



# CEOCFO

## Interviews & News!

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### A Focus On Managing Their People And Their Business Has Positioned Haynes International To Be A Great Company

## HAYNES International

Basic Materials  
Steel & Iron  
(HAYN-NASDAQ)

Haynes International, Inc.

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Marcel Martin  
Chief Financial Officer

#### Company Profile:

Haynes International, Inc. is a leading developer, manufacturer and marketer of technologically advanced, high performance alloys, primarily for use in the aerospace, land-based gas turbine and chemical processing industries.

Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com

**CEOCFO:** Mr. Martin, what is the vision at Haynes today?

**Mr. Martin:** “Our vision has been evolving over the last several years. Ultimately, what Haynes is striving for is to be a great company. We consider ourselves a very good company but not a great company yet. A lot of people worked very hard over the last several years starting with Francis Petro, our CEO. He has provided a vision to take us forward and really change the company. You hear about what companies do to change and they talk about a change management. It is something we have really practiced here in the context of how we manage our

people, how we manage the business and emphasizing those aspects of the business which differentiate us from our competition. Because we are a smaller company, we may appear to be at a disadvantage, but that also makes us more responsive and more effective at making changes to what we do for the customers and adding value to the product we provide them; expanding our product line, expanding our presence around the world, opening up new service centers, developing new alloys. Because of our size, we can be responsive to individual customers. One of the reasons we have service centers is to provide as many points of contact and accumulate information as to what our customers require. That is how you differentiate yourself from the competition.”

**CEOCFO:** Will you give us an example of what you might have done recently that does address the customers’ needs?

**Mr. Martin:** “One example would be our robust R&D program. Through our process with customers and our technical support, we accumulate information from the inquiries we get and from that, we built a database. Then, if you see a recurring issue from the customers, you can develop an alloy to solve that problem. One such alloy is HAYNES® 282® alloy, which was specifically developed because of this kind of process. If one customer has a need, other customers likely have that same need, and using that information you can develop a commercially viable new alloy.”

**CEOCFO:** Will you tell us a bit about the alloy market in general and your role in that market?

**Mr. Martin:** “We are a high-performance alloy producer; we make high temperature and corrosion-resistant

type alloys. That is all we do; it is the focus of our business whereas our competition does a number of things such as stainless steel nickel alloys, or titanium. All we do is high- performance alloys. That is our focus with our significant markets being aerospace, chemical processing, and land-based gas turbines. We also service the flue gas desulphurization, pharmaceutical, heat treating and automotive markets.”

**CEOCFO:** How is the current economic scenario affecting Haynes?

**Mr. Martin:** “Through our most recent quarter our markets have been very good. Travel by air continues to grow and with that the need for new airplanes and the maintenance of those planes. In addition, there is the material requirement for new land-based gas turbines and the associated maintenance of those land-based gas turbines. Our business has also become more oriented towards the global market, especially the developing economies of China, India, the Asian area; the growth there continues to be very robust. Even though it is down from previous highs of twelve percent growth in China, they are forecasting ten percent growth this year. That is still robust. In addition, Asia and particularly the Middle East are also very robust. In the US and Europe, although the growth isn’t as robust as Asia, these are very large markets which provide a large sustainable base for high-performance alloys.”

**CEOCFO:** Do you tend to have long-term contracts with your customers?

**Mr. Martin:** “We have a combination of different length contracts. We also have spot sales where someone will require material for a maintenance project. That is typically done in a service center, you

place an order and we would ship it within several days. We also have long-term agreements, ranging from as short as a year long to three-year agreements and several five-year agreements. This combination helps us serve our customers requirement in the most effective manner."

**CEOCFO:** You do have a very stellar list of customers!

**Mr. Martin:** "Yes, we deal with people like General Electric, Dupont, Exxon, Boeing, and Eli Lilly; it is a solid list of customers with whom we have developed very long-term relationships. We have been in the business for a very long time and there are not many other producers who do what we do. Over time, we have developed relationships with these customers. If you have an R&D program, you are always looking for what the customer needs. Those folks use us as a resource to help them solve some of those problems. That is part of the process."

**CEOCFO:** Will you tell us more about the service centers, which are located quite strategically?

**Mr. Martin:** "The purpose of the service center is multiple. What we do in the service center is start out with sheet and plate which is supported by ancillary products like bars, wire and tubing. One objective is to make service centers more accessible to our customers; we have four in the US, three in Europe and one in China, in addition to our other international sales offices. The process is to provide material as quickly as we can for the customer; in addition to that, we add value to the products that we sell out of the service centers. It is no longer just selling a sheet or a plate; it is a process of selling cut parts. We want to add value to the product that we sell the customer in the context of cutting parts from a laser, water jet machines or plasma. The idea is to provide added value for the customer."

**CEOCFO:** What is the financial picture like for you today?

**Mr. Martin:** "Performance has been good this fiscal year through our most recent third quarter."

**CEOCFO:** How do you get to the great company you are striving for? What is the plan going forward to achieve your goal?

**Mr. Martin:** "For us it started with our restructuring in 2004. This created the opportunity of additional liquidity, which we continue to invest in the facility to do all the things we need to do; upgrade our equipment and the addition of processing equipment to add value. Another aspect is becoming the supply chain manager for our customers. Any company can provide a customer with the material, but we can deliver it directly to the point of the cus-

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tomers' manufacturing operations in a usable format. In addition, its creating an improved cost structure by upgrading our equipment, adding value to the customer's end product, cutting parts, and developing new alloys with the objective being of establishing a process where we have a recurring level of increasing earnings in good and bad times. The great companies perform well under any set of circumstances; their earnings don't fluctuate with the economic vagueries that can occur. They structure their business such that they serve numerous markets, some of which perform better in different kinds of cycles. They have added value to the product they provide the customers and they provide technical support for the customers. What we want to achieve looking forward is a stream of continuing increasing earnings. That a great com-

pany; always ahead of the curve relative to economic swings in the economies of the world."

**CEOCFO:** What is ahead in the next couple of years?

**Mr. Martin:** "Part of what we want to achieve in the next couple of years is to continue to find ways of advancing our process with our customers and improving value for the shareholders."

**CEOCFO:** Why should investors be interested and what should people understand about Haynes that they might not realize at first?

**Mr. Martin:** "It's our strategy that we lay out in our public documents. What we want to do is become a company that has an established repeatable level of earnings. If you can do that, we believe we have created a value stream for the shareholder. We try to provide as much transparency into our strategy as we can with the information we provide in those public filings. We lay out exactly the markets we are in, the revenues that we generate for each market, the volumes, selling prices and we try to make what we do very transparent. We talk about our CapX program so that people can see how we are changing the business. We talk about where we want to expand our business and we talk about that in the context of Asia. We know we can improve our level of business in the Asian market and we certainly talk about doing that. We opened up a service center several years ago in Shanghai China. We have also opened up a sales office in India and we have entered into a marketing agreement with a company in Hong Kong to help expand our presence in the Asian markets."

**CEOCFO:** "What should people remember most about Haynes?"

**Mr. Martin:** "It is a company that is servicing a number of growth industries and what we are endeavoring to do is create a company that will continue to improve and provide value."