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PRESENTATION

Operator

Good day, and welcome to the Second Quarter 2018 Minerals Technologies Earnings Call. Today's call is being recorded.

At this time, I would like to turn the call over to Cindi Buckwalter, Vice President of Investor Relations and Corporate Communications for Minerals Technologies.

Please go ahead, Ms. Buckwalter.

Cindi Buckwalter - *Minerals Technologies Inc. - VP, Investor Relations and Corporate Communications*

Thank you, Richelle. Good morning, everyone, and welcome to our second quarter 2018 earnings conference call.

On today's call, Chief Executive Officer, Doug Dietrich will provide a brief overview of our second quarter results and highlight key growth initiatives in Asia. Then Chief Financial Officer, Matt Garth will provide a more detailed review of our financial performance.

Doug will conclude the call with a perspective on our first half performance and second half outlook.

I would like to remind you that beginning on page 13 of our 2017 10-K, we list the various risk factors and conditions that may affect our future results. And I will also point out the Safe Harbor disclaimer on this slide.

Statements related to future performance by members of our team are subject to these limitations, cautionary remarks and conditions.

Now I'll turn the call over to Doug. Doug?

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Thanks, Cindi. Good morning, everyone. I'll start off today by covering the highlights of our second quarter. And then I thought it would be a good opportunity to take some time to go deeper into 2 key growth areas where we've made some recent progress. Our Metalcasting and PCC businesses in Asia.

Matt will take you through a more detailed discussion of our second quarter results and third quarter outlook. And towards the end, I want to give you my assessment of our first half performance, and share with you what we're currently seeing going into the second half of the year.

We had a solid, productive but also challenging second quarter with earnings per share up 4% to $1.28.

Sales increased 12% to $465 million with growth again this quarter in all 4 of our segments across all geographies and in the majority of our product lines.

Our revenue growth this quarter included the acquisition of Sivomatic as well as favorable foreign exchange. However, excluding these 2 factors, our underlying sales momentum remained strong with sales up 7% in the quarter.

In Performance Materials, sales rose 19%. This was driven by our Metalcasting business, which delivered 17% sales growth from solid demand in North America and continued growth in Asia.

Household and Personal Care, grew 48% from strong pet litter demand in North America, increased sales of our new dry laundry additive and the integration of Sivomatic.

We had a solid quarter in Environmental Products, where sales rose 29%. In Specialty Minerals sales increased 3%, driven by both higher Paper PCC and GCC sales.

Refractory product sales increased 19%, driven by strong volumes in both North America and Europe, as a result of steel mill operating rates that approached 78%.

In Energy Services, sales grew 10% due to higher filtration activity and improved energy market conditions globally.

Asia continues to be a strong growth region for us, with sales up 16% this quarter, led by both Metalcasting and Paper PCC.

Sales in China continued to be the main driver of our growth in the region, and this marked our 14th consecutive quarter of year-over-year growth in the country.

A significant highlight in the quarter, last week, we announced a new 150,000-ton Paper PCC satellite with Chenming Paper in China.

Once operational, this will be one of our largest satellite plants globally and our ninth satellite operating in China.

We closed the Sivomatic acquisition in the quarter, and the integration is progressing well. A team has been in place working closely with our new colleagues to integrate all facets of the business, and deploy our culture of safety and operational excellence.

The team has done a tremendous job making this a seamless transition. We are already seeing opportunities to leverage our expanded geographic footprint in the cat litter business.

While we had a strong quarter from a sales standpoint we continue to see inflation in our raw material and logistics costs. In addition, we were challenged by difficult mining conditions again this quarter in our Western U.S. mining operations.

These factors put pressure on our margins, but we see this as temporary. We offset a good portion of these inflationary pressures in the period with price adjustments, good cost control and a productivity improvement of 7%.

I'll give you more perspectives on the cost increases we're seeing and how we're dealing with them at the end of my remarks.

In summary, we had a solid growth quarter, executing on a number of fronts, and made good progress on the acquisition integration, while also navigating the challenges associated with significant cost inflation.

As I mentioned, earnings per share grew 4% over last year to $1.28. Despite the cost challenges we faced, this was a record quarter, with the highest earnings per share in the company's history.

Next, I want to spend some time on our growth in Asia, and the opportunity we see there, in particular, for our Metalcasting and Paper PCC product lines.

For the past several quarters, we've been highlighting for you our metalcasting growth in Asia. And given our recent Paper PCC satellite announcements, I thought this would be a good time to review the progress we're making in this region.

Our growth opportunities for these products in Asia are driven primarily by product substitution strategies. The substitution opportunity is driven by the strong value proposition of our products that help customers improve quality and reduce costs at the same time.

First, let's look at Metalcasting. You can see the major foundry market sizes on the chart on the left, with China being the largest, approximately 5x the size of the U.S., followed by India.

We sell into many of these markets. However, China and India represent the largest foundry market opportunity for our green sand bond technology.

A green sand bond is a blend of bentonite clay and various other additives, which when blended together becomes a functional additive to the customer's foundry sand.

China and India foundries currently operate quite differently from North America in terms of their bond systems.

In North America, 90% of foundries buy a pre-blended green sand bond system directly from a supplier like MTI.

In China and India, however, most customers buy bulk bentonite clay, along with other additives and blend the green sand bonds themselves in-house.

Let me provide some additional market context. The China foundry market consists of 3 groups of customers. Roughly 60% of the market is made up of very small foundries, which we don't currently serve.

The remainder of the market consists of medium to large foundries, who provide gray and ductile iron castings to the automotive, truck, industrial equipment and infrastructure markets.

And while the India foundry market is smaller than China, the customer base is similar.

When we speak about the market penetration of green sand bonds in these 2 countries, we're referring to the conversion of foundry customers from in-house blends to our pre-engineered blended solution.

The chart on the bottom right shows how different these 2 markets are from North America, with the penetration of premixed green sand bond systems in China at about 10%, and in India about 5% compared to 90% in North America.

In both China and India, we see a sizable opportunity to continue to demonstrate our value proposition and convert foundry customers to our blended green sand bonds.

For example, reaching a 25% penetration rate of pre-blended bonds in these 2 markets represents a $250 million market expansion opportunity.

As these markets evolve to reflect North America from a penetration standpoint, the opportunity grows to $900 million.

MTI has extensive green sand bond formulation knowledge and deep foundry technical applications expertise. We offer this capability to customers and help them develop a green sand bond solution, tailored to their specific foundry process.

We demonstrate that by using our technology, we can help them to increase throughput, reduce scrap and improve quality. We also have the capability to efficiently deliver this tailored green sand bond directly to them from one of our blending facilities.

We're making significant progress on penetration in both China and India. Over the past 5 years, our total metalcasting sales in Asia have grown at a compound annual growth rate of 9%.

The chart on the top right shows the growth specifically in China and India this year, for both foundry clay and green sand bonds.

While our revenue trajectory is strong in both countries, the portion from our higher value green sand bonds is growing more rapidly. This is due to the progress we're making in both regions, demonstrating to customers the quality improvements and cost savings that can be generated using our technologies.

As mentioned earlier, we comment often about our Metalcasting business, its solid foundation in North America and its significant growth potential. I thought it would be helpful to show how we're leveraging that foundation as well as our deep technical knowledge to capture this opportunity, to grow in two very large foundry markets.

Now let's move on to our Paper PCC product line and its growth opportunities in Asia.

Over the past year, we've announced 3 new large satellite contracts in Asia. 2 of those were in Indonesia, and the most recent one in China.

The potential to grow our PCC business in Asia is based on a substitution opportunity where we demonstrate the superior value of PCC in printing and writing grade papers versus other filler pigments.

PCC provides brightness, opacity and bulk to paper, which is why it is the filler pigment of choice for papermakers worldwide.

One important aspect of its value is that PCC is a substitute for more expensive fiber. It enables brighter, higher quality paper at lower cost. We engage with papermakers, demonstrate the value through multiple trials and enter into long-term contracts to supply PCC for their current and future paper production. To give you some market perspective, the chart at the top left shows the global demand for uncoated wood-free paper by major region. China is by far the largest market and combined with India and the rest of Asia, the total Asia and India region accounts for 28 million tons of paper demand.

North America and Europe demand are approximately 7.5 million tons and 10 million tons, respectively.

Our strategy to grow our paper business has always been to increase penetration of PCC into global paper markets through this substitution opportunity.

China and India are of particular interest because the penetration of PCC in these 2 countries is lower than the other major global markets. We see the opportunity to increase our total volume through further penetration of PCC.

Let me walk you through this. As you can see in the chart on the bottom right, in North America, PCC has achieved a market penetration of approximately 95%.

Penetration in Europe is approximately the same. In contrast: the penetration in China and India is about 50% and 40%, respectively. Said another way, about half the paper produced in China and India uses PCC and half uses other pigments.

Based on the current aggregate market in China and India, moving to 95% penetration in these 2 countries represents approximately 2 million incremental tons of potential demand.

Today, MTI produces approximately 3 million tons of PCC for papermakers worldwide, so driving the increased use of PCC in China and India represents a significant long-term growth potential for the business.

Our PCC volume in Asia has been growing at a compound annual growth rate of 12% over the past 5 years. We're bringing online approximately 400,000 additional tons of PCC in Asia over the next 18 months with our 3 new satellite contracts and 1 expansion.

This is the largest contractual PCC capacity increase for MTI within such a short period in over 17 years. Within the next 2 to 3 years, Asia will become our largest PCC production region, surpassing North America and continuing to grow at over 10% per year.

However, our growth strategy is not only aimed at just filler PCC. We have a broad portfolio of other technologies that we provide to our customers in order to continue to create value for them over our long-term partnership.

Technologies such as NewYield, FulFill and Envirofil help consumers reduce manufacturing costs even further and address waste and other challenges present at their mills.

Our global growth strategy is also focused on the Packaging market. White and brown packaging demand continues to grow globally, and we're developing and trialing technologies to create value in these markets as well. The addressable market for our new packaging technologies is approximately $50 million to $75 million.

In summary, we're excited about our new satellite projects, our new technologies and the long-term growth prospects in this business and we look forward to updating you again on our progress.

Now I'll turn it over to Matt to give you a deeper dive into our financial performance and an outlook for the third quarter. Matt?

Matthew E. Garth - *Minerals Technologies Inc. - Senior VP of Finance & Treasury and CFO*

Thanks, Doug, and hello, everyone. I'll review our second quarter results, the performance of our 4 segments and also provide you with our outlook for the third quarter.

The second quarter was solid on both a top and bottom line basis. However, we were challenged by inflationary pressures in each business.

Second quarter sales grew 12% with our underlying businesses delivering $27.4 million of organic growth on solid demand in most of our end markets, and continued penetration of our value-added products.

The newly acquired Sivomatic contributed to $14.1 million to top line growth in its first 2 months as a part of MTI, and foreign exchange added $9.1 million.

Included within the organic growth was approximately $6 million of freight pass-through.

Operating income was $5.3 million lower than last year. Doug highlighted the inflationary environment we are facing, and as shown in the operating income bridge, higher input costs impacted our business by $9.9 million in the quarter.

Raw material cost increases accounted for roughly $6 million of the increase, driven largely by our 2 largest raw material purchases- lime and magnesium oxide.

Freight and logistics are up $3 million over last year, primarily due to higher unit shipping costs as well as lower availability of truck and rail transportation.

And finally, energy prices are $1 million higher than last year with the increase coming across all of our operations.

Our business performance offset $4 million of these cost increases through productivity, expense control and pricing adjustments.

A portion of these costs absorbed in the quarter were recently passed through in price adjustments early in the third quarter. This is a result of a timing aspect to our price adjustments, driven by our contractual terms.

I will highlight the impact of these cost increases further in each segment. Operating margin was 13.9% in the quarter. There are 2 factors that are impacting our margin. First, we absorbed higher costs that I just mentioned. And second, the higher revenue directly associated with cost pass-through that has no income.

We see this margin contraction as temporary and expect margins to improve as we recapture these higher costs.

Second quarter earnings per share excluding special items was $1.28, up 4% year-over-year.

Our EPS benefited from higher equity earnings, foreign exchange gains and a lower effective tax rate, which was 19.2% for the quarter.

Note that for the full year, we expect our effective tax rate to be around 20%. Now let's review the segments in detail, starting with Performance Materials.

Revenue in Performance Materials increased 19% compared to last year, while operating income decreased by 7%. The sales growth was driven by Metalcasting, Fabric Care and Pet Care, which benefited from Sivomatic and increases in our North American Pet Care business.

In addition, sales in Environmental Products grew 29% on strong growth in our base GCL business. Segment operating income was $30.1 million and operating margin was 14%. Both margin and operating income were impacted by $2.5 million in higher raw material and logistics cost.

In addition, we experienced heavy rains at our mines in the Western United States, which increased clay drying and processing costs.

Business performance offset $1.5 million of these costs, through productivity improvements totaling 5% along with price adjustments.

Looking to the third quarter, we expect operating income to be higher by $3 million to $4 million sequentially. We see improved operating conditions in our Western mines and plants and have implemented additional price adjustments.

In addition, Building Materials and Environmental Products sales will be seasonally stronger. We will also have a full quarter of sales and income from Sivomatic.

Now let's turn to our Specialty Minerals segment.

Specialty Minerals sales were up 3% versus last year. Paper PCC sales grew 2% on favorable foreign exchange and growth in Asia and Europe.

In our Performance Minerals business, GCC sales increased 8% on continued strength in the construction market, while Talc and Specialty PCC sales were relatively flat versus last year.

Segment operating income was $25.1 million, down 7% or $1.8 million from last year. The reduction in operating income was largely driven by $2.5 million of higher costs, a majority of which was Energy in Performance Minerals and Lime in Paper PCC.

These higher costs were partially offset by productivity improvements and price increases. Higher lime costs are passed through to our customers per our contracts. Typically, we adjust pricing in Paper PCC every 6 months or annually depending on the contract.

I would also like to highlight that we are realizing the benefits from the actions we have taken in our Paper PCC business to streamline our cost structure and grow in Asia. On a year-to-date basis, this business is delivering operating income growth despite the impact of 3 permanent paper machine shutdowns in North America.

And now turning to the third quarter, we expect Paper PCC to grow operating income sequentially through continued growth in Asia, partially offset by seasonal paper mill maintenance outages in Europe.

Performance Minerals operating income will be lower sequentially as the business experiences typical seasonality late in the third quarter.

Overall for the segment, we expect operating income to be similar to the second quarter.

And now let's turn to our Refractories segment.

Refractories segment sales increased 16%. Our refractory product sales were up 19% on strong demand in all regions.

Operating income for the segment was down 2%, primarily due to the timing of higher margin equipment sales this year versus last year and higher magnesium oxide costs.

Year-to-date for the segment, raw material costs have increased nearly $10 million over last year, primarily due to higher Magnesium Oxide costs.

The business has offset the majority of these cost increases through pricing and by introducing innovative lower-cost hybrid refractory products for our customers.

Looking to the third quarter, we expect segment operating income to be similar to the second quarter. We expect continued strong steel market conditions, as steel utilization rates remain in the high 70s. However, we also continue to see higher raw material costs and our team is working to adjust prices accordingly.

Let's move to Energy Services. Sales and operating income in Energy Services both increased 10% versus last year, primarily driven by higher filtration activity in the Gulf of Mexico and the North Sea.

It is currently a very competitive market in offshore services, given the continued low level of production activity.

However, our equipment sales and project pipelines are strengthening and we should see improved margins in the second half.

For the third quarter, we expect operating income for the segment to be similar to the second quarter. Please note that these expectations could be adversely impacted by the hurricane season in the Gulf of Mexico.

Now let's review our liquidity and debt highlights. The left-hand side of this chart shows our cash generation and use for the first half of the year. We've generated Cash from Operations of $80 million, which is in line with the first 6 months of last year.

Note that we have opportunistically used $9 million of cash flow in the first half of this year for discretionary pension contributions, which provide us with a tax benefit this year. We expect cash flows in the second half to be stronger than the first half of the year, given the typical seasonality of our working capital.

And overall for 2018, we expect cash from operations to be higher than last year on improved earnings and the contribution from Sivomatic.

Year-to-date, we prioritized the deployment of $42 million of capital expenditures and repurchased $13.3 million of shares at an average price of $71.88.

Following the acquisition of Sivomatic, our net leverage ratio is now at 2.6x EBITDA. We expect to make debt repayments in the second half of the year, and our net leverage will move towards our target level of 2x over the next several quarters.

So now let me summarize what we are seeing for the third quarter.

In Performance Materials, we expect operating income to be higher by $3 million to $4 million sequentially.

In Specialty Minerals, we expect operating income to be similar to the second quarter. We also expect both Refractories and Energy Services operating income to be similar to the second quarter.

Overall for the third quarter, we see continued strong top line growth across our product lines. Inflationary cost pressures will persist; however, we expect to offset more of these increases to higher pricing and continued productivity. Third quarter earnings per share is expected to be around $1.25, continuing the 5% growth trend we've delivered through the first half.

And now, let me turn it back over to Doug for some perspectives on the first half.

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Thanks, Matt. Before we conclude, I want to take a few minutes to review our first half of the year and what we're seeing looking to the balance of the year.

Over the past six months, we've made significant progress with adding building blocks to each of our businesses to support long-term profitable growth.

In Specialty Minerals we're in the midst of the design and construction of 2 new Paper PCC facilities in Indonesia, and initiated the planning of the new satellite in China.

Additionally, our two Specialty PCC expansions in the U.S. and the U.K. are moving forward and scheduled to come online later this year.

In Performance Materials we're expanding our green sand bond blending capacity in China to keep up with growing customer demand. We are also selectively investing in our Metalcasting business here in the U.S. to maintain and expand high-quality supply for our U.S. foundry customers, we've been focused on leveraging our broad capabilities in water filtration, and applying them to large environmental water remediation problems.

Earlier this year, in our Environmental Products business, we successfully completed trials on a challenging water cleanup project and made our first sale of this new product called Fluoro-Sorb™.

Another growth highlight from the first half is that we completed the acquisition of Sivomatic. I'm very excited about the growth prospects of our larger, global, private-label, cat litter business.

We also faced some challenges in the first half. As I mentioned earlier, we've been managing through inflationary cost pressures that began late last year and continued through the first half. For perspective, we absorbed $19 million in cost increases during the first half of this year, and have recovered approximately $14 million, thus far, through pricing.

We took steps to mitigate this inflation by diversifying raw material sources, working with our suppliers and increasing prices. A portion of our unrecovered costs is due to the lag in timing of when we can contractually adjust prices in some of our product lines. The prices adjust every 6 or 12 months, and the associated costs will be recovered in the coming quarters.

In other areas, price increases are more challenging to implement, requiring us to work this through with our customers. We see a higher capture rate of cost increases in the second half and over the coming quarters and expect to offset the majority of these inflationary issues.

As always, we continued our focus on Operational Excellence. We had a strong first half of the year with productivity of 5%, the number of Kaizen Events to improve our processes up 5% and suggestions from our employees up over 6%. This has been a tremendous effort by everyone throughout the company.

In addition, we've been monitoring the global trade environment. Our imports into and exports out of the U.S. are a very small percentage of our total spend, because we primarily source raw materials, manufacture and sell products within the same country. Magnesium Oxide for our Refractories business is our largest imported material and we are monitoring the application of tariffs on this mineral.

Across all of our major products and end markets we're keeping a close eye on the impact new tariffs will have directly or indirectly on our businesses.

To wrap up, we remain focused on driving profitable, sustainable growth through geographic expansion, new product development and acquisitions. Looking to the second half of the year, we see our growth trend continuing, improved operating performance and continued recovery of inflationary cost increases.

Now let's open it up to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We'll take our first question today from Jeff Zekauskas with JP Morgan.

Silke Kueck-Valdes - *JP Morgan Chase & Co, Research Division - VP*

This is Silke Kueck for Jeff. Can you identify, of the $14 million in recovered cost that you have this quarter, how much of that was freight pass through? How much of that was underlying price? And what was productivity improvement?

Matthew E. Garth - *Minerals Technologies Inc. - Senior VP of Finance & Treasury and CFO*

Silke, let's step back because in the quarter, what we said is we had about $10 million of inflationary challenges and we were able to recover a portion of that. For the full year so far, what Doug highlighted was that we had a gap of about $5 million. Now the recovery, as we're looking at it today here in the second quarter has come from a number of different places. The vast majority of that is in pricing. When we look at it today, you can see that in the second quarter, we would say that the majority again is about -- driven by price, pardon me. And when you look at the year-to-date basis, what we're seeing is about $14 million of that, that Doug has spoken about is all price. So that gap that exists on the full year basis is about $5 million.

Silke Kueck-Valdes - *JP Morgan Chase & Co, Research Division - VP*

And when you talk about price, that includes your freight pass-throughs?

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

So there's 2 components of freight pass through. Silke, one of them Matt highlighted. To get you a little deeper, we have products that are priced on delivered basis. And we have products that are priced ex-works that the customer picks up the freight directly. So where -- in the revenue number, we'll pass that freight directly through. So Matt commented, we probably have about $3.5 million of freight that's in our revenue that's basically direct cost pass-through. The other component of freight that Matt mentioned, the $3 million, sits in our COG. So that's our absorbed freight that's either intercompany or it's absorbed freight because it's in our price already to customers. That we have to move through in pricing. And those are some challenges that we have in terms of moving our pricing with customers. We've been successful doing it. So, so far, this year, $19 million in cost increases. That would've been higher had we not taken some actions to mitigate in terms of our supply base, working with customers, a number of different actions we've taken to push that as low as possible. And then, we've taken the $14 million of pricing actions to cover it. The gap of $5, there's still some pricing that remains to come. What you haven't seen in our second quarter is that we've absorbed that cost. And in the beginning of the third, we were able to pass some of that through in pricing. So we do lag. But as these costs plateau, we'll see that we catch up. And that's why we think the margin compression is temporary.

Silke Kueck-Valdes - *JP Morgan Chase & Co, Research Division - VP*

Okay. And secondly, what you guided to for the third quarter is essentially your EBITDA to be sort of like flat sequentially with the exception of Performance Materials where you think you'll be $3 million to $4 million higher. And what is the sales base that you assume for that? What do you think your incremental sales growth will be?

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

The underlying sales growth there, Silke, is at we think the same pace. We're at that 7%, 8% underlying sales growth. I'm not going to predict where foreign exchange is going, it's actually starting to move against us right now. So that might pull that back a bit. And then we have the -- probably the same pace of Sivomatic sales. So it's probably going to be about 10% kind of growth rate going into the third quarter depending on that FX.

Silke Kueck-Valdes - *JP Morgan Chase & Co, Research Division - VP*

10% sequentially or year-over-year?

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Year-over-year.

Silke Kueck-Valdes - *JP Morgan Chase & Co, Research Division - VP*

Year-over-year. So that means -- So what you think is that your sales base is going to be -- so your sales are going to be somewhere like in the $460 million and your EBIT is going to be somewhere around like $60 -- like $68 million? Something like that?

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Sounds about right. And that's going to depend, Silke, on our ability to again capture these costs, some of which will come contractually and some of it we're going to have to work through. It also depends on if we continue to see this rate of inflation. We're seeing a couple things taper but we do expect things like freight, it's been very challenging in terms of availability and unit pricing and we see that continuing.

Silke Kueck-Valdes - *JP Morgan Chase & Co, Research Division - VP*

Is that -- you continue to do a very nice job. It sounds like with -- we see operating cash flow. Do you have an operating cash flow target for the year? And do you have a free cash flow target for the year? Or maybe you can just talk about your capital expenditure levels for the year?

Matthew E. Garth - *Minerals Technologies Inc. - Senior VP of Finance & Treasury and CFO*

Yes, Silke. So operating cash flow, we're expecting to be above what we saw last year, in the $210 million to $220 million range. And from a capital expenditures perspective, we're tying it around $80 million to $90 million.

Operator

And next we'll move to Rosemarie Morbelli with Gabelli & Company.

Rosemarie Jeanne Pitras-Morbelli - *G. Research, LLC - Research Analyst*

So if I follow up on Silke's question, then you'll end up in the third quarter with about $460 million in revenues, $68 million also of EBIT, which would give you a 14.8% margin, 100 basis points above the second quarter, sequentially. Does that meet your expectations in terms of the price catch up sequentially? Or do you think you can do better than that?

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

No, that doesn't meet our expectations. Look, I think we've always targeted around 16% margins for the business. And I think that's still achievable. I think, again, we've been facing some -- these price -- or these cost increases which we're passing through. We do lag. I do see that we'll be moving these margins up, as you say around 15% in the third and I think they continue to move higher as we catch up with these cost increases. So I do think there's more room for that. And I do see them recovering back to more historic levels as we move through some of these challenges.

Rosemarie Jeanne Pitras-Morbelli - *G. Research, LLC - Research Analyst*

Okay, no. I didn't mean just I want to correct what I said, or did not phrase properly. I didn't mean that your overall target long-term was around the 14.8%. I was just looking at the third quarter on your way to the 16%.

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Absolutely. Our target -- we still think we'll get back to those historic margins. But yes, it's going to be increasing as we continue to claw -- move our prices and adjust our cost structures back to -- through the means we just talked about over the next several quarters.

Rosemarie Jeanne Pitras-Morbelli - *G. Research, LLC - Research Analyst*

Then looking at Metalcasting, your pre-blended usage in North America, I mean, for the industry overall of 95%. I am assuming that you are not the only one -- player in that particular category. So when we look at the potential in China, are you seeing the competition, the U.S. competition, of Europeans, whichever one it is? And if you could help me, at least, understand who it is? Do you see them also moving into China? And therefore, as time goes by, while there will be growth, there will be more pressure on your margins?

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Yes, let me -- I'll start it off, and then I'm going to pass it to Jon Hastings. And while I'm at it, I just want to introduce Jon. He's -- Jon is our new Group President for the Performance Materials business. Jon joined the company in the Corporate Development role and has recently moved into this new role. And -- after the retirement of Gary Castagna. So I'm going to start it and then I'm going to pass it to Jon to give you a little bit more color. But to first address, it really depends on where we have competition in China. It really depends on the segment of the market that you're looking at. As I mentioned, in my remarks it's about 60% of the market, the foundry market in China that we don't even participate in. It's a very small, very fragmented base of foundries. In the other 40%, I'll probably give you 15% of it is very high-end large, sophisticated foundries serving, major automotive, global automotive companies. Those are the ones that are really consuming and know the value of our blended bond systems. And we do have competition there. One other competitor, European competitor, which is Clariant. And actually sometimes in China it's good to have a competitor where 2 people are kind of moving in the same direction, moving the market toward a blended system. But anyway, Jon, sorry might've taken a little bit there, but why don't you go ahead and give us your thoughts on what you're seeing in the growth in China and how do you see it sustaining?

Jonathan J. Hastings - *Minerals Technologies Inc. - Group President of Performance Materials*

It's Jon. Couple of things. Let me just start with the fact that we are the supplier of choice in North America. You noted that. That's predicated on a couple of different things. We have very unique ore positions. We've got more than 70 years' worth of know-how. And that know-how and technical expertise is recognized around the world. We've got really deep knowledge of our -- the foundry systems and the interaction of all the components that go into the bond systems and influence the production coming out of a foundry production line. The customers recognize that. They recognize us as world leaders. We certainly have the benefit of consistent and high-quality products. And really what that does is it results in an improvement in quality and a reduction in scrap at our customers. And as our customers continue to invest and upgrade their capabilities, they're looking for improvements in the bond systems which are supplied to them. So in China specifically, what we're seeing is, as Doug said, there's an upgrade in technology in the foundries, and as that happens, they're looking for the blended products. Now what we have is, we've been present in China for what, 15, 18 years or so. And we expect to continue to grow. We do have the competition that Doug alluded to, Clariant. But we've got 450 customers and they continue to expect us to supply them and we continue to expect to grow with them. We are differentiated in our technical capabilities in the products that we supply, and we have all sorts of good prospects for continued growth going forward.

Rosemarie Jeanne Pitras-Morbelli - *G. Research, LLC - Research Analyst*

And if I may follow up on this subject, what is the time frame do you think for the Chinese market to go to maybe half of what the penetration is in North America? And therefore, the potential for an additional, let's call it, $450 million worth of revenues? I mean what are we looking at?

Jonathan J. Hastings - *Minerals Technologies Inc. - Group President of Performance Materials*

Yes, Rosemarie, it's going to take some time for the Chinese market to evolve to the point where you have the penetration of blended product similar to North America. And what that means is that we've got this full capability of extending our growth trajectory for a long period of time. Again, just to emphasize, the customers are moving. They're moving in that direction. But there's a lot of bandwidth there, a lot of room for movement. Doug highlighted the fact that there's 60% of the market that doesn't use blended systems. There's small foundries, and as the foundries get more sophisticated, we've got ample opportunity for growth.

Operator

And next we'll move to Dan Moore with CJS Securities.

Daniel Joseph Moore - *CJS Securities, Inc. - Director of Research*

And while we've got Jon and we're talking Metalcasting, help us understand a little bit. Is there any upfront capital costs anywhere near what they would be in PCC in terms of converting to your outsourced blends? And if not, what are the biggest impediments to conversion?

Jonathan J. Hastings - *Minerals Technologies Inc. - Group President of Performance Materials*

There are couple of ways that we look at this. We continue to invest in our facilities. And our facilities are basically our blending plants, silos, other ways that we help our customers. The amount of capital that will be spent is nowhere near what it would take in order to continue expanding the paper business. However, as the market continues to grow, we'll continue to balance the needs of the customers with our capital expenditures such that we're well-positioned to continue our differentiated competitive position.

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Dan, I'll just add to that. Yes, it will require some capital. But our blending facilities are as Jon mentioned, probably a little bit simpler or smaller footprint than a PCC satellite in terms of complexity of control systems et cetera. We will need to deploy capital to expand the market. I mentioned in my comments, we're expanding our blending capacity in our facility in northern China. So we'll require that. But I think as we leverage our infrastructure, that will also come with expanded margins. And I think that as we put in that capital, we have a great team of people already in China. We have 800 MTI employees in China. And we have an established base of shared services. We have very highly sophisticated technical teams. I mentioned we have our R&D center for Paper PCC in China. And so, we have the base of infrastructure already there and to leverage these higher sales and the incremental capital will be put in as we see it's needed in a very prudent fashion to make sure we ensure supply to customers.

Daniel Joseph Moore - *CJS Securities, Inc. - Director of Research*

Very helpful. I guess the other part of the question I was trying to get at was the biggest hurdles that potential customers have within that 40% of the market toward switching. What is it, the pushback? Is it -- an annual change over? What does it take to get folks over the hump? That's sort of what I was getting at.

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

I think it's a similar challenge that we have in terms of Paper PCC. There's an inherent capability that they've developed, whether it be because they're using a different pigment today. And they're used to that cost structure or that per unit cost. You have that capability built into current foundries. And what you're trying to sell is hey, I can do that better than you and it takes time to demonstrate that. So by bringing that technology, bringing that global experience, understanding -- deeply understanding that foundry system. And then over time as you make trials, you show them that value of being able to price effectively, cost effectively, increase productivity, increase their quality and save them a lot of money at the same time. So it's a process. But it is -- it's a selling process. It's a technical selling process.

Daniel Joseph Moore - *CJS Securities, Inc. - Director of Research*

Very helpful. And then switching gears, one more if I might. Seeing a continued nice uptick in Environmental Products, which tends to be lumpy, maybe just talk about products, pipeline and your outlook for continued growth there?

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Yes, it does tend to be lumpy. And we had some lumpiness in Building Materials where we had some large projects last year and we obviously didn't repeat this, this year. This quarter in Environmental Products, yes, it's a strong quarter. We had almost 30% growth. Those items are kind of our commodity GCLs, so it's affected some of the margins through just that mix element. But we've been working on again expanding the portfolio of higher tech projects. So we talk about our Resistex, which is a much higher technical product than a base GCL for challenging landfill remediation issues. We've now -- looking at what we do in Energy Services and already have an inherent capability in water in the company. We've expanded our portfolio to start to look at water remediation. And I mentioned that we trialed -- successfully trialed a new product called Fluoro-Sorb™ targeted at some challenging water issues here in the United States. And so, we think we're going to -- we're moving that portfolio to a much higher margin, higher value type Environmental Products portfolio. And I think you'll see some improved results over the next year as we roll some of these out.

Operator

Next, we move on to Steve Schwartz with First Analysis.

Steven Schwartz - *First Analysis Securities Corporation, Research Division - Analyst*

So first question on -- Doug, you mentioned tariffs on MgO. And I'm just wondering, from a competitive standpoint, where you sit with respect to your competitors and their cost position? So does it -- will your competitors see as much of a headwind, less, more?

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Sure, I'm going to kick if off by saying that depends on which region. And so I'm going to let Brett Argirakis, who runs our Refractories business, give you some color there.

Brett Argirakis - *Minerals Technologies Inc. - VP & MD of Minteq International Inc.*

Yes, Steve, what we've seen is the MgO increase is significant, very significant. Low grade, which is the majority of what we use, 90% to 92%, went up about 50%. While the high grade, which is the brick, more used in brick, 97 grade. We use a small part of it, has gone up 2.5x. With that said, our competitors use a lot of that. Some are backward-integrated. And therefore, they still have to purchase some raw materials from China. So it has impacted them, maybe a little less. On the other hand, you have raw materials in China and in Turkey that have seen some higher cost. But what we have done, what we have done to offset is, in addition to price increases, is our product alternatives. We've been able to roll out our new product portfolio that provides equal to or better performance at lower cost. And then secondly, in Turkey, we have been able to light up our second kiln that added additional magnesia that we produce at a very, very competitive price that has helped our cost recovery.

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Let me add just one thing. When I mentioned it depends on region, Steve. In North America, I think all magnesium oxide for everybody is imported. So really in North America, we're at that same kind of advantage or disadvantage than anybody else. And as Brett mentioned, some of our competitors have to buy that much higher cost material for their products relative to us. In Europe, more of the competition is vertically integrated, and so are we. I'd give you in Europe we're probably 70% vertically integrated through the kilns that -- our own production of MgO. And so we keep pace in terms of our competitive position vis-a-vis our competitors in both of those regions.

Steven Schwartz - *First Analysis Securities Corporation, Research Division - Analyst*

Okay. And what is essentially is driving these cost increases? Is it very simply just higher demand?

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Actually, it's been environmental regulation in China. So I'd say 70% of the world's magnesium oxide originates in China. Mines in Turkey et cetera, there are other pockets of magnesium oxide but 70% of the world's MgO is generated from China. And last year, late last year as the Chinese government looked to curtail emissions, has shut down a number of those magnesium oxide kilns for a time. And so, we saw curtailments in production, which has persisted. Which has taken some supply out of the market. We as a company have diversified our supply base around the world. So that did impact us some but it also -- we have built over the years as you remember, not only 100% supply from China. We have diversified globally. But that's what's really driving and when the largest region increases prices, others tend to follow.

Matthew E. Garth - *Minerals Technologies Inc. - Senior VP of Finance & Treasury and CFO*

You may ask about the tariff situation and how it may impact MgO. Right now, there's a proposed 10% tariff on MgO. But that is also being looked at potentially rising to 25% in the most recent proposals. And just from an overall perspective for MTI, as you look at import-export beyond just MgO but for the whole entire company, as Doug said, the amount of export or import that we have is relatively small. We actually export about $9 million and we import about $17 million. The vast majority of that import is the MgO that we've been speaking about.

Steven Schwartz - *First Analysis Securities Corporation, Research Division - Analyst*

Okay. And while we're generally in the Refractories area as we head towards the end of the year, the equipment sales tend to be seasonal and oftentimes heavily weighted into the fourth quarter. Can you give us an idea on how the trend is going so far this year for equipment?

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Yes, we've had -- we noted -- Matt noted the year-over-year change in equipment. As you probably recall Steve, our equipment purchase -- our equipment sales have traditionally been back-end loaded in the fourth quarter. Last year, they were more evenly spaced throughout the year. This year, we're seeing them kind of move toward the third and the fourth quarter again. So yes, I think in part of our outlook for the year, we see another really strong year of equipment sales but they're moving back toward that kind of late year sales.

Operator

Next, we'll move to Jeff Zekauskas with a follow up with JPMorgan.

Silke Kueck-Valdes - *JP Morgan Chase & Co, Research Division - VP*

Hi, just 2 things I want to go over. In terms of the products that you export to Asia, is that related like the green sand that you need for metalcasting? And do you source that regionally?

Matthew E. Garth - *Minerals Technologies Inc. - Senior VP of Finance & Treasury and CFO*

We source a bit of it regionally. But remember we have a very strong base of high quality bentonite here in the U.S. in our Western mines that we use and ship around the world. The amount of that is relatively smaller though, in the overall viewpoint from what we are moving back and forth. And last night, I think there was a news line from the Chinese government that said new proposals for additional tariffs may include bentonite. But again, it's a relatively small amount of material that we're exporting from the U.S. to China.

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Our Western bentonite, Silke, is -- we call it Western bentonite, comes from Wyoming-Montana region -- states. It's kind of a unique grade throughout the world. It is very premium and we do, and some customers do appreciate and pay for that premium product throughout Asia and even into Europe. But it's probably only about 5% of our total bentonite production but we do charge a premium for that. Most of our bentonite in China is self-sourced or we buy from third parties.

Silke Kueck-Valdes - *JP Morgan Chase & Co, Research Division - VP*

And for your -- for like the Metalcasting on sales that you have into China, is that based -- with -- is it based on like regular bentonite? Or do you use the green sands from Wyoming for that?

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Like I said, some of our formulations, we'll use Wyoming bentonite but a very small portion. The vast majority of that is locally mined or sourced bentonite from China. We have our own mines in China so we'll use that and we also look around the region and will source from third parties as we see the grades we need.

Silke Kueck-Valdes - *JP Morgan Chase & Co, Research Division - VP*

That's helpful. And secondly, I have a question about the PCC tons. Of the 3 million tons of the PCC that you produce today, how many tons go to China?

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Well, I won't give you the China tons. I'll give the Asia tons. I'd say 25%, a little over 25% of our total tons are probably in Asia. It's coming very close to the same size, same tons for North America. North America's still the largest production region. But that's why I mentioned that as we build and fill the 400,000 tons that we're putting into Asia, that region is going to become the biggest for MTI over the next probably 2 to 3 years.

Silke Kueck-Valdes - *JP Morgan Chase & Co, Research Division - VP*

So when we look -- small amount of math, just to understand the China market. So what you said is that the China uncoated wood-free paper market is about 15.6 million tons. And PCC is normally filled in a level of like 20%. So is that like 15.6 million tons, 20%, it's like a 3 million ton market. And currently it's 50% penetrated. So it's like 1.5 million tons are already been sold. And you're like 750 of that, roughly or maybe a little bit less?

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Roughly, a little bit more.

Silke Kueck-Valdes - *JP Morgan Chase & Co, Research Division - VP*

Or may be a little bit more. And who is the other supplier or is there local GCC that can be used?

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Tell you what, let's talk a little bit more about China. How about DJ give you a little color on the kind of competitors, and what's out there in terms of the structure of the market?

D. J. Monagle - *Minerals Technologies Inc. - Group President for Specialty Minerals & Refractories*

Certainly, so Silke, we are the market leader in China and Asia in general, especially strong in India where Doug was also highlighting things. But back to China, it's the marketplace very much mirrors our global market, meaning that two international players are out there, Omya and Imerys are the company names. Omya would be -- would have the second largest international share. There's also a fair amount of local Specialty PCC or PCC that is sold into the paper market. So one of the dynamics that we have is showing our performance against local PCC, but that's where our applications expertise and our higher filler portfolio and those elements come in and create a differentiated advantage, a much greater advantage versus the locals and a pretty solid advantage versus the internationals. Does that help?

Silke Kueck-Valdes - *JP Morgan Chase & Co, Research Division - VP*

That's helpful. And like the last question on the China market, if the wood-free paper market is about 15.6 million tons in 2017. Do you think that market was about like the same size 2 or 3 years ago? Like is it a market that's generally growing or shrinking?

D. J. Monagle - *Minerals Technologies Inc. - Group President for Specialty Minerals & Refractories*

Silke, it's -- the projection that we put on there is 1% year-over-year growth. It's been that way for a while. We are seeing a transition. So Doug was highlighting some environmental pressures that affected the MgO business that we talked about earlier. Those same sort of pressures are affecting the paper industry. So over time, we do see consolidation in that industry growing, but the rate of overall consumption of overall production is in that 1% to 2% range.

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Let me add one thing to that. That consolidation that DJ talks about is a major driver for PCC -- continued PCC penetration. Let me tell you why. There's, again similar to that Metalcasting structure, the paper market in China is similar. You have some very small producers of which we are not servicing today because to displace GCC it's probably -- it's very uneconomical to build a satellite for some very small paper producers. But as that consolidation happens, and that paper gets consolidated into a new machine at a major Chinese paper maker, there is where either PCC is already on site and there's an expansion, a new satellite. So it drives that Paper PCC -- or that PCC kind of conversion. So over time, that will continue but the math is about right. There's probably 1.5 million tons of PCC remaining and then that size -- similar type math applies to India. We've always modeled that we'll get half of those tons. I think historically, we've done higher than that in terms of our capture rate of those conversions and those new satellites. That gives you an idea of why we think we'd been growing at 10%, 12% per year for the past 5 years. Now it's going to be the biggest region for the company in terms of PCC. And we see it continuing growing at that 10%, 12% range for the next 5 years.

Silke Kueck-Valdes - *JP Morgan Chase & Co, Research Division - VP*

That's helpful. And I'm going to ask a very last question for Matt, just like a housekeeping question since there is still a queue. What was your -- D&A in the quarter? And what do you expect in total D&A for the year including Sivomatic?

Matthew E. Garth - *Minerals Technologies Inc. - Senior VP of Finance & Treasury and CFO*

D&A is running around $23 million to $24 million right now. That's inclusive of Sivomatic. So I think for the year, Silke, you're going to end up being around $95 million based on what we did in the first 2 quarters. So you step back from that and from an overall cash flow perspective, still very strong, bringing Sivomatic again, generating stronger cash in the second half, and we've already told you what the CapEx number was. So free cash flow for the year should also add up better than it was last year.

Operator

Next we'll take a follow-up from Rosemarie Morbelli with Gabelli & Company.

Rosemarie Jeanne Pitras-Morbelli - *G. Research, LLC - Research Analyst*

A couple of follow-ups. Regarding Sivomatic, are you still comfortable with the contribution of $0.09 to $0.10 in the second half? Meaning that this -- well, yes. I'm assuming there has been no contribution to EPS over the first 2 months of ownership?

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Yes, we're still comfortable with that range, Rosemarie in the second half. We have -- we're still integrating the business. There's still a couple of costs that will show up in the third quarter in terms of our actions but that range we're still comfortable with.

Rosemarie Jeanne Pitras-Morbelli - *G. Research, LLC - Research Analyst*

And looking at Refractories. You are expecting progress or at least you talked about higher prices going through et cetera and then costs plateauing. And yet, you are looking at a flat operating income sequentially. So what are going to be the negatives?

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

The negatives are, well there's a couple of things going on in the quarter. We've got some -- it's really a volume projection. We still see a strong steel market. We have a couple of re-lines that are going on in the third quarter which temporarily shifts some volume. We are going to continue to see higher magnesium oxide costs. I think in this business alone we've just implemented a price increase in the beginning of July for costs that we've captured in the first half or the second quarter. And we see some more higher costs coming through, probably around another $4 million in that business in the third quarter. And we're going to be adjusting prices. So I think we're in this -- what we're projecting is we're in this kind of mode of making sure that we're passing through. We could see some plateau of those MgO costs toward the end of year. We'll see a little bit as we see how market prices react here in the third quarter. But it's really just as we move through adjusting prices, couple volume changes, we see that being flat. We see improvement in the fourth quarter with all those equipment sales that I mentioned to Steve starting to come through versus last year.

Rosemarie Jeanne Pitras-Morbelli - *G. Research, LLC - Research Analyst*

Right, which is what confused me. The equipment sales are growing and they usually have a higher margin.

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

They do and that was part of the margin change this quarter. When you take a look at last year, we had a very strong quarter, second quarter last year, of equipment sales. Those equipment sales are going to show up more in the late third, probably fourth quarter. It's the timing we're working through, but probably more in the fourth quarter this year. So still a strong year in equipment, it's just a change in timing.

Rosemarie Jeanne Pitras-Morbelli - *G. Research, LLC - Research Analyst*

Okay. And so, this is one thing. Then the environmental large projects at a lower margin. Is that, I mean, usually the way it works? Or was it that this particular project were especially more commodity than anything else?

Matthew E. Garth - *Minerals Technologies Inc. - Senior VP of Finance & Treasury and CFO*

No, it was just a higher volume of our more base GCL sales. So the 29% growth was growth in that kind of more commodity GCLs, which typically are lower margin than our kind of high-tech specialty GCLs and other remediation products. So we had a strong sales quarter - it was just a poor mix for that business this quarter.

Rosemarie Jeanne Pitras-Morbelli - *G. Research, LLC - Research Analyst*

And then quickly, what is behind the energy margin? You had top line growth and yet your margin declined to be below the magic 10% target.

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

We've modeled that, we keep -- we mentioned we modeled that business when we restructured it about 1.5 year ago to be $100 million and 10% margins. We have not hit that $100 million revenue yet. Since that time frame, markets continue to be depressed. That said, we've got -- we feel we have the right structure of overhead and positions around the world to capture growth as it moves. The change this quarter was just a little bit more of the filtration versus well testing mix. This quarter was a little bit stronger in well testing work and we mentioned that, that was some call-out work that tends to be pretty competitive and so there's been some pricing pressure. We do see in the second half of the year some of our well testing work and larger projects, filtration flowbacks, growing and we think those margins will expand a bit in the second half. A couple other highlights, though, we've talked last quarter about some of those new -- we call it ORCA but it's a comprehensive water analysis program for our customers. Those are up 30% over last year and usually, what's happening there is as we go and diagnose tough water problems, that will lead to either a sale of equipment or some service work. And we've seen on the front end of that about 30% increase in some of those projects. So we're feeling a little bit better about what's coming in the second half.

Rosemarie Jeanne Pitras-Morbelli - *G. Research, LLC - Research Analyst*

Thanks. And my last question has to do with the M&A pipeline. Can you bring us up to date as to what we should be expecting? And are they all going to be accretive at the get-go the way you usually do?

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Well, I'll see what I can tell you. First, I'll tell you we're busy integrating Sivomatic. So we're focused on making sure that we deliver and that business delivers what we expected it to do for the price we paid. So first and foremost, we're there. We're doing a great job with it as I mentioned. I think the team has really got their arms around it and the business is performing as we had expected. That said, we still have a pipeline of other opportunities that we've been looking at. We meet quite frequently as a team to assess those opportunities. It's hard to predict for you the timing of what's there and what might work. We have seen that valuations out there are pretty high. We're seeing that a business is sold or purchased for pretty high multiples, and that's -- so we look at things on an IRR basis. If you know us, when we look at something, we know exactly what we want to do with it, exactly what we're going to get out of it and exactly what we'd be willing to pay. So we stick to that knitting. But there are some good opportunities there. We generally like them to be accretive immediately, yes. And typically, they are. But I can't tell you that all of that will be exactly -- fall exactly that way. So did that help a little bit in terms of the picture?

Operator

And now that will conclude the question-and-answer session. At this time, I would like to turn the call back over to Ms. Buckwalter for any closing remarks.

Cindi Buckwalter - *Minerals Technologies Inc. - VP, Investor Relations and Corporate Communications*

Thank you, Richelle. Thanks everyone for joining us today. We look forward to speaking with you again soon, and hope you have a great day.

Douglas T. Dietrich - *Minerals Technologies Inc. - CEO & Director*

Thanks everyone.

Operator

And with that, we will conclude today's call.
