

GERDAU-METALDOM SET TO BE DR'S FIRST INTERNATIONAL STEEL COMPANY

Thomas Muskett-Ford
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Four firms have helped a joint-venture steel combination comprised of the Dominican Republic's Industrias Nacionales and Brazil's Gerdau merge with Dominican steelmaker Metaldom to form Gerdau-Metaldom – creating one of the largest manufacturers of the metal alloy in Central America and the Caribbean.

Industrias Nacionales and Gerdau, which established a local 51/49 joint venture in 2007, turned to Simpson Thacher & Bartlett LLP in New York for counsel, while Metaldom received assistance from the Miami, New York and Tampa offices of Foley & Lardner LLP and the Dominican Republic's OMG. Spain's Cuatrecasas, Gonçalves Pereira in São Paulo advised Industrias Nacionales' current executive vice president and shareholder, Carlos Valiente, who is tipped by local media to become the new combination's CEO.

OMG's Leonel Melo says the merger was unconventional and achieved through a series of intermediate steps designed to prepare the company for international expansion, restructure certain assets and allow for the exit of minority shareholders. Non-core assets were spun off to a British Virgin Islands company, while majority stakeholders exchanged their shares for account receivables that were then transferred to a newly created holding company jointly controlled by Metaldom's majority shareholders, Gerdau and Valiente. The minority shareholders sold their interest for cash. The core assets of Metaldom and the Industrias Nacionales-Gerdau joint venture were then combined into a single entity: Gerdau-Metaldom.

The tie-up creates one of the largest steel producers in the Caribbean and Central America with a combined output capacity of over a million tones of steel per year and puts Gerdau-Metaldom in a better position to expand internationally. "Blue-chip Dominican companies have been seriously attempting to evolve into more regional players as they exhaust their growth potential in the Dominican Republic," says Melo. This is often complicated by their initial lack of experience in the international field. "By creating the largest steel company in the region and combining an experienced group of local shareholders with a global powerhouse, the possibilities of a Dominican company obtaining a successful regional footprint are significantly enhanced," he says.

The combination began operations on 15 October. No value for the deal was disclosed.

Counsel to Industrias Nacionales and Gerdau

In-house counsel to Industrias Nacionales – Edgar Fuentes

In-house counsel to Gerdau – Marcos Martins

Simpson Thacher & Bartlett LLP

Partner Jaime Mercado and associates Borja Marcos and Luis Pellerano in New York

Counsel to Carlos Valiente

Cuatrecasas, Gonçalves Pereira

Partner Andoni Hernández in São Paulo

Counsel to Complejo Metalúrgico Dominicano

Foley & Lardner LLP

Partner Francisco Cerezo in Miami and New York, special counsel Marina Choundas in New York and Tampa and foreign legal consultant Melisande Brodeur-Frohman in Miami

OMG

Partners Leonel Melo, Esperanza Cabral and Luis Franco, and associates Laura Piantini, Amelia Taveras, Ana Taveras and Adewilxe Castillos in Santo Domingo