CEO CFO

SCI Engineered Materials, Inc.

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SCI Engineered Materials, Inc. Is Supplying Materials To The Physical Vapor Deposition Industry Focused On Photonics Found In Reflective Surfaces, Specialty Mirrors, And Lighting Applications, As Well As The Thin Film Solid State Battery And Solar Industries

Technology
Semiconductor – Integrated Circuits
(SCIA-OTC: BB)

SCI Engineered Materials, Inc.

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Columbus, OH 43228
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Daniel Rooney
Chairman, President and CEO

BIO:
Daniel Rooney has served as a Director of SCI Engineered Materials, Inc. ("SCI") since joining us in March 2002 as President and Chief Executive Officer. Mr. Rooney was elected as the Chairman of the Board of Directors of SCI on January 8, 2003. Prior to joining SCI, Mr. Rooney was General Manager for Johnson Matthey, Color and Coatings Division, Structural Ceramics Sector North America from 1994 to 2001. Prior to that, Mr. Rooney held various management positions at TAM Ceramics, Inc., a Cookson Group Company. Mr. Rooney has a Bachelor of Science in Ceramic Engineering from Rutgers College of Engineering and an MBA from Niagara University.

Company Profile:
SCI Engineered Materials, Inc. manufactures ceramics and metals for advanced applications such as photonics, thin film solar, thin film batteries, and semiconductors. SCI Engineered Materials is a global materials supplier with clients in more than 40 countries. Additional information is available at http://www.sciengineeredmaterials.com.

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

CEOCFO: Mr. Rooney, would you tell us about SCI Engineered Materials and your products?
Mr. Rooney: We produce materials for the physical vapor deposition industry. It is easier to discuss their end-use applications rather than the manufacturing processes because they are very technical. As a general rule people touch these products everyday. For example, the shiny coating inside of a potato chip bag is coated by physical vapor deposition; which is an aluminum material. The chrome coatings on bathroom faucets are made that way, and so are some of the layers on integrated circuits, and coatings on windows. Physical vapor deposition is actually used on a lot of different applications. So what we do is supply materials to a few of these industries, specifically photonics, which involves applications dealing with light. So it would be reflective surfaces, certain specialty mirrors and lighting applications, and solar. We also supply materials to the thin film solid state battery industry.

CEOCFO: Would you explain your place in the whole industry?
Mr. Rooney: We tend to stay out of the commodity end of things and move more into niche applications for materials. We would not be very effective as a relatively small company seeking to compete against some very large applications that are truly commoditized. So our materials tend to be more in the niche area, particularly materials that are difficult to produce, which gives us some advantage.

CEOCFO: How long has the company been around and what do you know that allows you to hit these markets and allows you to be effective with a smaller company?
Mr. Rooney: The company was established in 1987 to do research on high temperature superconductors. A superconductor is a material that will conduct electricity basically with no line loss. As a general rule there is a fairly significant energy loss moving electricity from place to place. High Temperature Superconductors are ceramic materials and the company was founded to develop these materials. Another way of making these high temperature superconductors is to lay them down with physical vapor deposition processes. So the company began to make what are called the sputtering targets, which are material sources for physical vapor deposition, and that is how the company moved into the physical vapor deposition markets.

CEOCFO: How is business these days?
Mr. Rooney: Certain parts of it are good. Business is certainly better than it was in 2009. We supply material to the automotive industry and that was particularly hit hard, especially in the first half of 2009. Solar is doing quite well and is growing at double digit rates.

CEOCFO: How do you reach your customers?

Mr. Rooney: We have several ways. We have a direct sales force, we have some manufacturers and reps in Asia, and we have a few manufacturers and reps in the United States. We also benefit from the internet, which does a good job of enabling companies to find us and we go to industry specific trade shows.

CEOCFO: How much of your business is international, and is that a growing area for you?

Mr. Rooney: It is a growing area for us, particularly for solar. However, it is not reported separately.

CEOCFO: What is new in the industry and what is the research component for SCI?

Mr. Rooney: For any business today, ongoing development is a requirement. New materials are being developed yearly, that just make everything just a little bit more efficient or a little bit brighter and everything just gets a little bit better. The rate of change is accelerating decade-to-decade, so you can't stand still, and ongoing development is an important part of our growth strategy.

CEOCFO: Is it easier to adapt to change as a smaller company than it might be if you were larger and more entrenched, is that a plus for you?

Mr. Rooney: It is a plus. We also maintain a very flexible manufacturing process so that we can take a very quick look at specific materials and determine whether or not we have the capabilities to manufacture something in that area. So we can make those decisions very quickly.

CEOCFO: Do you need to maintain much inventory, or do you manufacture to order?

Mr. Rooney: We do a little of both. We do have some inventory here, some of the metals are easier to buy in bulk and have them available. A lot of the powders that we use are easier to have in stock. Anything that requires very expensive material is strictly made to order.

CEOCFO: What is the financial picture like for SCI Engineered Materials today?

We are a growing company. We have increased revenues from about $3 million a few years ago to $8 million last year, on what was a difficult year for nearly all businesses. Our revenue run-rate is about $9 million through the first half of this year. Solar is growing at a compounded rate of 30%, thin film solar is gaining market share within the overall solar market. The company is well positioned to bring new products to the Thin Film Solar market and we are doing so. That should increase the top line of the company along in the next two years quite nicely.

- Daniel Rooney

Mr. Rooney: We just reported our 2nd Quarter results and we were profitable for the fourth consecutive quarter with positive cash flow for the first half of 2010. Prior to 2009, we were profitable for three consecutive years..

CEOCFO: How have you adapted to the current economy; what do you see in the future?

Mr. Rooney: We have continued to seek out new markets. A few years ago, we identified solar as an engine for long-term growth and a market that is compatible with our manufacturing capabilities. We have been involved in solar for well over ten or twelve years, and the thin film solar component is beginning to take off quite nicely and we see that becoming a substantial part of our business over the next several years.

CEOCFO: Why should potential investors look at SCI Engineered Materials?

Mr. Rooney: We are a growing company. We have increased revenues from about $3 million a few years ago to $8 million last year, on what was a difficult year for nearly all businesses. Our revenue run-rate is about $9 million through the first half of this year. Solar is growing at a compounded rate of 30%, thin film solar is gaining market share within the overall solar market. The company is well positioned to bring new products to the Thin Film Solar market and we are doing so. That should increase the top line of the company along in the next two years quite nicely.

CEOCFO: Final thoughts, what should people remember most when they read about SCI Engineered Materials?

Mr. Rooney: People should realize that the company is in advanced materials, and we are servicing some of the newer energy requirements particularly solar. We have some materials that go into certain specific high-tech batteries and we have a core business that enhances our development efforts.

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