

**CASE STUDY**

# Operational Due Diligence of two Celsa EAF Steel Plants in the UK and Norway

Steel Hub technical consultancy supported a private investment firm in acquiring two steel plants with a combined annual production capacity of almost ~2 million tons, equipping the client with critical insights that led to a successful transaction

*“Steel Hub has delivered some of the best pieces of work that I have experienced during my >20 years in top management consulting and private equity”*

**Petr Šlechta, Vice President M&A and Business Development Sev.en Global Investment**

**~2 million Tons**  
Annual output



Melt Shop	Rolling Mill	Additional areas
Scrap yards	Billet hot charging & Reheating furnaces	Melt-Shop and Rolling Mill automation
EAF & Ladle Furnaces	Rolling mill common mill & Finishing mill	Energy consumption & Production cost
Continuous Casting	Bar finishing lines and sections	Utilisation and production delays

## At a Glance

- ▶ In many transactions, financial and legal due diligence receive priority — while operational risk, automation gaps and latent CAPEX exposure remain under-validated.
- ▶ Steel Hub supports acquisition teams by conducting on-site technical assessments across melt shop, rolling mill, automation and auxiliary plant areas to identify red flags and validate performance claims.
- ▶ Our operational due diligence integrates technical findings with production data and investment scenarios, helping buyers understand how operational realities directly impact valuation and negotiation strategy.

## Task

For a private investment company considering the acquisition of two European Celsa steel plants, we a) assessed their technical conditions against the seller's claims b) uncovered previously unknown investment requirements ("red flags") c) evaluated the technical feasibility of future growth and d) developed ideas for future performance improvement.

## Approach

Steel Hub sent a technical expert team led by a former McKinsey project manager to evaluate the plants' melt shop operations, rolling mills and their products, automation and ancillary plants. Our experts, each of which with >20-30 years of experience, analyzed the current technical setup and improvement options for each plant area in scope and quantified the capital expenditure (capex) required to sustain as well as expand production.

## Impact

Our results directly impacted our client's negotiation strategy. We derived two distinct conclusions for the two assets: We found that one Celsa plant was in excellent condition, requiring only relatively minor additional capital expenditure. In contrast, a new owner of the other Celsa plant would need to invest a significant double-digit million € amount to sustain and expand operations. Additionally, we developed scenario models demonstrating the sensitivity of projected production growth to critical investments. Eventually, our client closed both deals.

## Task

The Czech private investment company Sev.en Global Investments (in the following: 7GI) commissioned Steel Hub to assist with the technical due diligence of two Celsa steel plants in Northern and Central Europe, which 7GI were considering acquiring. The purpose of the two technical due diligence assessments was to:

- Validate the seller's claims about the technical condition and performance of their plants
- Identify any major investment requirements ("red flags") the seller had not yet made
- transparent
- Review the technical feasibility of future growth and capacity expansion plans
- Develop ideas for plant performance improvement for value capture by the future owner



**Figure 1:** Assets of the two plants in project scope

## What is a technical due diligence?

Most of our consulting projects start with a technical evaluation of production conditions. Commonly, the goal is to identify opportunities for improvement, which are then realized in close collaboration with plant management and operators.

Such a technical evaluation turns into a technical due diligence, when a potential buyer of a plant that is available for sale wants to verify the seller's claims about the plant and its assets.

During a technical due diligence, we assess plant equipment conditions and capital expenditure requirements, production capabilities and product mix improvement options. Our findings and recommendations are however only shared with the potential buyer, enabling them to update their valuation and bid. Since the identified improvement measures will be implemented after the acquisition by the future plant owner rather than the current one, a technical due diligence usually takes place in a politically challenging environment and requires tactfulness.

## Approach

Within a week, Steel Hub team leveraged its wide-ranging expert network in the steel industry and staffed a team of four technical and financial experts, each with more than 20 years of steel industry experience. Led by a former McKinsey project manager, the team brought comprehensive expertise in melt shop operations, rolling mills and their products, automation and ancillary plants.

To develop preliminary hypotheses and prepare a comparison between the seller's claims and Steel Hub's technical assessment, Steel Hub initially planned to review the plants' technical specifications and performance data prior to the on-site visits. However, due to limited data availability, the Steel Hub team had to flexibly adapt its approach:

- Our experts evaluated the technical conditions of melt shops, rolling mills, automation and ancillary plants without prior knowledge
- A list of previously unknown capital expenditure (capex) requirements, critical to sustaining and expanding production, was compiled, which were earmarked as potential red flags to 7GI
- Steel Hub prepared an adjusted future production ramp-up plan to align the seller's forecasts with the plants' technical capabilities

Where necessary, the trade-off between (optional) capex investments and future production capacity was made transparent in different scenarios.



**Figure 2:** Steel Hub's Project Delivery Methodology

Steel Hub also compiled lists of open questions for 7GI to submit to the management boards of the two plants. At 7GI's request, Steel Hub leadership participated in two Celsa management board presentations, assisting 7GI in raising critical questions for clarification.

The project took place within complex charged environments, with multiple stakeholders involved, yet Steel Hub successfully fostered cooperative working relationships with the plant management and operating teams.

## Impact

After completing the plant visits, Steel Hub compiled its findings into two technical plant assessment reports, each over 70/80 pages long. In an additional document, Steel Hub summarized the implications of these findings for the seller's capex plans and production growth forecasts, to inform 7GI's valuation of the two assets.

Steel Hub had to partially adjust the seller's growth plans downward where the forecasted ramp-ups could not (yet) be achieved by the plants. The project findings differed significantly for the two Celsa plants: In the better-performing plant, additional capex requirements in the single-digit million € range were identified, whereas in the other plant, previously unrecognized investment needs in the significant double-digit million € range were discovered. Furthermore, Steel Hub introduced several scenarios to illustrate the sensitivity of future ramp-up plans to major investment decisions.

By incorporating Steel Hub's findings, 7GI was able to engage in significantly more informed negotiations with the seller.

Eventually, our client closed both deals.<sup>2</sup>

In a press release issued by 7GI,<sup>3</sup> its CEO, Alan Svoboda, emphasized the significance of the takeover of both Celsa plants, stating:

"Both facilities are technologically advanced and well-established European leaders in green steel production. We are eager to collaborate closely with both management teams and other stakeholders to further develop these assets and unlock their long-term potential."

## What is your need?

Our value creation support doesn't end with due diligence — it continues beyond the closing.

Contact us today at [info@steelhub.com](mailto:info@steelhub.com) or visit our website [www.steelhub.com](http://www.steelhub.com) to discuss your needs and explore how we can support your goals.



## References

1- Reuters (2024) Spain's Celsa sells British and Norwegian steel mills to Sev.en GI.

Available at: <https://www.reuters.com/markets/deals/spains-celsa-sells-british-norwegian-steel-mills-seven-gi-2024-11-21/>

2- Sev.en Global Investments (2024) Acquisition of circular steel companies in the UK and Nordic completed. Launch of new brand: 7 Steel announced.

Available at: <https://www.7gi.com/media/2024/20241121.html>

## Outcome

Steel Hub's findings materially influenced negotiation leverage by quantifying downside risk and clarifying future investment exposure.

This enabled informed decision-making on the technical aspects of both acquisitions and supported successful progression into the negotiation phase.

*"From start to finish, Steel Hub served us as a partner at eye level. The Steel Hub team demonstrated outstanding agility and responsiveness to our requests and project needs, and their participation in several plant board meetings proved invaluable in gathering critical information that informed our bidding strategy."*

Jan Kraváček  
Senior Associate  
Sev.en Global Investments

## Planning a Steel Acquisition?

Speak directly with Steel Hub's technical leadership to validate operational risk, CAPEX exposure and performance upside before committing to a transaction.

[info@steelhub.com](mailto:info@steelhub.com)  
[www.steelhub.com](http://www.steelhub.com)



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*"Steel Hub has delivered some of the best pieces of work that I have experienced during my >20 years in top management consulting and private equity. Steel Hub managed to not only carve out the quantitative implications for adjusting our valuation models but also made the underlying technical considerations transparent and easily accessible."*

Petr Šlechta  
Vice President M&A and Business Development  
Sev.en Global Investments



**Where challenges meet solutions**

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