

March 15, 2019

Braidy Industries aims for mid-2019 NASDAQ direct listing, CEO says

by Deborah Balshem

- Mill capacity sold out for seven years
- Likely to seek acquisitions once public

Braidy Industries, an Ashland, Kentucky-based manufacturer of ecologically-friendly aluminum alloys, is aiming for a direct listing on the NASDAQ by mid-2019, according to CEO Craig Bouchard.

The company, which is constructing a USD 1.6bn aluminum rolling mill in Ashland, Kentucky that is projected to open in early 2021, plans to seek USD 1.7bn to cover capital costs, first raising USD 500m in a private pre-IPO round, then USD 1.2bn in debt after going public, he said. The private Series C round is underway via a Regulation D private placement that Braidy hopes to complete prior to a public listing, Bouchard said. It will then seek USD 1.2bn in debt via the Department of Energy's ATVM Loan Program and the German government's Export Credit Agency (ECA) Program, he added.

Concurrently, Braidy is winding down a crowdfunding raise via NetCapital that has already brought in more than USD 12m and has an expiration date of 31 March 2019. The round is a strategic move that will help Braidy fulfill a direct-listing requirement that it have at least 300 investors that own at least 100 shares, Bouchard explained. Braidy has more than 700 shareholders today.

Based on share count, the USD 18 price of shares offered in the crowdfunding, and other expected funding prior to a public listing, Braidy should have a post-money market cap of roughly USD 878m. The company will trade under the ticker BRKY.

The executive noted the closest public comparables as Braidy's primary mill competitors, Arconic [NYSE:ARNC] and Novelis, the latter a division of Hindalco Industries [NSE:HINDALCO].

Previously, Braidy raised USD 95m in Series A and Series B rounds of funding. Stanley Black & Decker is among investors, as is the State of Kentucky, which approved a USD 15m investment in Braidy in 2017, largely because the mill is expected to create 600 jobs for the economically depressed coal-country region of Appalachia.

It typically takes four or five months from the time a company files a confidential S-1 filing to the SEC to complete a direct listing, if approved, according to an industry banker. Braidy filed its Form S-1 on 31 December 2018.

Since no IPO underwriters are needed, Bouchard said Braidy has enough support from its existing advisors, including investment banks Credit Suisse and Jefferies, accounting firm KPMG, and SEC counsel Vedder Price. Braidy also uses law firms Crowell & Moring, Bingham Greenebaum Doll and VanAntwerp Attorneys, and environmental consultant Ramboll.

A Direct Public Listing (DPO) allows companies to publicly trade without a bank-backed Initial Public Offering (IPO). Instead of raising new outside capital like in an IPO, a company's employees and investors convert their ownership into stock that is then listed on a stock exchange. The less traditional method gained credibility after Spotify used it to go public last year, followed by January reports that Slack Technologies is also considering that route.

Slashing prices

The mill will cater to the transportation and aerospace markets, Bouchard said. It is already “200% sold out” for the next seven years, the executive said, explaining that Braidy “signed sticky but non-binding contracts with about 20 customers to reserve our tonnage. That went so quickly ... we offered each the chance to lock-in their full reservation with a binding commercial agreement. Several have already done so.”

As the first new mill of its kind built in the US in more than three decades, the 2.5 million-square-foot “green” facility will ultimately produce 300,000 short tons of milled aluminum annually. It is located within 250 miles of 50% of US auto manufacturing capacity and has a cost structure that is roughly 50% lower than any of its peers, according to Bouchard.

Increasing demand for aluminum used in cars and other products is driving up interest and consolidation in the space, Bouchard noted. In July, Novelis acquired aluminum processor Aleris Corp. for USD 2.6bn, while Morgan Stanley analysts have noted Arconic as a “suitable candidate” for a leveraged buyout.

Constellium [NYSE:CSTM], another one of Braidy’s peers along with Kaiser Aluminum [NASDAQ:KALU], drew takeover interest in 2017 and was still fielding interest last year, news reports state.

Global demand for aluminum in 2020 is projected to outstrip supply by 979,000, according to investment bank Jefferies.

Future buys

In addition to its mill, Braidy last year acquired nanocrystalline powder metals technology firms Veloxint and NanoAI, which are both already generating some revenue, Bouchard said. Veloxint and NanoAI are targeting the transportation, aerospace and defense, and tool-making industries.

Bouchard has a history of growing companies through M&A, so he said it is a “safe assumption” that Braidy will seek buys in all three of its subsidiaries after it goes public.

Braidy was founded by Bouchard in 2016. The company is projecting revenue of approximately USD 19m, USD 60m, USD 287m and USD 1.3bn from 2019 through 2022, respectively, according to a recent investor deck. The company expects to break even next year, with EBITDA nearing 11m in 2020 and increasing to USD 646m in 2026, that investor deck states.

The company has approximately 50 employees, of which roughly one-third are PhDs, Bouchard said. It holds roughly 35 patents and 1,000 acres of land and has an additional office in Boston.

Prior to Braidy, Bouchard was CEO of Real Industry, which he grew from USD 40m in revenue to USD 1.3bn after leading a proxy battle to remove the company’s board. He also previously co-founded Esmark, which acquired nine steel companies, including the hostile takeover of Wheeling Pittsburgh Corporation. Esmark’s revenue grew from USD 4m in 2003 to USD 3.5bn in 2008 before being sold for USD 1.25bn to Russian metals giant OAO Severstal.

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