

BUILDING UPON TRADITION

Marcegaglia USA preserves the legacy of a region, founder

BY ABBE MILLER

The town of Munhall, Pa., is steeped in tradition. It's one of the seven original boroughs of Pennsylvania, and for the past 100 years, the residents of Munhall have worked the area's mills. At the turn of the century, steel was one of the only goods produced in what is still known as the Steel Valley, a collection of communities nestled in the heart of the U.S. Rust Belt. At one point in history, the region produced more steel than any other place in the world.

Today, Marcegaglia USA, Munhall, Pa., preserves that heritage. The stainless steel pipe and tubing and galvanized tubing manufacturer sits on 31 acres off the banks of the Monongahela River, whose waters

snake through the Steel Valley. From that facility, 40,000 tons of finished product are shipped throughout North and South America. Along with a handful of remaining metal producers in the area, Marcegaglia continues the legacy that was set in place more than a century ago.

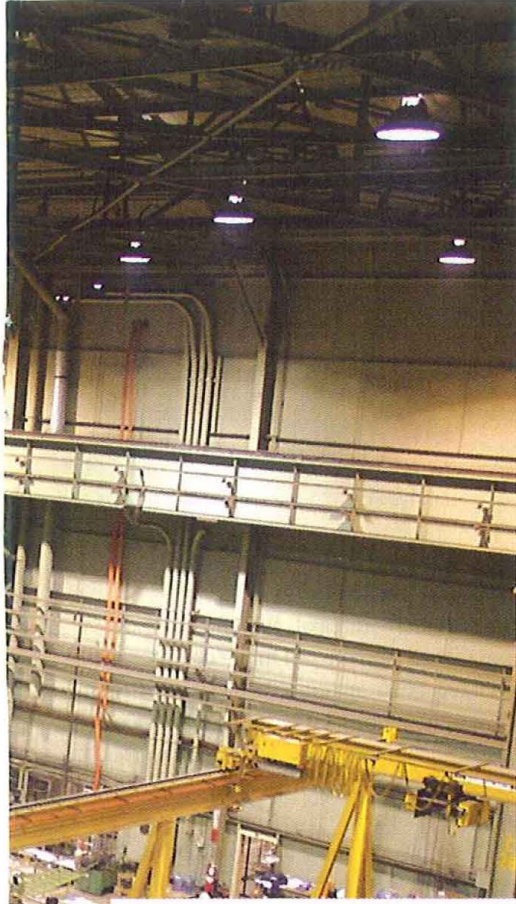
"We have quite a bit of available land," says David Cornelius, president of Marcegaglia USA, of the Steel Valley property that the company occupies. "It affords us quite a lot of opportunity to expand."

The Marcegaglia USA operations in Munhall began in 1998, and its production facility spans 300,000 square feet of covered area. Housed at the Munhall facility are 17 tube mills, four off-line eddy current sta-

tions, three cut-off machines, one pickle tank, one off-line annealing furnace, two straighteners and two polishers. All of the company's equipment is dedicated to the production of stainless and galvanized pipe and tubing. Stainless steel ornamental and structural tubing, including rounds, squares and rectangles, produced at Marcegaglia's parent company operations in Italy, are also inventoried in Munhall.

A family affair

The production taking place in Munhall borrows from the area's years of production expertise, but it largely inherited its business and production savvy from Steno Marcegaglia and his son Antonio, the



company's chairman and CEO, respectively. Steno Marcegaglia founded the company in 1959 in Gazoldo degli Ippoliti, Italy. In his late 20s, he partnered with a friend and began to manufacture slides for roller shutters. They initially hired two employees, but in the matter of just a few short years the number of staff had to increase significantly in order to start production of tubes from hot-rolled strip. With an innate business sense, a natural progression toward bigger and better operations ensued. Product ranges and quality increased as new equipment was incorporated into the Italian operations. Likewise, the reach of the company expanded as acquisitions outside of Italy began to take place.

What's now an international steel making company started as a mere craftsman shop. As time passed, its humble begin-

nings led to 47 plants, 49 sales offices, 150 agencies, 3.5 million square meters of manufacturing area, 4.5 million tons of annually produced steel and 6,000 employees worldwide. Steno Marcegaglia learned how to set his company apart from the competition when it was just a small operation, and now he's applying the same tactics to his much larger company.

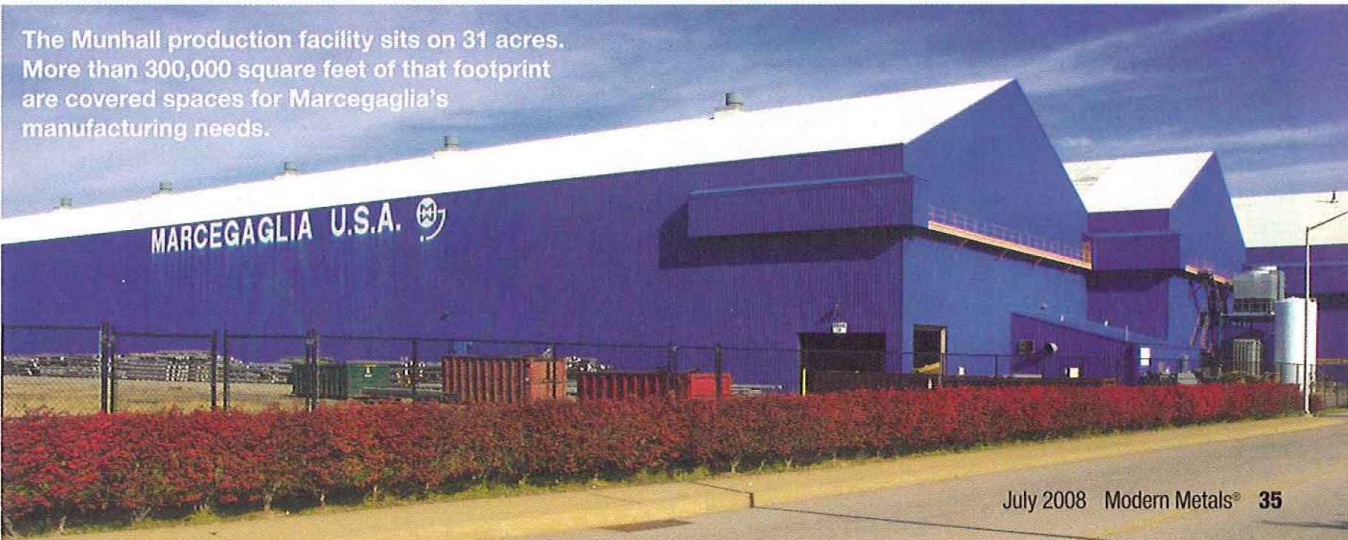
"Having grown a business from scratch into a multibillion dollar company is something that few individuals or families have accomplished," says Cornelius. "I think that the pride of that accomplishment carries through to all of the employees who continue the tradition of hard work and growth."

In the near-decade that the Marcegaglia Munhall operations have been producing tube and pipe, it's been clear that its capacity for success is hereditary. "When the

Each year, more than 40,000 tons of finished product are shipped out of the Munhall facility.



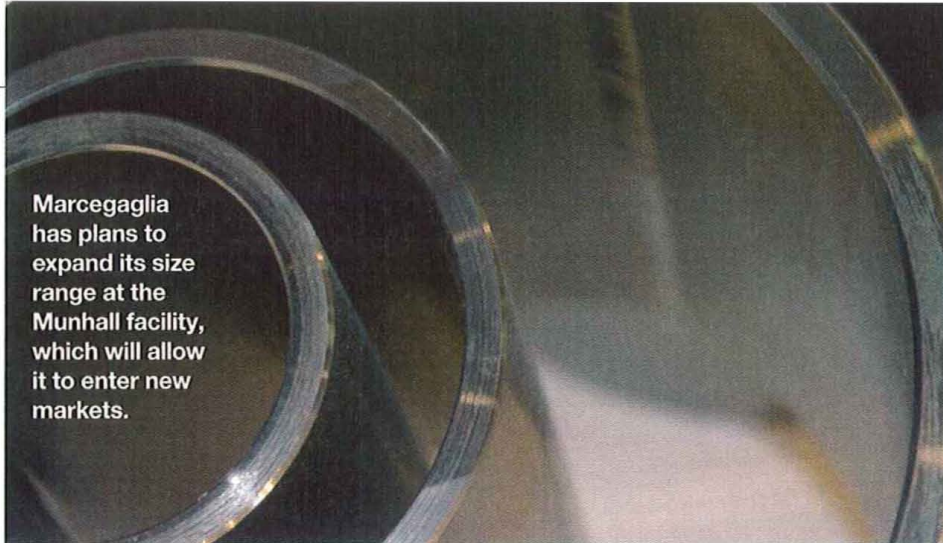
The Munhall production facility sits on 31 acres. More than 300,000 square feet of that footprint are covered spaces for Marcegaglia's manufacturing needs.



Marcegaglia first bought the U.S. company in the early 1990s, the stainless steel industry was mature, but there were plenty of opportunities for growth," Cornelius explains. "There was consolidation beginning to take place in the industry, leaving only the most efficient producers still here today. We were able to remain one of the leading producers in North America."

As mills closed shop in other parts of the country, Marcegaglia USA continued to grow. Its roots are embedded in a commitment to providing quality and service by controlling costs and improving production efficiencies. The Marcegaglia family places emphasis on attention to detail—especially, as Cornelius notes, "doing the little things right."

He says, "Remaining a family-owned company is a benefit in the fact that the decision-making time is instantaneous," says Cornelius. "[The Marcegalias] are the people that make the investment decisions, and we don't have to wait for a long period of time for a decision. We can move quickly



Marcegaglia has plans to expand its size range at the Munhall facility, which will allow it to enter new markets.

compared to other large-sized companies that have many more layers of management involved in the decision making process."

Often family-run businesses don't reach the size of a company such as Marcegaglia. And as an international company, Marcegaglia's customers are able to benefit from the vast array of resources and experience that it has compiled over the years. The company is able to purchase on a global basis and supply a diverse range of steel products from plants best suited for the required application.

Paternal partnership

The original principals that the company was founded on are still in the forefront of Marcegaglia's operations. But, with that firm conviction to stick to its traditional business philosophies, Marcegaglia also exhibits a desire to move forward in a technological sense.

"The owners have always believed in reinvestment to promote and sustain the growth of the company," says Rob Yepsen, vice president of sales at Marcegaglia USA. "The company is a leader in developing

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new technologies in the transformation of steel products, which has been an important factor in the company's success. In addition to advancements in technology,

however, Marcegaglia's success can also be measured through traditional financial performance, such as net income and EBITDA, as well as the volume growth

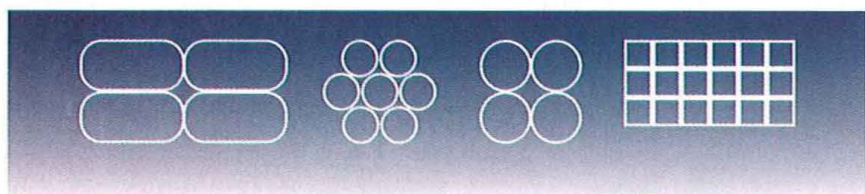
and increases in our customer base.

"We recently added our seventh and eighth laser welding systems for the production of stainless steel tubes and pipes, which is the most recent technology available for welding tubular products," says Yepsen. "We didn't develop the laser welding technology, of course, but we're one of the leaders of applying that application to steel tubes and pipes. Our personal technological expertise can be found in the group's own engineering company that develops the mills that we run the steel through." Prior to the addition of the laser welding systems, tubes were GTAW-welded. Today, the production rate is significantly faster.

To maintain its forward momentum, the company plans to add another high-frequency welding mill. It will add another 15,000 tons per year in capacity and is to be commissioned around the end of 2008.

Through its engineering company and the incorporation of new equipment, Marcegaglia also plans to expand its size range at the Munhall facility, which will allow its products to enter new market segments. Those of interest include the beverage industry, as well as the pharmaceutical industry. Currently it offers outer diameters ranging from 3/8 inches to 12.75 inches and wall measurements from 0.028 inches to 0.25 inches. As equipment and technology allows, offerings will ultimately grow.

In terms of change, the physical landscape of the Steel Valley isn't apt to be altered, barring a phenomenal event, of course. With respect to the manufacturing backbone of the area, a tradition of steel production will inevitably continue. But thanks to a legacy that has been building for more than half of a century, the Marcegaglia company is able to grow with the times while its original philosophy remains intact. ■



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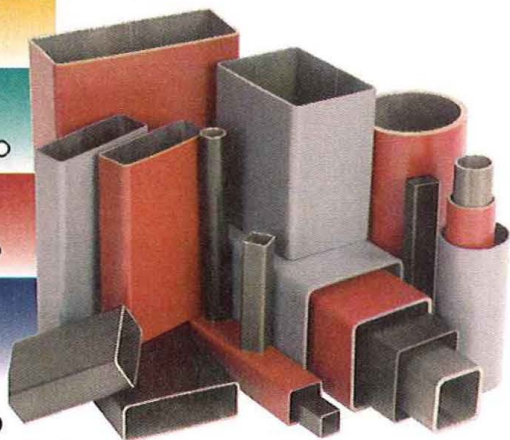
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