



2013
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Metal Center News

SOLUTIONS FOR PROFITABLE DISTRIBUTION

2013

Service Center
Executive
of the Year

John Bates

Heidtman Steel



Heidtman Steel Products

OVER 50 YEARS ON THE CUTTING EDGE

March, 2014

I am honored to communicate the exciting news that John Bates Sr., our Owner and CEO, was recently named the 2013 *Metal Center News*' Service Center Executive of the Year. This prestigious honor was part of a remarkable year in which we also commemorated John's golden anniversary and began to celebrate Heidtman Steel's 60th anniversary serving the steel industry. John's entrepreneurial spirit, exceptional work ethic and passion have been the foundation to our success.

It is upon this foundation that John and his family are building our future. They remain steadfast to these principles and devoted to all of our employees whom they consider extended family members. With our exceptional highly skilled team and industry partners, the sky is truly the limit to what we can accomplish. 2014 will be an exciting year as we expand our footprint and increase our capabilities in North America to provide steel solutions to our customers and the industry.

This *Metal Center News* article accurately and professionally displays our proud history. Congratulations to John for his outstanding achievements and to all of our stakeholders as we celebrate sixty years of success. Together we have achieved great things, and together we will continue to accomplish so much more. Thank you for your contributions and dedication to Heidtman Steel Products.

Sincerely,

Tim Berra

Tim Berra
President
Heidtman Steel Products, Inc.





The pickling line at Heidtman's Cleveland plant was commissioned in 2005. It can handle coils up to 0.625-inch thick and 72 inches wide. It includes a Bradbury hydraulic leveler and a Parsytec continuous surface inspection system. (Photo courtesy Heidtman)

Fifty years ago, John Bates took a summer job in a tiny shop in Toledo, Ohio, helping to man a single shear. Today, he is the chief executive of North America's 18th-ranked service center organization with 850 employees and 2013 revenues of nearly \$750 million. Along the way, he has achieved many successes, and admits to notable failures, but his commitment to the steel industry, and to excellence, has never wavered. An early leader in marketing high-strength steels and a major investor in one of the nation's leading minimills, Bates' entrepreneurship has had a major influence not just on his own company, but on the steel industry as a whole.

Heidtman Steel Products claims several notable pioneering innovations as a service center and toll processor. It was the first to market

high-strength low-alloy steels in the 1970s. It was the first to build a hot-dipped galvanizing line in 1984. It was the first to implement a mill-adjacent strategy in 1994. And it was the first to sell minimill products to automotive OEMs.

For these reasons, and for his long and distinguished leadership of an organization that represents a model for the rest of the industry, *Metal Center News* has named John C. Bates, chief executive officer of Heidtman Steel Products, as the 2013 Service Center Executive of the Year.

“ John Bates is visionary at understanding where his customer is going, then combining that with the capabilities of our industry. He has a great ability to identify applications and supply solutions that bring great value to the mill, to his organization and to the customer. When you have a situation where value is created for all parties, it drives success. **”** Mark Millett, CEO, Steel Dynamics

“John Bates has a tremendous capacity to make a vision become a reality. He’s a very professional guy and someone you can always count on. Heidtman does a great job of serving the customer, developing relationships, honoring commitments and delivering a quality product. It’s a first-class company.” Miguel Alvarez, President, North Star Bluescope

At-a-Glance

Heidtman Steel Products

2401 Front St., Toledo, Ohio 43605
 Phone: 419-691-4646 Fax: 419-698-1150
 Web site: www.heidtman.com

- **Service center/toll processor founded 1954**
- **Locations:** Seven wholly owned processing centers in Cleveland and Toledo, Ohio; Butler, Ind.; Granite City, Ill.; and Erie, Mich.; plus two joint venture processing centers in Monroe, Mich., and Delta, Ohio.
- **Employees:** 850
- **Volume:** Total annual steel sales 850,000 tons; total annual processing capacity 6.5 million tons; served by company-owned truck fleet
- **Product mix:** Hot-rolled/HRPO, coated products, cold-rolled, SCS, first-operation blanks
- **Primary markets:** automotive, heavy truck, agriculture, service centers, HVAC, lawn and garden
- **Services:** Six pickling lines; one SCS sheet line; 22 slitting lines, from 0.010 inch to 0.625 inch and up to 78 inches wide; one galvanizing line; six leveling/cut-to-length lines; two temper pass lines; six blanking lines; five shear/shear blanking lines; and seven mechanical presses
- **Quality certifications:** QS9000, ISO 14001, ISO/TS 16949, Ford Q1

Bates, age 70, originally went to Michigan State on a math scholarship and dreamt of becoming a veterinarian. At the recommendation of his father Chuck, a salesman at Detroit Steel, John took a summer job at a company owned by Bill Heidtman, who ran a small shear operation out of a 5,000-square-foot space on Toledo’s Laskey Road.

“He had one 10-foot Cincinnati shear. All he did was cut up pieces of dry lube steel,” Bates recalls. “Everything was sheet back then. No one had coils except the mills because they didn’t want anyone else in the slitting business. It was supposed to be just a summer job, but Bill Heidtman and I became really good friends.”

The following February, Bates got married and would soon have a family to support. At Bill’s invitation, he agreed to work full time and study business at night closer to home. The tiny two-man operation flourished.

“Back then the labor force at steel mills seemed to go on strike every few years. All of a sudden the steel we had would be worth a lot more than the day before the strike. So that presented opportunity for us,” Bates says.

On Palm Sunday in 1965, four major tornadoes came through Toledo, killing 40 people and wiping out hundreds of homes and businesses—one of them the fledgling Heidtman Steel. The shear and \$30,000 worth of inventory was lost, but insured. When the insurance money arrived, Bill Heidtman had a decision to make: get a conventional job somewhere else or restart his own operation from scratch. He gave his buddy Bates the chance to buy a 20 percent stake in the company and they started looking for a new location. “I borrowed \$10,000 from my dad and took the leap,” Bates says.

HEIDTMAN TIMELINE

1962

■ Fred Heidtman founds company 1954, incorporated 1962

1964

■ Control transfers to son Bill Heidtman, who partners with John Bates

1965

■ Destroyed by tornado on Palm Sunday, but regroups with help of friendly competitor

■ Bates buys 20 percent stake with \$10,000 loan from his father

1967

■ Main warehouse moves to Toledo’s Enterprise Blvd.



Members of Heidtman’s close-knit management team (from left) President Tim Berra, CEO John Bates, CFO Mark Ridenour and Marketing VP Mike Kruse pose before the world map in Bates’ Erie, Mich., office. (MCN photo by Tim Triplett)

In the interim, a friendly competitor named Bob Smith allowed the two to use his shear at night when his operation was closed, and helped them get back on their feet. Smith later became a valued employee of Heidtman Steel.

In 1967, the company opened its first major plant on Toledo’s Enterprise Boulevard, where it grew primarily into a slitting operation. By the early 1970s, when the energy crisis hit, automakers began looking for ways to design lighter, more fuel-efficient vehicles. They needed processors that could handle the new high-strength low-alloy steels being developed by the mills. Spotting an opportunity, Heidtman invested in the proper equipment and soon began to specialize in high-strength material.

“One customer made bumpers for the Ford pickup truck. We figured out a way to slit the diamond plate used on the top of each bumper. It sounded like a machine gun going off

every time the knives hit a diamond, but we did it,” Bates said. That was the first of many diverse applications the company still services today. “Ford Motor Co. is now our largest customer. They are the number one car company in the U.S. today. We feel very good about that,” he adds.

Bates recalls how timid he was in his early days as a salesman (a sharp contrast from the talkative and confident individual he is today). Hoping to find a mill that would sell to them directly, Bill Heidtman instructed Bates to call on McLouth Steel. “I was really shy at that time. I just didn’t feel comfortable talking to people. I drove up to McLouth, never got out of the car, then drove back and told Bill, ‘They wouldn’t see me.’” A couple weeks later, Heidtman told him to go try again. Knowing his fib would not hold up indefinitely, he sucked up the courage and approached the mill sales manager, who turned him away empty-handed. “The

1971

■ Begins slitting steel

1975

■ Specializes in supplying high-strength steels to automakers during mid-'70s oil crisis

1979

■ Opens first continuous hydrochloric pickling line in Erie, Mich.

1983

■ Bill Heidtman retires, Bates takes over company

1984

■ Opens Granite City plant with pickling line

‘What Doesn’t Kill You Makes You Stronger’

Not every deal was a complete success for Heidtman Steel, admits a candid John Bates.

For instance, there was Heidtman’s brief attempt to get into the mill business. In the mid 1980s, automotive

was to purchase slabs from a mill and roll them to precise tolerances for automotive customers. One domestic mill committed to selling Heidtman steel slabs, putting the processor in the coil business.

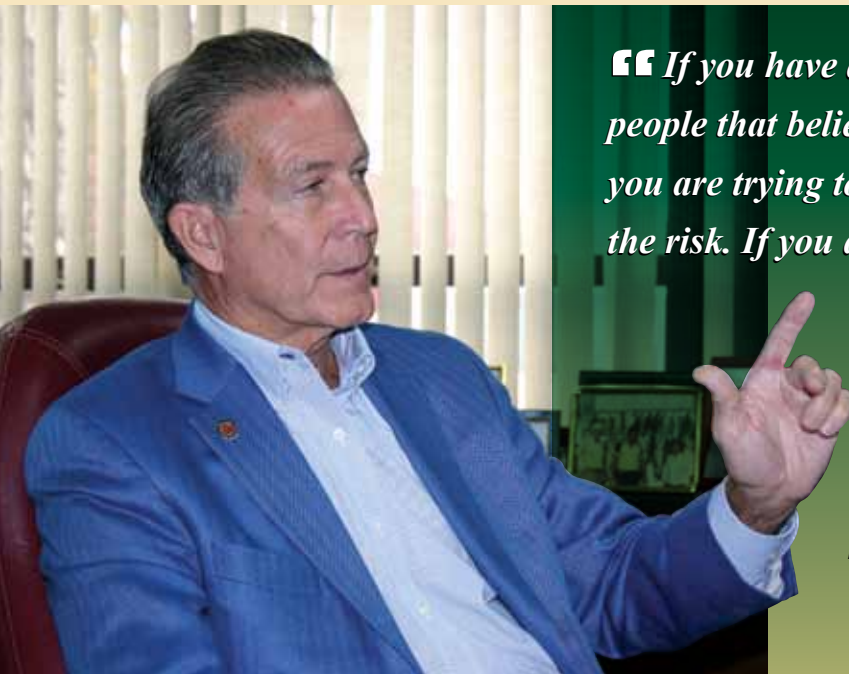
“This was not going to be a mini-

man still has a lease on the property, which is used for corporate offices.

Another memorable miss was the paint line the company operated for about three years in the late 1980s, primarily to serve metal building customers. “It was a new technology. Instead

of dipping the coil, we put a spray coating on it and dried it with an infrared drier. It made a beautiful product, but it cost three times more to produce than the way other people did it,” Bates says.

For Heidtman, these misses are part of the process that has made the company what it is today, viewed more as evolution than failure. “What doesn’t kill you makes you stronger,” says Heidtman President Tim Berra. “John [Bates] tried to start a finishing



“If you have a team of people that believe in what you are trying to do, it’s worth the risk. If you don’t take that first step you can never take the second.”

Heidtman CEO John Bates

customers were pushing for stricter quality standards, yet the steel they were getting from the mills often was subpar in regard to thickness tolerances. Gauge control was very inconsistent. Bates and his team at Heidtman thought they could provide a better product, so they decided to build a new hot-strip mill in Toledo. The concept

mill, [like Nucor Crawfordsville a few years later], but a low-cost rolling mill using slabs,” Bates recalls. “We had put \$9 million into engineering and equipment and leased property on the waterfront in Toledo when all of a sudden the mill tells us the slab deal is off. Their representative supposedly was not authorized to sell us slabs.” Heidt-

man still has a lease on the property, which is used for corporate offices. The concept of a better mill was already going through his mind.”

“If you have a team of people that believe in what you are trying to do, it’s worth the risk,” Bates says. “If you don’t take that first step you can never take the second.”

1984

■ Forms partnership with National Material’s Cyrus Tang to create National Galvanizing, the first service center with hot-dipped galvanizing capacity

1985

■ Starts Mizar Motors truck fleet

1987

■ Shelves proposed hot-strip mill on Toledo riverfront when steel mill recants slab supply offer

1988

■ Opens slitting line in Baltimore

1990

■ Acquires State Line Steel

third time I called on him, he threw a list of excess prime material at me. I said, ‘We’ll take it!’”

The material on the list was mostly high strength, not the mild steel the company had been handling. “What the hell are we going to do with this stuff?” Heidtman asked. So the partners set out on a quest to find customers for this new kind of steel. “That was our start. By the end of the ’70s, if you wanted high-strength steel, you either called a mill or you called Heidtman,” Bates says.

In 1975, John’s brother Allan joined Heidtman. A quality control manager for Ford Motor Co., he brought a lot of technical expertise to the company and ultimately ended up as its chief operating officer. Allan passed away in 2004 from brain cancer. Today, the Allan W. Bates Automotive and Technical Center in Gibraltar, Mich., fondly bears his name.

By the late 1970s, the company had grown to about 75 employees and \$36 million in sales out of the Enterprise Boulevard location. Seizing an opportunity to vertically integrate and improve customer service, Heidtman installed its own continuous hydrochloric pickling line in 1979. The pickler, in Erie, Mich., just north of Toledo, is one of six the company operates today.

In 1983, when Bill Heidtman decided to retire, Bates bought out his interest and took control of the company.

About the same time, Bates formed a joint venture with National Material Corp. and its founder Cyrus Tang. Their venture, National Galvanizing Inc., was the first heavy-gauge continuous galvanizing line owned by a service center. “Everyone else at that time had to dip parts to galvanize them. We were selling hot-roll to Chrysler, and they wanted to make parts from hot-roll-based galvanized coils. So we engineered and built that galv line in a year,” Bates says.

The partnership with Tang remains strong today. In the



The Allan W. Bates Automotive and Technical Center in Gibraltar, Mich., was dedicated to the memory of John Bates’ late brother in 2005. (Photo courtesy Heidtman)

intervening decades, Tang Industries has grown into a multibillion dollar global industrial empire. “We started it with a handshake and we’ve never had a problem. We like partnerships, if you have the right partner. If you need an attorney for your partnership, you’ve got the wrong partner,” Bates says.



Heidtman’s Toledo Blank facility offers first-operation blanking for customers in the appliance, HVAC, tank and automotive industries. Shown: a 1,200-ton press at the Toledo plant. (Photo courtesy Heidtman)

1994

■ Opens coil pickling plant adjacent to Bethlehem Steel in Baltimore. Sparrows Point mill recently shuttered

■ Opens pickling, slitting and leveling plant in Crawfordsville, Ind., adjacent to Nucor’s first minimill

■ One of five initial investors in Steel Dynamics Inc. minimill

1996

■ Opens largest facility in Butler, Ind., for pickling, slitting and leveling

2004

■ Opens Cleveland plant

Heidtman also claims to be the first service center to adopt a mill-adjacent strategy, opening up processing centers next door to Nucor's Crawfordsville minimill in 1994 and Steel Dynamics' Butler, Ind., minimill in 1996. Today, it also has facilities adjacent to ArcelorMittal's mill in Cleveland, U.S. Steel's mill in Granite City, Ill., and North Star Blue Scope's mill in Delta, Ohio. Slated to begin operations in second-quarter 2014 is a new location in East Chicago, Ind., near Electric Coating Technologies, a major electrogalvanizer.

"The advantage is logistics and moving metal a shorter distance. It costs almost nothing to get the product from the mill. It's all about shipping net weight," says Tim Berra, Heidtman's president.

A significant amount of Heidtman's volume comes from toll processing, the majority of it for mills that sell directly to the auto industry, Berra explains. "We develop an interdependent relationship with them. We are not seen as just a customer. They rely on us for world-class pickling and slitting, and we count on them for high-quality steel delivered on time. It's a mutually beneficial partnership."



Heidtman started its own trucking company, Mizar Motors, in the 1980s. Today the operation has a 100-truck fleet that transports products for Heidtman and other customers. (Photo courtesy Heidtman)

Influencing steel's dynamics

What Bates characterizes as "the most important thing that ever happened to Heidtman Steel" began with a chance encounter at a Ford event. Bates found himself seated next to Leonard Rifkin of OmniSource Corp., a scrap processor, and the two had a spirited discussion about opportunities in steelmaking. A couple months later, out of the blue, Rifkin invited Bates to a meeting in Indianapolis. "In walks Keith Busse, Mark Millett and Dick Teets, who were the original partners in Steel Dynamics. The rest is history," says Bates, who was asked to join the partnership. "SDI is one of the most profitable mills in the U.S. every year. I am still

on the board, a major shareholder, and Keith, Mark and Dick are still dear friends."

Their concept was simple: Following a minimill model much like the one pioneered at Nucor, OmniSource would provide raw material, Busse, Millett and Teets the steel-making expertise, and Bates the initial distribution. Heidtman committed to purchasing 30,000 tons per month from the new mill. "It would have been difficult for them to get financing without the guaranteed off-take agreement from

2005

■ Opens Allan W. Bates Automotive and Technical Center in Gibraltar, Mich.

■ Invests in Fulton County Processing

■ Invests in metallurgical coal mining venture

2006

■ Forms Butler Sheet Division in Butler, Ind., 2006

2007

■ Offers new SCS sheet processing

Heidtman,” Bates says. “They felt that we owned the high-strength market and brought a good reputation to SDI.” Bain Capital and GE Credit provided financing.

Heidtman’s strong cash position and its equity in Steel Dynamics helped it weather the Great Recession in 2008 and 2009. Like most companies, Heidtman saw its orders plummet in late 2008 when the bubble burst. “Two of our biggest customers, Chrysler and GM, were not building cars for awhile. A lot of Tier 1 suppliers went into bankruptcy. It was very difficult,” Bates says.

During the recession, Heidtman’s sales plunged from a peak of 931,000 tons in fiscal 2008 to a trough of 558,000 tons in 2010, a decline of 40 percent. By fiscal 2013, ended March 31, its sales had rebounded to about 830,000 tons. The company forecasts annual growth of 2-3 percent for the next two years—still short of pre-recession levels.

“As a private company, we had to manage the financial



Since the 1970s, Heidtman has been a pioneer in the slitting of high-strength steels. (Photo courtesy Heidtman)

2008, and also divested its metallurgical coal mining venture in 2009. It is now tightening its focus on its core business, carbon flat-roll, and striving to maximize efficiencies in all aspects of the operation. Recovery is not all about generating tons, but profitable tons, he adds. “We’ve regained the type of business we wanted to regain.”

Meanwhile, the “rightsizing” of the service center indus-

“ John and I worked together for almost 10 years. He always approached the business with enthusiasm and a positive attitude, always putting the customer first, which set the foundation for a long and successful business relationship between Heidtman Steel and Ford. ”

Lisa Tresigne-King, Director Global Raw Materials and Stampings, Ford Motor Co.

side. It wasn’t easy,” says Mark Ridenour, Heidtman’s chief financial officer. “We had layoffs for the first time in the history of the company. We lost millions in bad debt. We made it through, thanks to our good relationships with our suppliers, our bankers, our customers and our employees. I don’t ever want to go through it again.”

Heidtman is a different company than it was prior to the downturn, Berra says. It’s somewhat smaller now. Heidtman sold its Crawfordsville, Ind., facility to Nucor in summer

try is an ongoing process. Bates and his management team say the fallout from the recession still lingers as customers and competitors alike continue to struggle. “The only part of the steel business that is really going strong right now is the flat-roll business, largely because of automotive,” Bates notes, which is right in Heidtman’s wheelhouse.

Heidtman is now moving into advanced and ultra-high-strength steels as the mills develop new products. “That’s one reason we are expanding into the East Chicago area,”

2008

■ Sells Crawfordsville, Ind., facility to Nucor

2009

■ Acquires Toledo Blank Inc. first-operation blanking

■ Sells metallurgical coal mining interest

2012

■ Sells Baltimore facility

2014

■ Set to open new East Chicago plant

he adds, “to be located right next to ECT, which coats advanced high-strength steels. We are really excited about operating in Chicago.”

Such partnerships are good for Heidtman and the industry at large, Berra says. “We have an overcapacitized industry. We don’t need to keep building and adding capacity. So we are forming joint ventures or geographical alliances with other processors.”

The management team emphasizes that Heidtman’s dedicated employees deserve a lot of credit for the company’s success. Nearly 30 percent have been with the company for over 20 years. All total, Heidtman’s workforce brings nearly 8,500 total years of seasoning to the job. “We have a lot of experience here. People don’t leave. Our turnover is very low,” says Ridenour. “There is a real can-do atmosphere here. We are great at the impossible,” says Mike Kruse, vice president of marketing. “When you talk about our culture, you have to mention the words pride and passion. We have a very passionate group of employees who feel they are a part of the Bates family,” Berra adds.

Bates says Heidtman will remain a family-owned firm until he retires or dies—two events he claims will happen

simultaneously. Succession plans are in place to honor that family legacy. Currently, three of his children are actively employed: daughter Darlene Dotson, son John Bates, Jr., and daughter Lindsay Bates. Heidtman employees also own a significant portion of the company. Though Heidtman is part of a consolidating industry, Bates says he has no interest in ever merging with another service center organization or taking the company public. Its independence makes the company nimble and allows it to take risks without having to answer to outside shareholders.

Despite the profound change Heidtman has experienced

from its founding as a small shop 60 years ago to a market leader today, the fundamentals of the service center business are basically the same, Bates says. “You have to have the best product, the best delivery, the best relationships and the lowest costs. That has not changed a lot.”

Berra, who oversees most of Heidtman’s day-to-day operations today as company president, admires the insight and fortitude his boss has displayed throughout his career. “It’s not just that John was in the right place at the right time. The innovative side of him can spot a need and recognize an opportunity. In order to be successful you have to have the insight to recognize the opportunity first, but then you have to have the guts to do something about it.” ■

The array of technology at Heidtman’s disposal includes the latest leveling equipment. This Red Bud stretcher leveler at the company’s Butler, Ind., plant can produce dead-flat steel from coils up to 0.375-inch thick at 60 inches wide and 0.312-inch at 72 inches wide.



(Photo courtesy Heidtman)

Elite Company

As the 17th recipient of MCN’s Service Center Executive of the Year Award, John Bates joins an illustrious group of past honorees:

- **Michael Siegal**, Olympic Steel, Bedford Heights, Ohio
- **David Hannah**, Reliance Steel & Aluminum Co., Los Angeles
- **Norm Gottschalk Jr.**, Marmon/Keystone Corp., Butler, Pa.
- **Al Glick**, Alro Steel Corp., Jackson, Mich.
- **Sandy Nelson**, Earle M. Jorgensen Co., Lynwood, Calif.
- **Arnold Tenenbaum**, Chatham Steel Corp., Savannah, Ga.
- **Bud Siegel**, Russel Metals Inc., Mississauga, Ontario
- **Dave Lerman**, Steel Warehouse Co., South Bend, Ind.
- **Bill Jones**, O’Neal Steel, Birmingham, Ala.
- **Don McNeely**, Chicago Tube & Iron Co., Romeoville, Ill.
- **Wayne Bassett**, Samuel, Son & Co., Ltd., Mississauga, Ontario
- **Gary Stein**, Triple S Steel, Houston
- **Mike Petersen**, Petersen Aluminum Co., Elk Grove Village, Ill.
- **Richard Robinson**, Norfolk Iron & Metal, Norfolk, Neb.
- **Michael Hoffman**, Macsteel Service Centers USA, Newport Beach, Calif.
- **William Hickey**, Lapham-Hickey Steel, Chicago

John C. Bates

Metal Center News' 2013 Service Center Executive of the Year.

AN HONOR, 50 Years in the Making

Commemorating a Golden Anniversary, Celebrating a Prestigious Honor

Since 1954, Heidtman Steel Products has been providing customers across a wide array of industries with an extensive range of products and processing capabilities—and giving them the confidence that can only come from working with a market leader. And the man at the center of our success for the past 50 years is our leader, John Bates.

This year, as we commemorate John's golden anniversary with Heidtman, we also celebrate with him this well-earned and prestigious honor. Congratulations John!



Heidtman Steel Products

OVER 50 YEARS ON THE CUTTING EDGE

To learn more, visit www.heidtman.com

2013

Service Center Executive of the Year

All the ingredients for success fit in a single PAIL, says John Bates, CEO of Toledo-based Heidtman Steel Products—Performance, Accountability, Integrity and Loyalty.

John C. Bates

Heidtman Steel