- Deal Flow
- Economics Unbound
- Hot Property
- Tech Beat
- Well Spent

TECHNOLOGY

- J.D. Power Ratings
- Product Reviews
- Special Reports
- Tech & You Podcast
- Wildstrom: Tech Maven

**INNOVATION
& DESIGN**

- Home Page
- Architecture
- Brand Equity
- Car Buff
- Game Room

SMALLBIZ

- Smart Answers
- Success Stories
- Trailblazing Companies

INVESTING

- Annual Reports
- BW 50
- S&P Picks & Pans
- Stock Screeners
- Free S&P Stock Report

SCOREBOARDS

- Mutual Funds

Click to buy an [e-print or reprint](#) of a *BusinessWeek* or BusinessWeek Online story or video.

To subscribe online to *BusinessWeek* magazine, please [click here](#).

Learn more, go to the [BusinessWeekOnline home page](#)

 [BACK TO TOP](#)

[Info Tech 100](#)

[S&P 500](#)

[B-SCHOOLS](#)

[MBA Profiles](#)

[MBA Rankings](#)

[Who's Hiring Grads](#)

[BW EXTRAS](#)

[BW Digital](#)

[Dashboard Widgets](#)

[Handheld Edition](#)

[XML RSS Feeds](#)

[XML Podcasts](#)

[Reprints/Permissions](#)

[Conferences](#)

[Investor Workshops](#)

[Research Services](#)

Copyright 2005, by The McGraw-Hill Companies Inc. All rights reserved.

[Terms of Use](#) | [Privacy Notice](#)

[Media Kit](#) | [Special Sections](#) | [MarketPlace](#) | [Knowledge Centers](#)

The McGraw-Hill Companies