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Tuesday October 19, 2010



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Euclid firm puts pedal to metal with plant plan

MesoCoat seeks to grow production, sales

By CHUCK SODER

4:30 am, October 18, 2010

The new plant MesoCoat Inc. aims to build is the first step in the Euclid company's plan to change the way the world coats metals.



MesoCoat is preparing to build a \$6.5 million plant that will allow the company to start coating and selling metal products on a larger scale. The new plant also will showcase MesoCoat's abilities before the company moves ahead with plans to build more plants, said Robert Miller, CEO of Miami-based Abakan Inc., MesoCoat's new majority owner.

"It will be the honey to attract the bees," Mr. Miller said.

The new plant, which most likely will be built next to MesoCoat's headquarters on

Rockwell Drive, will coat metals with two patented technologies. One of them, the company's CermaClad process, uses a plasma arc lamp to bond protective metal coatings to products such as oil and gas pipelines. The process is far faster than the current standard — laser cladding — because plasma arc lamps cover bigger areas than laser beams, said MesoCoat CEO Andrew Sherman.

"The width of that spot is three to five millimeters," he said, pointing to a photo of a laser cladding head at work. "We're doing 12 inches."

The plant also will include several thermal spray stations where MesoCoat will apply a material called PComP, which is made of both ceramic and metal particles, on products used in the oil and gas and aerospace industries. The material is meant to serve as a stronger, environmentally friendly alternative to chrome and other toxic compounds.

An unidentified oil and gas company has committed \$2 million to help finance the new plant, and MesoCoat is in the process of finalizing a \$2.8 million investment from Abakan, Mr. Sherman said. The startup aims to raise another \$1.5 million in debt financing from the state of Ohio and the federal government. Mr. Sherman said the company is looking for assistance from other states that could be potential sites of the coatings plant, but noted that MesoCoat is "a very good fit here."

Impressive CEO

MesoCoat has close ties to the area: It was spun off from materials technology company Powdermet Inc. in 2008 and still shares its headquarters with the company. That same year it received a \$350,000 investment from the JumpStart Inc. economic development group.

Abakan has confidence in MesoCoat. The publicly traded company, formed to invest in coatings technology companies, in 2009 bought a minority stake in the startup and recently boosted its percentage to a majority stake by buying 41% of Powdermet, which owns MesoCoat stock. Abakan will own 71% of MesoCoat after its latest investment is finalized.

Abakan decided to invest in Powdermet because it is developing more materials that have "big



potential" and to boost its ownership in MesoCoat, Mr. Miller said. Abakan's CEO also has a lot of faith in Mr. Sherman, who is CEO of Powdermet as well as MesoCoat.

"I've interviewed a lot of scientists, and Andy has impressed me a lot," Mr. Miller said.

Great expectations

Abakan expects MesoCoat to pass \$100 million in annual revenue by 2013. As the company grows it will need to build more plants, Mr. Miller said, noting that it is considering locations in Houston, Saudi Arabia and Brazil.

There is potential for additional production in the Midwest, too, because there are so many potential markets for MesoCoat's technology, Mr. Miller said. For instance, it could be used to coat car parts or reinforcing steel bars commonly used in construction, he said.

Abakan, as a public company, will be able to help MesoCoat access large capital markets, Mr. Sherman said. He also noted that MesoCoat should benefit from the connections of Abakan's executive team and from Mr. Miller's experience helping start and finance more than 40 companies over the past 25 years.

Don't bet against MesoCoat, said Peg Hunt, who followed the company until retiring from her position as editor of *Advanced Materials & Processes*, a magazine produced by ASM International, a materials- focused trade association based in Geauga County.

Ms. Hunt wasn't familiar with MesoCoat's CermaClad process, but she described PComP as a "breakthrough technology" that seems like the perfect replacement for chrome, which is used to protect various metals.

"It looks to me like a technology that's going to solve problems in almost any industry you can imagine," Ms. Hunt said.



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