

Making a Positive Impact on Industry

Interview with Rick Merluzzi, Metal Exchange Corp.

Based in St. Louis, MO, Metal Exchange Corporation (MEC) is a diverse supplier, processor, and purchaser of nonferrous metals. In September 2015, Rick Merluzzi was promoted to the role of president and chief operating officer (coo) of MEC, assuming responsibility for the parent company and all of its affiliated companies: Pennex Aluminum Company, Continental Aluminum Corporation, ElectroCycle, Inc., and Metal Recovery Systems.



Rick Merluzzi.

Merluzzi first entered the aluminum industry by joining Pennex as president in 2005, and was later named president of Manufacturing for MEC. Prior to this, he spent 26 years in the chemical and petrochemical industries, serving in engineering, operations, marketing, and finance positions before transitioning to business leadership roles. During this time, he lived and worked part of the time in Europe and the Middle East.

In this interview, Merluzzi discusses his new role as president and offers a look at MEC's overall business structure and missions, as well as his perspective on the aluminum extrusion industry and where it is going.

Please tell us a bit about your role with MEC and your history with the company.

I was introduced to MEC by a colleague and mentor who happened to be on the MEC advisory board. At that time, I met with Morris Lefton and other MEC leaders and I was totally impressed. The values of the organization, their long term commitment to the industry, and the family feel from being a privately held business were all attractive characteristics of the company. I never envisioned myself in the industry, but I suppose the rest is history because here I am. It is an industry where many have spent their entire career, so it is somewhat unusual to come into it from the outside. However, it is a great industry with exciting opportunities, so I am glad my career journey took me here.

The transition of ownership to Mike Lefton in the last few years has been extremely positive and represents an exciting shift to more openness, collaboration, and growth. Mike is a positive, people-oriented guy who thinks long term and is committed to the business and industry. We are really fortunate to have a strong stable ownership that has maintained the family oriented culture.

My current role is as president and chief operating officer reporting to Mike. We have formed an executive leadership team to run the company that includes the presidents and general managers of our operating companies along with our functional leaders including Finance, HR, IT, and Legal. It is a natural transition in a company that has grown substantially to move into a more collaborative leadership style, which capitalizes and leverages the talents in the organization.

Describe MEC's overall business structure, mission, and involvement in the aluminum industry. What are the main sectors the company serves?

MEC has grown from a small trading group 40 years ago to a multi-billion pound enterprise today. The company is comprised of a global trading enterprise along with several manufacturing and processing operations. We remain relatively decentralized and are organized into operating companies, including Pennex Aluminum Company, Continental Aluminum Company, ElectroCycle Inc., and Metal Recovery Systems. Our trading organization, headquartered in St Louis, spans the globe. We do business on six continents and 30 countries through our sales offices in St Louis; Shanghai, China; Zurich, Switzerland; and Sao Paulo, Brazil.

We are fairly broad and diverse as we participate in most aluminum market segments including prime ingot, RSI, deox, alloy, semi-finished products, various scrap segments, billet, extrusions, and downstream fabricated parts. We also participate in other nonferrous markets, such as copper and magnesium.

A key capability is our commodity risk management, as well as information technology and software development with our custom trading system. Our system is very advanced and was built over the past 15 years. It is critical to providing efficient commercial transactional capabilities, while having the flexibility to handle creative transactions. It is also critical to keep track of our commodity risk position.

As a company with entrepreneurial roots, we have 40 years of success built on long term relationships. Our founder, Morris Lefton's saying, "If you don't go, you don't know," embodies our approach to get out and understand the needs of our customers and supply partners. Today, we have the scale and scope to serve our customers, yet we are still nimble and can move quickly.

What are the ways the separate companies under the MEC umbrella serve each other?

We all remain independent but we also capture the synergies of our operating and commercial skills. We operate at arm's length from a business transaction standpoint; however, we collaborate where we can, bringing our skills and capabilities together to add value for our customers. We do have a unique blend of operating and commercial skills and combine that with a breadth and depth of market knowledge.

Having assumed the role of president and coo in September, what is your present focus for the company?

We are transitioning to a greater team-oriented leadership and culture, while still keeping the elements that have led to our success. Our core values of safety, integrity, respect, and drive are critical to our successful culture. We have adapted a dual bottom line approach, where our people metrics are equally as important as our financial metrics. We take a very methodical approach to recruiting and do extensive pre-employment testing. Consequently, we have very smart people in our company with the right cultural biases. In addition, all our businesses must achieve a safety incident rate, at minimum, in the second quartile in their industry segment. We are focused on a continuous improvement culture, which is geared to free up resources to channel toward growth. This involves a focus on business process and productivity improvement in part by leveraging our IT investments.

What kinds of growth has MEC seen in the North American extrusion industry in recent years? What kinds of growth do you expect to see?

We serve the industry in many ways, primarily as an independent extruder with our Pennex operations and through our partnership with Tower Extrusions. However, we also have our secondary billet capacity which now produces well over 200 million lbs. Importantly, we are a major supplier of prime billet into the market via our partnership with DUBAL America Inc. (DAI). Finally, we serve the markets by supplying various recycled scrap aluminum streams that ultimately are remelted into billet and then extruded.

We have seen growth in all these areas of our business. The extrusion market has diverse end-use segments that are growing. The market obviously is dependent on the health of the overall economy, but we expect continued growth in the key transportation and B&C segments. Clearly, the substitution of aluminum for steel in automotive is a major opportunity.

MEC is the exclusive agent for DAI. Can you tell us a little about MEC's role as an agent for distributing billet?

Like many of our relationships, it has been a very long-term partnership. MEC is positioned to be the key interface in serving our customers. We coordinate the logistics and effectively communicate through the supply chain. Communication is imperative. Long-term trust and reliable relationships are critical and we know firsthand, being an extruder ourselves, the importance of metal supply. We bring that perspective, proximity, and purpose to the equation. With the dramatic reduction in primary smelting capacity in the U.S., this supply chain is critical to the aluminum extrusion industry.

Pennex Aluminum recently completed an expansion with a new press line. Can you tell us a little about the expansion? Why was this a good time to expand?

It was a natural progression to add our fourth extrusion press. It was also a natural progression to the larger 12 inch press size. We now have 7, 8, 9, and 12 inch capability. Growth in the market, particularly automotive, was a major factor, but ultimately we invest to serve the needs of our customers.

A fair trade market environment is key to the stability of the extrusion industry. The success by our industry in establishing the anti-dumping/countervailing duties case to ensure a fair trade situation was a critical part of us investing and expanding. The Aluminum Extruders Council (AEC) has done an incredible job in not only advancing fair trade, but also in industry promotion and business excellence initiatives. We are very proud of our involvement in AEC.

How much does innovation, regarding the development of new extrusion products or extrusion alloys, come into play?

Most of our innovation and development effort is through collaboration with customers. The versatility of the extrusion process is a key strength. By using geometry and alloy selection, we can accomplish the desired customer functionality at the best cost. This is the focus of our development. Often we can achieve unique functionality through very complex shapes and being able to produce them in the highest quality and at the best cost. This is the core strength of our process capability.

In addition, the AEC Academic Outreach effort provides a great platform for interacting with colleges and universities. Whereas we don't participate in specific

R&D efforts, we do participate in the academic outreach effort. We have presented to engineering classes at several universities and promoted aluminum as a material consideration. It is important that the next generation of engineers and designers understand the attributes and versatility of aluminum extrusions.

What are your policies regarding safety throughout MEC? How does safety vary from plant to plant within the company?

Safety was always important but in the last few years we have adopted what we call our dual bottom line approach. The people and the financial aspects are equally important. Consequently safety and wellness are imperatives.

Our safety vision is very simple; it is to be an injury free company. As we launched on this vision a few years ago, we looked to benchmark with the very best out there in safety. After extensive research, we came across EnPro Industries, which is an incredibly impressive company and a great partner for us. We have found that their business philosophies are amazingly in synch with ours. Consequently, we learn from them and, in some cases, perhaps we can return the favor.

We are three years into the development of the "MEC safety system." There are 18 elements to the system. As an example, one of the elements is that for any injury or a significant near miss, within 72 hours we convene a conference call including all MEC executives, operating general management, and EHS professionals to review the incident and share perspectives. Through this process, what we learn is communicated to everyone in order to take preventive actions. Our safety system has a recognition program that establishes requirements and levels of performance. It includes such aspects as a care management protocol, behavior based safety systems, housekeeping systems, and many more. It is paying great dividends, but importantly it is just the right thing to do.

We also have worked to provide positive leadership in our industry. MEC was a charter member of the Circle of Safety Excellence in ISRI and in the startup of the AEC safety committee.

The results have been compelling. We are quite proud of the recognition that we received from the governor of Kentucky with the safety award at ElectroCycle. Our fleet was recognized as the safest in our industry.

Wellness goes hand-in-glove with safety. We have been advancing our wellness programs over the past ten years. It involves well-organized and fun programs, but it is also a philosophy of being a positive influence on each other. It includes both education and biometrics, with an aspect of consumerism.

What is the future for MEC? How will it continue to thrive in the future?

Having been in business for over 40 years, we look to a bright future in the decades to come. We think long term. It is about the people. It is about being competitive and successful in everything we do.

It is also about making a positive impact in our industry. As a family run, privately held company with substantial scale and scope, we have a long-term commitment to the success of our industry. But ultimately, if we run our business well, we can make an even bigger contribution by making a positive impact in our communities. We are confident in our success in the years to come and in our ability to make an incredible impact by staying with our core values, principles, and business philosophies.