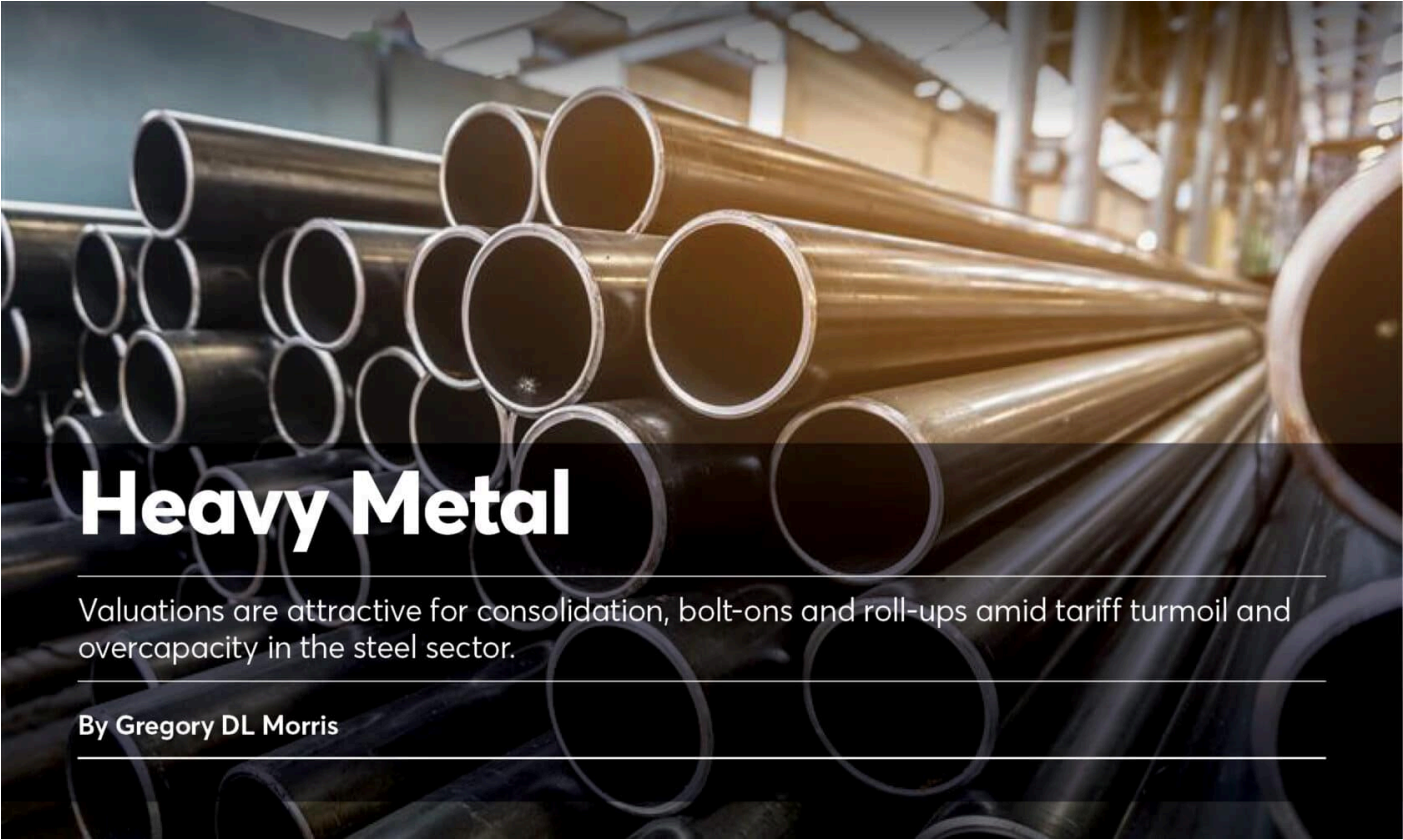




Heavy Metal

Valuations are attractive for consolidation, bolt-ons and roll-ups amid tariff turmoil and overcapacity in the steel sector.

By Gregory DL Morris

INDUSTRIALS STRATEGICS & FAMILY OFFICES

Heavy Metal: Dealmaking Heats Up Across the North American Steel Scene

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With the drama over between Nippon Steel and U.S. Steel, dealmaking is expected to accelerate throughout the North American steel ecosystem.

Nippon prevailed through two U.S. presidencies to **finally receive approval** in June to acquire U.S. Steel for \$14.9 billion. Now the other majors are seeking tuck-in acquisitions to keep pace. Downstream segments, especially distribution service centers and recycling, have new impetus for consolidation.

“The U.S. steel industry is entering a new era of consolidation driven by the need for scale, modernization and supply chain strength,” says **Dale Crawford**, executive director of the Steel Tube Institute. “The Nippon–U.S. Steel deal has effectively reset the board and is likely to spark a wave of strategic recalibration across the U.S. steel sector.”

While regulatory scrutiny will act as a check, “it won’t stop the momentum as domestic players to look inward and outward for strategic partners,” Crawford says. “Midsize players and niche producers with advanced capabilities or geographic reach are likely to be acquisition targets.”

Reshaping The Playing Field

With decarbonization, digitization and reshoring reshaping the playing field, agility and innovation will be just as critical as size. “To remain competitive, domestic producers may pursue bolt-on acquisitions that boost electric-arc furnace capacity, expand specialty product lines or unlock new regional markets,” says Crawford. “The focus will be on scaling up efficiently while adding differentiated capabilities, especially in high-growth sectors like automotive, energy, and infrastructure.”

All that said, there are headwinds. “Steel globally has sluggish demand and overcapacity, which is causing low pricing in a capital-intensive industry,” says **Jason Frank**, president and chief compliance officer of **BDO Capital Advisors**. “None of that is helped by the current situation in the U.S. The tariffs and trade wars are more politics than economics and are changing on almost a daily basis. That is creating paralysis.”

From a buyer’s perspective, “current industry dynamics have driven prices down to the lowest point in the last four or five years,” says Frank. “Buyers should be able to get good assets at affordable prices. But you have to create value, you can’t just cut headcount or use financial engineering. There could also be carve-outs from larger

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companies. Distressed assets are available at great prices, and owners should consider improving their non-distressed assets to prepare for sale.”

Several subsectors in steel are ready for consolidation, says **Stefan Mioc**, senior manager at **Sapling Financial Consultants**. “The specialty and high-performance alloys market is very fragmented, with high research and development costs, and growing demand from industries like aerospace, defense, and energy. Tubular and pipe segments are also strong candidates for consolidation because energy transition and infrastructure spending are driving demand; many regional players have overlapping capabilities,” Mioc says.

POTENTIAL STEEL ECOSYSTEM DEALMAKERS?

Experts identify these firms as well-suited to enter into a deal in the near future:

COMPANY	HQ
Cleveland-Cliffs	Cleveland
Commercial Metals	Irving, Texas
Friedman Industries	Longview, Texas
Metallus	Canton, Ohio
Nucor	Charlotte, N.C.
Olympic Steel	Highland Hills, Ohio
Phoenix Metals	Peachtree Corners, Ga.
Samuel, Son & Co.	Oakville, Ontario
Steel Dynamics	Fort Wayne, Ind.
U.S. Steel	Pittsburgh
Webco Industries	Sand Springs, Okla.
Zekelman Industries	Chicago

When considering smaller companies that would complement larger steelmakers, **Cleveland-Cliffs (NYSE: CLF)** could partner well with **Metallus (NYSE: MTUS)** [formerly **Timken Steel**] to enhance their specialty and defense-grade steel offerings, Mioc suggests. Commercial Metals would benefit from partnering with Webco Industries to broaden infrastructure and piping lines. U.S. Steel could strengthen its tubular and flat-rolled distribution and deepen its U.S. footprint by aligning with **Olympic Steel (Nasdaq: ZEUS)** or **Webco. Steel Dynamics (Nasdaq: STLD)** could add alloy capabilities and expand coil and plate processing by collaborating with **Friedman Industries (Nasdaq: FRD)**.

Other steel subsectors are well-suited for a PE roll-up strategy, Mioc says. “Steel service centers and distributors are highly fragmented, with many family-owned businesses facing low brand loyalty and strong regional

competition, making them prime targets for consolidation. Precision and specialty steel fabricators, serving niche markets like aerospace, medical, and defense, offer high margins but often lack scale, creating opportunities to combine and grow.”

The rebar and long products segment, driven by infrastructure projects such as bridges, highways and electric-vehicle plants, includes many small mills and fabricators that could benefit from consolidation, Mioc adds.

Ian Myers, managing partner at boutique M&A firm **Ante**, says “Our analysis indicates other U.S. steelmakers, particularly **Nucor (NYSE: NUE)** and Cleveland-Cliffs, are likely to pursue bolt-on activity focused on downstream value-added capabilities or green steel technologies. Nucor has been the star on this front given its vertical integration ambitions,” says Myers. “Recent purchases of **CHI Overhead Doors** and insulated panel firms all show signs of them wanting to get more customer interface.”

Nucor has a low-carbon ‘clean sheet’ plant in Apple Grove, W. Va. due in-service next year, and so will likely emphasize downstream integration and end-market diversification.

Cleveland-Cliffs may explore smaller opportunities, due to capital constraints that increase leverage in auto steel given its integrated footprint, says Myers. “My expectation would be a focus on service centers with strategic customer relationships and tech-enabled/ESG compliance specialty providers.”

Myers sees likely bolt-on acquisition targets falling into three buckets. First is downstream processors, including service centers and OEM-oriented processors that allow firms to capture more margin, customer stickiness or value-added capabilities. “There I look at Nucor and Cleveland-Cliffs. **Samuel, Son & Co.; Zekelman Industries**; and **Phoenix Metals** would all fit what I think NUE wants to do.”

The second bucket is electric-arc furnace technology and scrap inputs. “Cliffs in particular pushes towards lower-emissions flexibility,” says Myers. “There is a big incentive for them to reduce reliance on scrap and use more primary feed to hedge against scrap volatility and ESG scrutiny.”

The third bucket is logistics. “Given union pressures and supply chain complexity I look for integrated players to control more of their logistics,” says Myers.

Early this year **Mufson Howe Hunter & Co.** advised **Straub Metal International**, a family-owned specialty stainless steel distributor, in its sale to **Norfolk Iron & Metal**, one of the largest privately held steel service centers in the U.S. The acquisition expanded Norfolk’s stainless-steel capabilities, adding to its portfolio of carbon steel and aluminum processing and distribution.

“The Straub transaction is emblematic of the industry trend,” says **Michael Mufson**, managing partner. “Many service centers and distributors are multi-generational family businesses. Current owners are facing both consolidation pressure and personal-life decisions, making liquidity events more urgent. There are scores of regional players that will either consolidate or eventually be acquired by larger strategic buyers.”

Many of these companies operate on a tolling basis, which reduces inventory risk, Mufson explains. The middle market is dominated by family-held service centers purchasing rolls of sheets or plates from mills that cut and form to customer specifications, as well as inventory management. Given the nature of the industry, typical valuations for steel service centers are in the range of 5x to 7x Ebitda.

Several PE firms have made investments in metals and steel distribution including **Black Diamond Capital Management**, **American Industrial Partners**, **KPS Capital Partners**, **Salt Creek Capital** and **MiddleGround Capital**.

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