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MORRIS COUNTY'S NEWSPAPER

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Marotta Controls develops new technology to secure contracts through Navy

BY TIM O'REILEY

MONTVILLE—After attending an investor's conference last October, Patrick A. Marotta and his younger brother Thomas C. Marotta concluded this was not the time for the family-owned Marotta Controls, Inc. to be a buyer or a seller.

"Right now, the company is committed to remaining private," said Patrick Marotta, the executive vice president who stands next in line in the company hierarchy after his father, chairman Thomas S. Marotta. "It is important to understand all the options out there, but we believe we have developed a strategy where we can grow and remain independent."

Shifting gears

Several times in its 63-year history, the Marotta company has needed to overhaul itself in order to adapt to shifting markets, primarily in the defense and aerospace industries. But its latest remake includes some of the most fundamental changes the company has ever tried and runs counter to the experience of several other Pentagon contractors.

After the 1990s—when sales went flat, the employee count declined by half in Montville and spending prospects by primary customers NASA and the US Navy looked weak—the company leadership concluded a new focus was the only way out. "Five years ago we concluded we had to grow," said Patrick Marotta, who along with his brother mark the third generation to work at the company. "Growth was the only avenue to remaining independent."

Long a specialist in shaping metals into precision valves for controlling the flow of fluids used in the propulsion and guidance systems of spacecraft and warships, Marotta is now incorporating electronics into its designs. In addition, it is now trying to sell the Navy on valves that are largely made of composite materials similar to those now starting to replace metal in the wings and fuselages of the latest generation of jets.

Moreover, Marotta is attempting to move up the food chain by building a mul-

tipiece system to perform a particular function, incorporating components made by others, instead of building just one piece of hardware for someone else.

Double vision

If the pieces fall into place as projected, sales would roughly double over the next five years from the \$35 million—\$40 million current base, said Patrick Marotta. Further, about half of sales would come from complex systems, that integrate electronics with other components such as actuators, which receive a signal to set a process in motion. In addition, the company hopes that a much higher portion of the customer base will come from the private sector rather than government agencies. Currently, close to two-thirds of revenues flow from Navy contracts.

In recent years, however, increasing numbers of privately held small and mid-sized defense contractors have sold themselves to larger counterparts. In fact, said Peter J. Arment, an industry analyst with JSA Research in Newpoer, R.I., merger and acquisition activity reached its all time high last year as large companies sought to plug holes in their catalogues.

Driving the trend has been not only the relatively high prices large companies were willing to pay but the larger pool of capital smaller companies can tap to fund the sometimes expensive development programs that can span years.

Further, he said, "The conversion of defense technology to commercial uses has been attempted many times, but with very few successes." The private sector requires a much quicker response from laboratory to production line than military work, with a much larger fluctuation in results.

Just a few miles from Marotta's offices, Parsippany-based DRS Technologies tried to jump into the commercial electronics sector as Pentagon budgets grew tighter during the Clinton Administration. Ultimately, DRS sold off the civilian divisions and has bought numerous other defense contractors since then.

However, said Anita Antenucci, a managing director of the investment bank Houlihan Lokey Howard & Zukini who heads the aerospace and defense practice, mid-sized companies such as Marotta can remain independent if they pick their products and programs smartly.

Moreover, she added, "Commercial aerospace has always been the exception to the rule about lack of success commercializing defense technology. It has always gone hand in hand with the defense side."

Marotta has placed some components on Airbus and corporate aircraft, but nothing with Boeing.

Patrick Marotta, 32, stakes the company's future on picking the right technologies that fit within its capabilities. In doing so, it has chosen to invest its cash flow internally rather than try to buy other companies to gain an instant presence for a particular product.

Bomb control

One of Marotta Controls' marquee programs just going into production is the release mechanism for the Air Force's small-diameter bomb, which is scheduled to be deployed next year. The weapon marks something of an about face on the old line about getting more bang for the buck because with 250 pounds of explosives, the small diameter bomb is only a fraction of the size typically carried on aircraft. But outfitted with a smart guidance system, it is meant to take out small targets such as a jeep carrying terrorists without leaving a crater behind.

Marotta's contribution is a launch device using compressed air to push the bomb away from a plane rather than an explosive charge long in use.

Another system that the company has invested heavily in is M-PACT, a device that cools the heat sensors on heat seeking missiles so they properly home in on their intended targets. Marotta promotes it as lighter and simpler than current models because it uses compressed air for cooling rather than the more cumbersome nitrogen now in use.

However, industry trade magazine Aviation Week and Space Technology noted that Marotta faces an "uphill battle" trying to dislodge Ultra Electronics, which has supplied the cooling systems since the 1990s.

To drive home its seriousness about diversifying with ventures such as the M-PACT, the word "scientific" was dropped from the long-time name Marotta Scientific Controls two years ago.