

## **Market Diversification**

# The Company

The company is a global steel manufacturer of commercial and specialty plate and coil, serving a wide range of industries. Their steel product offering covers gauges from under 1mm to over 3inches as well as several specialty attributes including wear and corrosion resistance, high and low temperature uses, and armored protection.



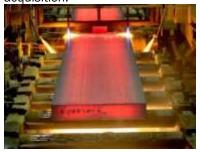
## The Situation

The steel industry has steadily moved towards a more diversified business model, offering a range of steel shapes, sizes, and even downstream fabricated products. Additionally, some competitors have invited suppliers and customers onto their land to form a campus.

To keep up with competition, the company hired Keystone to help identify market diversification opportunities that would provide an additional revenue stream. Additionally, we've been asked to understand and validate the "campus concept" to understand the associated costs and benefits.

## The Approach

Keystone conducted an extensive diagnostic focused on identifying and assessing industries and target companies for downstream diversification, through acquisition.



Given the breadth of possibilities, we employed a three-phased filtering process to efficiently rule out suboptimal markets.

#### Phase 1: First Screen Pass

- Spent hours assessing each of the nearly 30 identified potential markets
- Conducted high-level market size and growth projections
- Assessed relevant market characteristics (e.g., rental/leasing, type of steel, etc.) and "deal-breaker" characteristics
- Identified and quantified enduser customer conflicts
- Filtered down to seven highpotential markets

### Phase 2: Detailed Evaluation

- For the seven remaining industries, Keystone spent days conducting a detailed evaluation of each
- Rated and ranked markets on their strategic fit, financial assessment, competitive landscape and risks based on criteria (e.g., industry size, growth, profitability, etc.)
- Identified two markets as the most viable options to pursue

### Phase 3: Target Co. "Deep Dive"

- Spent a week conducting a "deep dive" into target companies within the two remaining markets
- Rated and ranked target companies based on their entity structure, ownership, management, competitive differentiation, geographic footprint, market share, financial trends, estimated steel usage, etc.

Concurrently, we researched competitor's facilities to further understand the campus concept to determine the viability and next steps for our client moving forward. This process included benchmarking competitors' facilities to understand the landscape domestically and internationally, identifying market opportunities and internal / external risks, and building a cost/benefit model to quantify to financial and strategic impact.

### The Results

Keystone provided the information and support necessary for the client to focus their future efforts on a limited number of markets and target companies for potential acquisition. These recommendations included acquiring a market leader in the Waste Handling Equipment, Barge Manufacturing, Wind Tower, or Utility Tower markets. While the company is still assessing their interest in proceeding internally, they have indicated a desire to engage Keystone on any future due diligence or related acquisitions going forward.