

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): October 15, 2019



SYNALLOY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	0-19687 (Commission File Number)	57-0426694 (IRS Employer Identification No.)
4510 Cox Road, Suite 201, Richmond, Virginia (Address of principal executive offices)		23060 (Zip Code)

Registrant's telephone number, including area code: **(804) 822-3260**

Inapplicable

(Former name or former address if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communication pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communication pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$1.00 per share	SYNL	NASDAQ Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Item 7.01 Regulation FD Disclosure.

On October 14, 2019, Synalloy Corporation (“Synalloy”) delivered to the Board of Directors of Universal Stainless & Alloy Products, Inc. (“USAP”) a proposal (the “Proposal”) whereby Synalloy and USAP would merge the respective companies to form a new publicly traded company with estimated combined annual revenue in a normalized demand year in excess of \$500 million and adjusted EBITDA of \$70 million. A copy of Synalloy’s letter to USAP’s Board of Directors outlining the Proposal is attached hereto as Exhibit 99.1 to this Current Report on Form 8-K.

The description of the Proposal contained in this Current Report on Form 8-K is a summary and is qualified in its entirety by reference to the text of the Proposal letter.

Item 8.01 Other Events.

The disclosures under Item 7.01 of this Current Report on Form 8-K are incorporated into this Item 8.01 by reference.

A copy of the Proposal letter is attached as Exhibit 99.1 and is incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits.

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
<u>99.1</u>	<u>Proposal Letter from Synalloy Corporation to the Board of Directors of Universal Stainless & Alloy Products, Inc. dated October 14, 2019</u>

Additional Information

This communication does not constitute an offer to buy or solicitation of an offer to sell any securities. This communication relates to a proposal which Synalloy Corporation (“Synalloy”) has made for a business combination transaction with Universal Stainless & Alloy Products, Inc. (“USAP”). In furtherance of this proposal and subject to future developments, Synalloy (and, if a negotiated transaction is agreed, USAP) may file one or more registration statements, proxy statements, tender offer statements or other documents with the U.S. Securities and Exchange Commission (the “SEC”). This communication is not a substitute for any proxy statement, registration statement, tender offer statement, prospectus or other document Synalloy and/or USAP may file with the SEC in connection with the proposed transaction.

Investors and security holders of Synalloy and USAP are urged to read the proxy statement(s), registration statement, tender offer statement, prospectus and other documents filed with the SEC carefully in their entirety if and when they become available as they will contain important information about the proposed transaction. Any definitive proxy statement(s) or prospectus(es) (if and when available) will be mailed to stockholders of USAP and/or Synalloy, as applicable. Investors and security holders will be able to obtain free copies of these documents (if and when available) and other documents filed with the SEC by Synalloy through the web site maintained by the SEC at <http://www.sec.gov>.

Synalloy and/or USAP and their respective directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. You can find information about Synalloy’s executive officers and directors in Synalloy’s definitive proxy statement filed with the SEC on April 2, 2019. You can find information about USAP’s executive officers and directors in USAP’s definitive proxy statement filed with the SEC on April 12, 2019. Additional information regarding the interests of such potential participants will be included in one or more registration statements, proxy statements, tender offer statements or other documents filed with the SEC if and when they become available. You may obtain free copies of these documents using the sources indicated above.

This document shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended.

Forward-Looking Statements

Statements included herein regarding Synalloy and/or USAP, including, without limitation, the proposed business combination of the two companies, that are not historical in nature, are intended to be, and are hereby identified as "forward-looking statements" within the meaning of federal securities laws. These statements include, but are not limited to, statements regarding our offer to merge with USAP, the combined company’s expected future performance (including expected results of operations and financial guidance), the combined company’s future financial condition, operating results, strategy and plans, financial projections and estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to future operations, products and services; and statements regarding future performance. Such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. We undertake no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise. Additional information concerning some of the factors that could cause materially different results is included in our reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission. Such reports are available from the Securities and Exchange Commission’s public reference facilities and its website, <http://www.sec.gov>.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on behalf by the undersigned hereunto duly authorized.

SYNALLOY CORPORATION

By: /S/ DENNIS M. LOUGHRAN

Dennis M. Loughran

Chief Financial Officer

Dated: October 15, 2019

October 14, 2019

VIA EMAIL AND FEDERAL EXPRESS

Mr. Dennis M. Oates
Chairman of the Board, President and CEO
Universal Stainless & Alloy Products, Inc.
600 Mayer Street
Bridgeville, Pennsylvania 15017

Dear Denny:

On behalf of the Synalloy (SYNL) Board of Directors, I am writing to you and the Universal Stainless (USAP) Board of Directors to express our continued interest in pursuing a merger of our respective companies. The meeting between the two of us in Pittsburgh on July 29th was constructive and I was optimistic that the USAP Board would respond favorably to exploring the numerous benefits of a possible merger. Following your August 22nd Board meeting, I was disappointed to learn of the USAP Board's decision not to pursue discussions.

Since our initial expression of interest to the USAP Board in June 2017, Synalloy has completed three acquisitions, all in the Metals sector. We have diversified our product line and end markets, while at the same time becoming primarily a Metals focused company. 2018 was a record year for SYNL, with our Metals segment being the primary driver. Revenue for the Metals segment totaled \$222 million and EBITDA was \$35 million. Pro forma for the most recent acquisition of ASTI, 2018 Metals segment revenue would have exceeded \$250 million and EBITDA would have totaled \$42 million.

Our combined businesses will be better positioned for growth that is well in excess of what either company could generate on its own. Additionally, the pro forma company will be better able to thrive in a downturn in the manufacturing economy. Strategic advantages to a merger include:

- **Diversification**: Product line and end market diversification will help mitigate the volatility of earnings inherent in manufacturing business cycles. USAP is heavily reliant on the aerospace market and, while currently strong, will experience a peak. SYNL has greater exposure to the energy markets, which have been depressed in recent years, but will continue to rebound and have considerable upside. Additionally, SYNL's acquisition of ASTI has added several consumer-oriented markets such as boats, motorcycles, high-end autos, and RV's, to help offset the less predictable industrial markets. USAP's semi-finished product lines provide limited exposure to metal prices, helping to offset the nickel price volatility in SYNL's stainless steel pipe business.
- **Synergies**: The potential synergies from a merger are substantial:
 - Procurement savings from consolidating freight, manufacturing supplies, insurance and other expense items are conservatively estimated to be \$3 to \$4 million annually.
 - Corporate savings from elimination of redundant public company and administrative costs are estimated to be \$2 to \$3 million annually.
 - Virtuous inventory cycle whereby USAP will be able to provide raw materials to SYNL, and SYNL processes will generate scrap materials that can be utilized by USAP, providing \$1 to \$2 million in annual savings.
- **Cost of Capital and Shareholder Liquidity**: The pro forma company offers several key advantages to our shareholders:
 - A larger market capitalization will afford greater liquidity in trading, less volatility in the share price, greater interest from institutional shareholders, and access to sell side sponsored research analysts.
 - A stronger balance sheet, including further improvements resulting from certain capital allocation opportunities (discussed below), will position the company for substantial growth through the ability to pursue much larger acquisitions.
 - Improved scale, diversification across multiple end markets, liquidity and further concentration in the Metals sector will lower borrowing costs and position the pro forma company for multiple expansion.
- **Superior Management Team and Employees**: The pro forma company will benefit from a deeper bench of management talent and more effectively leverage the opportunities presented by a larger platform.
 - A tenured management team with heavy operating experience will drive continuous improvements in the pro forma company, as best practices are shared across the business units.

- M&A experience will support further growth through a strategy of accretive acquisitions.
- The greater depth of the senior management team will provide the pro forma company with expanded options for succession planning.

As a large shareholder of SYNL, I embrace the strategic rationale of a possible merger and encourage our respective Boards to more fully explore this opportunity on behalf of all of our respective shareholders, given that six of our mutual top shareholders own 42% of SYNL and 39% of USAP.

We are proposing a merger of equals (USAP and SYNL merge to form NEWCO) whereby:

- USAP shareholders will own approximately 52% of NEWCO and SYNL shareholders will own approximately 48%.
- NEWCO board will consist of an equal number of directors from both USAP and SYNL.
- Denny Oates, current Chairman of the Board, CEO and President of USAP will serve as Executive Chairman of NEWCO and Craig Bram, current CEO and President of SYNL, will serve as CEO and President of NEWCO.
- The senior management team will include key members from both companies.
- NEWCO will pursue several capital allocation strategies, including a sale leaseback of USAP properties, the sale of non-strategic assets, and a reduction of working capital requirements for the combined business.
- Pro forma for the capital allocation strategies, we estimate NEWCO net debt will be less than \$20 million and ABL borrowing capacity approaching \$160 million.
- NEWCO will have annual revenue in a normalized demand year in excess of \$500 million and adjusted EBITDA of \$70 million.

The value proposition from combining SYNL and USAP is simply too great to ignore. Assuming an enterprise multiple of 8.5x EBITDA, net debt of \$20 million, and the proposed ownership split, the implied NEWCO share price in a normalized demand year would provide both of our shareholder groups over 100% upside from our respective current share prices. This analysis only includes a minimal amount of synergies and excludes any additional upside from an accretive acquisition strategy.

I am hopeful that the USAP Board will revisit this opportunity and agree to explore the benefits of a merger between our two companies and the prospects such a combination represents for our respective shareholders. I am available to answer any questions that you may have and look forward to hearing from you.

Best Regards,



Craig C. Bram

President & CEO