

# IN THE NEWS

## MAG focuses on high end amid slump in industry

**Business Courier of Cincinnati**  
**Friday, February 19, 2010**

Stung by a downturn that slashed U.S. machine tool purchasing by 60 percent last year, MAG Industrial Automation Systems is taking the high road to recovery.

That's "high" as in high tech and the high end of the market for equipment used to make sophisticated machine parts.

MAG garnered 15 patents in 2009 as it continues on a path aimed at avoiding competition with Asian producers of off-the-shelf machine tools. Rich Curless, chief technology officer for Erlanger-based MAG Americas, said its strategy was adopted when MAG was formed in 2005 following Maxcor Inc.'s acquisition of Cincinnati Lamb from Unova Inc. The deal included Cincinnati Machine, the machine tool business of Cincinnati Milacron Inc. that Unova bought in 1998. MAG has added other companies since.

"Over the years, we used to receive a lot of patents back in the '90s and '80s. Then there was a falling off as the U.S. machine tool industry slowed," Curless said.

Patents cover aerospace, energy, autos

MAG decided to focus its research on high-tech improvements that it could bring to market on both existing and new products. Recent patents cover technologies for making aerospace, alternative energy and automotive components. More are on the way, as another 20 are pending in the Americas. "That's having a major impact on our future outlook," Curless said.

The benefits are particularly important to MAG's operations in Hebron, where 80 to 90 percent of its business is related to aerospace, said Chip Storie, MAG's executive vice president for aerospace.

"Fifty percent of the products we sell every year have been developed in the past three years. We are always reinventing our products and our solutions," Storie said. "If we weren't - we'd go away very quickly."

According to the Association for Manufacturing Technology and the American Machine Tool Distribution Association, U.S. businesses consumed just \$1.8 billion, or 60 percent less in machine tool dollar volume in 2009 versus 2008. Purchases plunged in mid-2008 as the market for new machinery came to a virtual standstill.

MAG's global revenues in 2008 were \$1.7 billion, with 350 employees locally and about 3,500 in total, including MAG Europe.

Poised for upturn

The recession hurt MAG, but not as much as other machine tool makers, Storie said. Its Hebron operations were fortunate to be focused on a market with a long-term view. Large aerospace companies didn't pull the plug on big projects just because of temporary market conditions, he said.

MAG's aerospace business is now poised for an upturn as Lockheed Martin and Boeing ramp up for production of the F-35 Joint Strike Fighter and Boeing's 787 Dreamliner. Airbus's A350 is in development. The F-35, the costliest U.S. defense system ever, is going to be a huge driver of equipment needs this year, Storie said.

MAG is also heavily involved in China and Russia, which are developing aircraft to compete against the popular Boeing 737 and Airbus A320 passenger planes.

Hebron's core products include composite automation systems - machines that make aircraft fuselage sections, wings and stabilizers out of carbon-reinforced fibers or tape. MAG is the market leader, having sold more machines than all of its competitors combined, Storie said. It also makes machining centers that make structural components out of aluminum and titanium.

Despite MAG's high-end focus, growth will depend on bringing prices down, Curless said. Aerospace

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customers use only the best materials and are concerned with reliability and performance, but automotive firms are more cost-sensitive. If MAG hopes to achieve the same penetration there as in aerospace, it has to bring down the cost of entry.

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