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MTX - Q4 2011 MINERALS TECHNOLOGIES INC. EARNINGS CONFERENCE CALL

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OVERVIEW:

MTX reported 2011 sales of over $1b and EPS of $3.77. 4Q11 EPS, excluding special items, was $1.05 and reported EPS was $1.11.

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CORPORATE PARTICIPANTS

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PRESENTATION

Operator

Good morning. My name is Chanel, and I will be your conference operator today. At this time, I would like to welcome everyone to the Q4 2011 Minerals Technologies, Inc. earnings conference call. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions) Thank you.

I would now like to turn the call over to Mr. Rick Honey, Vice President of Investor Relations, Corporate Communications. Please go ahead, sir.

Rick Honey - *Minerals Technologies Inc - VP, IR & Corporate Communications*

Good morning. Welcome to our fourth-quarter 2011 earnings conference call, which is being broadcast on the Company's website, www.mineralstech.com. Joe Muscari, Chairman and Chief Executive Officer, will begin today's call by providing some perspective on our full-year performance. He will be followed by Doug Dietrich, Senior Vice President and Chief Financial Officer, who will review our fourth-quarter financial results. And DJ Monagle, Senior Vice President and Managing Director of Paper PCC, will provide an update on growth development in that business unit.

Before we begin, I need to remind you that on page 8 of our 2010 10-K, we list the various factors and conditions that may affect future results. Statements related to future performance by members of our management are subject to these cautionary remarks and conditions.

Now I will turn the call over to Joe Muscari. Joe?

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

Thanks, Rick. Good morning, everyone. 2011 was a record-breaking year for Minerals Technologies. Operating income surpassed the $100 million mark for the first time in our 19-year history, and earnings per share were $3.77, an all-time high. Sales increased 4% over 2010, to over $1 billion. It was also a transitional year for the Company. We successfully executed our key strategic initiative of geographic expansion in our Paper PCC business, while engaging in a major new product introduction that simultaneously spanned four regions of the world at over 24 paper-making sites, as we launched our new Fulfill portfolio of products. DJ Monagle, head of our Paper PCC business, will be providing an in-depth status update on this program later during the call.

This year also saw record performance in our Refractories segment and near-breaking record performance in our Performance Minerals business. Both of these businesses are now on a very solid footing, and positioned to fully leverage improvement in the general economic environment. Much of the Company's improved performance is the result of our Operational Excellence lean initiative, which is now integrated and embedded throughout the Company. We are now truly in a new place from an operations standpoint.

Our cash position remains strong, as we generated $134 million in cash flow from operation during the year. And we also continued our share repurchase program, buying back $48 million in Treasury stock during the year. As you can see on this slide, our 2011 earnings are well above pre-recession levels, even though our volumes are not there yet, which is indicative of our operating leverage potential. Return on capital presents a similar picture. In 2011, we met the target set in 2007, which was to raise our return to a level greater than our cost of capital.

Let's take a quick look at some of the Company's growth accomplishments during 2011. On the Paper PCC side, we signed five new contracts to construct satellite PCC facilities on paper mill sites, all in Asia, where printing and writing paper production continues to grow 6% to 7% a year. In addition, we began operation at three satellite facilities -- two in India and one in the US. These agreements mean that we have signed contracts for nine new satellite PCC plants and five expansions in the last two-plus years. We now have five satellite plants in operation or under construction in India. And we were able to obtain these facilities over our competition primarily through the differentiation we offer in our new products, and our ability to customize these products to individual customer needs.

The added value of our new Fulfill portfolio of higher filler products is beginning to be accepted by paper makers, not as quickly as we had wanted, but we are gaining momentum. We now have five paper mills that are using our E-325 commercially, as we announced another commercialization in Southeast Asia earlier this week.

In the fourth quarter, we announced an agreement with Nalco to distribute Nalco's FillerTEK technology for paper mills, using PCC as a filler in the paper-making process. We will distribute this technology under the Fulfill V name, as originally envisioned when we announced the Fulfill platform a little over a year ago.

During the year, we also launched new ground calcium carbonate and talc products. These included a new line of low oil absorption talc products for such applications as architectural and industrial coatings. These products provide excellent scrub resistance and flow control in low volatile organic paints and coatings. In January, we announced a new antiblocking series of products for high-clarity film and bag applications, which help to prevent the adhesion of two adjacent layers of plastic films.

During the summer, the FerroTron Division of our Refractories business unit launched the LaCam-Torpedo measuring system, a revolutionary way to measure refractory lining thickness in hot torpedo transport ladles. This new technology improves safety, increases ladle availability, extends refractory life, and saves costs in terms of energy, material, and maintenance. Our FerroTron business has long been a market leader in 3-D laser profile measurement systems for assessing refractory lining conditions in steel converter vessels, electric arc furnaces, and ladles.

It was actually significant progress on many fronts, as we reflect on our overall performance for the year. As I mentioned earlier, the Refractories business unit had record performance, with 9% revenue growth and 15% growth in operating income, all on sales that were 15% lower than pre-recession levels. We will take a few minutes and review some of the Company's other accomplishments, including our Operational Excellence initiative, new product development, expense control, and safety.

I would also like to provide some deeper insight into our Performance Minerals business unit, which is operating at a very high level of performance. This business, which consists of our ground calcium carbonate talc and specialty PCC operations, showed remarkably strong growth and profitability. The Group improved income from operations by 22%, on increased sales of 6% and volume growth of 7%. The business also improved its return on capital to over 12%, an increase of about 25% from 2010. And they had the best safety performance in the Company, with a lost workday injury rate of 0.24 per 200,000 hours worked, which is very close to world-class safety levels.

This next chart compares residential fixed investment in the US to our ground calcium carbonate sales on an index basis from 2007. And as you can see, from 2009, residential fixed investment has actually declined 5%, while our volumes of GCC grew 13%. Keep in mind that more than 60% of our GCC goes into the residential construction market. Our increased GCC sales are a direct result of improved cost and quality performance, which is enabling increased market penetration. Our new products and customer product customization efforts over the last several years are also paying off here.

On the productivity front, MTI continues to improve, with sales per employee increasing by nearly 25% over the last five years. These productivity improvements are founded on our Operational Excellence lean operating model; and in 2011, we continued our deployment initiatives. MTI employees met the target of establishing standard work for 80% to 100% of all critical work processes in the Company, including staff functions as well as all of our operations processes.

We held more than 400 total productive maintenance events during the year. TPM is a process by which equipment availability, efficiency, and repair costs are improved in a systematic way by our employees -- very critical area for our operations. We also held some 730 kaizen events, which are designed to engage all of our employees in helping to improve our processes. On average, three learning and improvement events were occurring every day somewhere in the Company. And our employees also continue to generate new ideas as part of a robust suggestion system, which is now a normal part of how we operate at MTI. For 2011, our employees generated more than 6,100 ideas, of which 65% were implemented.

Perhaps the most significant metric for a technology-based company is the health of its new product development pipeline. As you can see on this chart, MTI's continues to be very healthy, as we continue to generate new ideas for products that can increase value for our customers. Each stage of our pipeline is active in progressing these ideas, and we continue to launch and commercialize at a relatively good rate. Our continuous improvement approach to expense control allows us to further improve profitability. And as you can see on the slide, we have been able to reduce SG&A from 12.9% to 10.7%; and total overhead, which includes planned administrative expenses, have actually been reduced by around $40 million over the last five years.

Safety, as I think all of you are aware, is a top priority at MTI. And we continued to make progress in this arena as well in 2011, with our overall rate for lost workday injuries coming down to 0.65 per 200,000 hours worked, compared to 0.75 in 2010, a 13% improvement. The Company's recordable injury rate was 1.7 per 200,000 hours worked, and that compares to 2.1 in 2010, almost a 20% improvement. Our target condition is to achieve world-class safety performance, which, as you can see from this chart, we are now approaching.

As we look forward, technology leadership and operational excellence will continue to be key drivers of profitable growth, along with our key strategies of geographic expansion and M&A. Key points of focus for innovation and new product development will continue to be our higher filler technologies in the Fulfill portfolio of products for our PCC business, as well as innovative new products for our Refractories and Performance Minerals businesses. On the M&A front, we remain very active, although nothing has come to fruition yet. We continue to target minerals-based companies that have a technology base, and products where we can leverage our core competencies of crystal engineering and fine-particle technology.

As we look at 2012, we are facing both challenges and opportunities in this new year. We will continue to enlarge our presence in Asia with new satellite PCC plants in that growing region. A more rapid acceptance of the Fulfill E and V series will continue to be a significant opportunity and priority for us. And as I mentioned, DJ Monagle will update you on progress here in a few minutes with a lot more detail. The economic situation in Europe, however, is a concern for us, and we expect to see further consolidation of the paper industry there as a result of it. We also expect steel to be affected to some degree.

Steel production in North America, however, is expected to remain stable, and we believe we will continue to see improvements in our Refractories business here. Our Performance Minerals business outlook is good, and small improvements in economic recovery will continue to be effectively leveraged to the bottom line. As I mentioned earlier, M&A will also continue to be a priority for us, as we are well-positioned in the market as an acquirer. Overall, we have a positive outlook on 2012, and expect to continue on a performance-improvement track.

Now, let's turn it over to Doug.

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

Thanks, Joe. Good morning, everyone. I would like to review with you our consolidated business segment results for the fourth quarter. I will highlight the key market and operational elements of our financial results before special items in each major product line, and comment on comparisons to both the fourth quarter of 2010 and sequentially to the third quarter of 2011. As Joe mentioned, we reported earnings per share of $1.05, excluding special items, which represents a 24% increase from the $0.85 per share recorded in the fourth quarter of 2010. We recorded a tax settlement benefit of $1 million, or $0.06 per share, in the quarter, which brought our reported earnings to $1.11.

Consolidated sales increased 3%, or about $8.4 million from the prior year. Sales increased in both the Specialty Minerals and Refractories segments, with the most significant growth occurring in our Refractories segment, where sales grew 8%. Sales in Specialty Minerals grew 1%, with Paper PCC sales down 3%, Specialty PCC up 16%, and Processed Minerals product sales up 11%.

Operating income increased 11% to $25.2 million, and represented 10% of sales versus 9.4% in the prior year. Specialty Minerals segment operating income declined 6%, due to European paper mill shutdowns and curtailments affecting Paper PCC volumes. Refractories segment operating income increased 58%, due to improved Refractory margins, as well as increased metallurgical wire volumes. Both segments were affected by higher raw material and energy costs, which were partially offset by price increases.

For the Company, total expenses, including plant overhead costs, represented 14.7% of sales in the fourth quarter -- below last year's ratio of 15.7%, reflecting our ongoing efforts to keep expenses tightly in control. Our sequential performance was above expectations, as earnings per share were $0.10 higher than in the third quarter, driven primarily by higher operating income in Refractories. In addition, we also benefited from a favorable swing in Other income, primarily due to foreign exchange and a lower tax rate. Our full-year effective tax rate was 28.8%, which resulted in a fourth-quarter rate of 26.3%, excluding special items.

Our consolidated sales decreased 4%, and operating income decreased 2% from the third quarter. The decrease in sales was in Specialty Minerals, due to lower Paper PCC volumes in Europe, and to the normal seasonal decline in the Processed Minerals product line. The decrease in operating income was also in the Specialty Minerals segment, due to these volume declines combined with higher lime costs in North America, which we cannot pass through contractually until the first quarter of 2012. The Refractories segment operating income performance was higher than expected, due to an increase in equipment sales, and higher refractory and wire volumes.

Our return on capital for the quarter was 9.5% on an annualized basis, at 8.5% for the year, which is above our weighted average cost of capital of 8.4%. Our balance sheet remains strong; we have nearly $415 million in cash, and just under $100 million of debt. And in the fourth quarter, we generated $41 million in cash flow from operations, of which $15 million was used for capital expenditures. In summary, our fourth-quarter results reflect strong financial performance, and our continuous focus on profitable growth and maintaining strong cash flows.

This chart illustrates our quarterly earnings per share over the past five years. We are now performing in the range of EPS that we recorded in early 2008 before the recession, despite 16% lower revenue. This slide shows the financial results within the Specialty Minerals segment. In total, sales in Specialty Minerals grew 1% from the prior year. Paper PCC sales were down 3%, primarily due to a 13% decline in European Paper PCC volumes. The declines in Europe were the result of permanent mill shutdowns in Finland, a temporary mill shutdown in France, and general weakness across Europe. These declines in Europe were partially offset by volumes from our three new satellite facilities in Superior, Wisconsin, and in India, reflecting the benefits that our growth strategy is beginning to have on our business.

In the other segment product lines, Specialty PCC sales were up 16%, and Processed Minerals products rose 11%. Within Processed Minerals, talc sales increased 17%, and GCC sales were up 6%. Segment operating income in the fourth quarter decreased 6% from the prior year, to $16.2 million. This decrease was a result of higher raw material and energy costs, and lower Paper PCC volumes in Europe. This was partially offset by the contribution of our new PCC satellite facilities, and volume growth and price increases in our talc and Specialty PCC product lines. In addition, we benefited from continued productivity improvements in our Performance Minerals facilities. And overall, segment operating income represented 10% of sales in the fourth quarter compared to 10.9% in the prior year, excluding special items.

Sequentially, fourth-quarter segment sales declined 6%, and operating income decreased 17% from the third quarter. Decline in profits was more than the 10% we had anticipated on our last call, and occurred primarily in the Paper PCC product line. The European economy and subsequent impact on the paper market was more severe than expected; and, as I mentioned earlier, many European paper mills curtailed production in the quarter. This decline was also due to higher lime costs in North America, which could not be passed through contractually in PCC prices until the first quarter of this year, and to lower volumes in Performance Minerals due to the normal seasonal decline in our end markets.

Looking forward, North America PCC demand is projected to be down about 2% in 2012. I mentioned the concerns we have about the European paper market, as sequential demand was down 2% in the fourth quarter, and the forecast for 2012 was to be 5% lower than 2011. Current indications are that the first-quarter profits in our PCC product line will increase slightly from fourth-quarter levels, due mainly to the contractual price recovery of lime costs in North America. In Processed Minerals, we are expecting a similar level of profitability to the fourth quarter. Overall, we expect first-quarter operating income for the segment to be up slightly.

Each call, I show these two charts to illustrate the current market trends in the uncoated free sheet segment in North America and Europe. As you can see, North American production levels have been relatively stable over the past two years, though they remain roughly more than 20% below average pre-recession levels. European printing and writing paper production, of which uncoated freesheet is a part, was down 3% versus 2010, and 2% lower than the third quarter. Economic conditions in Europe continue to be unstable, and our first-quarter Paper PCC volumes will continue to be affected by these conditions.

As I mentioned in the last two calls, M-real Corporation announced plans to divest its Alizay paper mill in France. For the past several months, they have been in negotiation with a number of paper producers. Although the paper mill is presently not operating, we believe discussions for the sale of the mill continue. In addition, the Myllykoski paper facility, our associated satellite operation, has been closed; and our production at the Aanekoski mill has been substantially reduced, due to lower demand by both M-real and UPM. The effect that these shutdowns and demand changes have on our volumes are, on average, about 40,000 tons per quarter.

Our growth in Paper PCC though, remains on track with the projections we communicated to you approximately a year ago. To give you some dimensioning of the volume growth associated with our new satellite PCC facilities, this chart shows the announced PCC capacity that we have been deploying, and will continue to deploy over the next two years. In 2011, we began operations at three new facilities, one in the US and two in India, and three satellite expansions with a combined annual capacity of 160,000 tons. In 2012, we will begin operations at three more facilities, with a combined annual capacity of another 150,000 tons. It should be noted that volumes at these new facilities tend to ramp up slowly as the paper mill comes online.

We also expect some small additional volume growth at our existing facilities, as the deployment of the Fulfill program gains traction. And in total, these new satellites should contribute an incremental 140,000 to 150,000 tons in 2012. I highlight this because, given the current situation in Europe, this growth may not be clearly visible until the latter part of this year.

As Joe mentioned earlier, the Refractories segment had a record year. This highlights the turnaround we have achieved in this business from where it was only two years ago. In total, sales in the fourth quarter grew 8% over the prior year. Refractory product sales were up 4% to $71.3 million; metallurgical wire sales grew 24% to $20.5 million. This growth was attributable to higher refractory volumes and prices in both North America and Europe, and to improved metallurgical wire volumes. Operating income increased 58% in the fourth quarter to $10.4 million, from $6.6 million in the prior year. This was due to improved margins in the refractory product line, particularly in Europe, higher metallurgical wire volumes, and lower expenses.

Expense levels, including plant fixed costs, improved significantly in the fourth quarter, and were 14.7% of sales as compared to 17% last year. The segment operating income ratio improved to 11.3% of sales, compared with 7.8% in the prior year. Sequentially, segment sales increased 1%, and operating income increased 35% from the third quarter, which was better than expected. This improved profitability was driven by an increase in higher-margin equipment sales, which contributed 0.5 of the profit growth. A couple of units that we expected to be qualified by our customers in the first quarter were completed in the fourth. The remainder of this increase was the result of higher refractory volumes, due to the delay of a number of steel mill furnace relines to the first quarter. Improved productivity and overhead expenses control contributed to the increase.

Looking forward, we expect that our first-quarter operating income for the full segment to be lower. Equipment sales will be down significantly from fourth-quarter levels, and we remain concerned that steel production levels in Europe will continue to soften. As I just mentioned, several steel mills in the US and Europe postponed their vessel relines to the first quarter, which will lower refractory product volumes.

This chart illustrates North America and European steel production over the past two years. As you can see, the North America steel production has remained relatively stable during 2011. Production in the fourth quarter increased 7% from 2010, but decreased 2% from the third quarter. In Europe, monthly steel production levels have been much more volatile. During the fourth quarter, steel production decreased 3% from 2010. It was down 1% from the third quarter; however, production in several of the major markets, such as Germany, Italy, and France, declined 12%, 17%, and 13%, respectively, over the months of November and December.

These charts illustrate our working capital and cash flow trends. As you can see, total days of working capital remained at 55 days over the past two quarters. The Company has made significant improvements in this area since 2009, and we have been able to sustain this low level over the past two years. This reflects the constant focus we give to working capital management within all business units. Our cash flow from operations was approximately $41 million in the fourth quarter, and was $134 million for the full year. Capital investment for the quarter increased to $15 million. Total capital expenditures for the year were $52 million. Capital spending is primarily supporting our new PCC satellite construction projects.

As I mentioned earlier, our earnings performance of $1.05 per share this quarter was above our expectations, primarily due to stronger than expected performance in the Refractories segment, and favorability below the operating income line. Looking to the first quarter, Specialty Minerals segment profits will increase slightly from the fourth quarter, as Paper PCC product line will recover higher lime costs absorbed in the fourth quarter. However, European paper demand will continue to be lower. In Processed Minerals, we expect profits to be similar to the fourth quarter. In our Refractories segment, we expect lower profitability in the first quarter, as sequential equipment sales will be significantly lower. Our biggest area of concern remains the uncertainties in Europe, and the potential effect on our end markets.

We expect the Company's first-quarter profits to be 10% to 15% lower than the fourth quarter, driven primarily by lower sequential Refractory profits, the items below the operating income line that will not reoccur, and a higher tax rate. Keep in mind, however, that even with this projected decline, our first-quarter profits should be 5% higher than the first quarter of last year.

Now, let's go to DJ Monagle, who will provide an update on the deployment of our Fulfill program. DJ?

D.J. Monagle - *Minerals Technologies Inc. - SVP & Managing Director, Paper PCC*

Thanks, Doug. I would like to bring you up to date about our high filler program in Paper PCC. Fulfill is our tradename for the portfolio of products which allow for greater PCC for fiber substitution. We are in the process of rolling out the Fulfill E and Fulfill V technologies, which typically allow the paper makers to consume 15% to 40% more filler, saving $5 to $25 per paper ton. We see this portfolio as advancing our position as the global leader in paper filling technology. We just announced yet another commercial agreement associated with Fulfill E with a customer in Southeast Asia. This now accounts for five commercial agreements at customer locations, all of them in Asia, and all of them in uncoated wood-free grades.

In addition to this commercial accomplishment, we continue to make technical progress across the entire Fulfill portfolio. Fulfill E-325 remains the workhorse technology, and we are running numerous trials across the globe. In addition, last quarter we announced the commercial availability of Fulfill V-426 to the marketplace, a product that we are marketing under the recently announced distribution agreement with Nalco. The last few months have been spent on finalizing commercial deployment logistics, as well as spending time with our customers to determine the best application of the multiple products in our portfolio. We have also advanced our understanding of Fulfill F, our most advanced high filler technology that many of you may know as filler fiber, where we continue to work with a European paper maker to commercialize this high-value technology.

Let's look at the progress made with Fulfill E and V technologies. We now have 24 active engagements around the world. Of those 24 engagements, we have installed the equipment required to run Fulfill on a commercial scale at 13 paper mills, and will soon be trialing or running commercially at 19 locations, with 8 of our customers who are still experimenting with the product, making technical adjustments to validate the value proposition we have discussed with them. We have achieved commercial agreements at five locations, and we are working with the customers to integrate the technology across their product line. When that integration is complete, we will see a reliable revenue stream.

Commercial adoption of the Fulfill technologies occurs along a defined path, which is important to understand. It bears upon not just the technical adoption, but also impacts when revenue begins to be generated. The chart shows how the Fulfill technologies are deployed, and the steps in the process towards full commercialization. Our approach begins with demonstrating to the customer that trialing the technology is worth the effort, and should merit urgency to it, in terms of developing the application techniques that will save them money. To do this, we undertake a very specific, very technical cost/benefit analysis, taking into account the customer cost structure and paper machine configuration.

With agreement to trial, we then need to tailor-engineer specifically designed equipment to enable integration of the Fulfill technology. This specialized equipment is integrated into each specific paper-making operation at each mill. Once installed, we generally run a short trial, proving the general concept to the paper maker. Assuming success of this short trial, we then arrange to run extended trials, taking into account the paper maker's grade structure, and any particular market or customer consideration that paper maker might have. During this extended trial period, we work with the customer to determine how they can best use the technology in each and every grade of paper they make. Put differently, we collaborate with the customer to determine the optimal Fulfill recipe -- a combination of our PCC, the chemical additive, and the specific machine operating conditions in every grade before agreeing that the technology is indeed worth it for them to convert to this new system.

At any time, if there are machine run ability concerns or any problems observed with the paper on the market, MTI needs to resolve the problem, regardless of whether that problem is associated with Fulfill. It is important to keep in mind that to-date we have been able to resolve all of the problems the paper makers had. In addition, every time Fulfill has been trialed extensively, it has been validated.

Regarding our market, you can see from this slide that the trial-to-commercialization process has been moving very fast in Asia. This is a function of both our value in that market, and the tenacity of the Asian paper maker. The paper-making competition in Asia is ferocious, and their somewhat higher risk tolerance allows us to move quicker to validate the technology. Asian paper makers accept the concept rapidly, then build the technology into their manufacturing plants more slowly.

The approach in North America and Europe is quite different. We are finding that the validation period takes longer, and is integrated with much more feedback from the marketplace -- that feedback generally regarding paper performance in the different printing systems. While this validation takes more time, we are encouraged that the North American and European paper makers will work with us on faster proliferation across their grade structure. Put differently, we see North American and European paper makers as slower to accept and validate the technology, but we expect them to integrate it into their manufacturing plants quicker.

In summary, regardless of the region, the nature of this technology is a grade-by-grade, machine-by-machine proliferation once the concept has been validated. We see more caution in the early phase of the process by the Europeans and the North Americans.

Now, let's open to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Rosemarie Morbelli, Gabelli.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Congratulations on the great quarter and great year.

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

Thank you.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

That was better than a transition year. (laughter) When you look at the -- in your -- in the press release, you talk about the new generation of satellites in Asia. Could you give us a feel for what you are doing? Are those satellites different models than what you are using currently in other paper mills in North America and Europe?

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

Well, we actually -- we have made some refinements, that in some cases we are able to go in with versions of our basic models that we have, but go in with versions that can be lower capital, smaller, because many of the Asian mills are smaller in size. But we also can do it in a way that allows us to scale up easily. So, that is really what is referenced by new generation.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Okay. And when you look at your expectations from Fulfill, you have given us a volume, potential volume, in 2012. And I am assuming that if I add those two, it is about 300,000 tons in addition. Could you give -- and first of all, is that correct? And then, could you give us the potential on the revenues and the profitability? Or is it too early to see much of a change on the profitability side?

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

It is a little early. We had hoped to give you more visibility on that by this point in time. But it's fair to say we -- in the first quarter, we will be receiving a revenue stream, albeit small, from -- that come out of those five satellites, and there will be some operating profit associated with it, but it is relatively small. And it's early to give you a projection of how many are actually going to come across that line in the second and third quarters, and that will determine what the impact is going to be in 2012. With regard to the volumes, Doug can maybe give you a little better handle. But I wasn't totally sure of your question on the volumes, Rosemarie.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

I was checking, more or less, how many more pounds -- or tons, rather, would come from the addition of the satellites and the integration of Fulfill.

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

Total, okay.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Yes.

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

Go ahead, Doug.

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

Yes. The majority, Rosemarie, will be the new satellites we are expecting, about an incremental 140,000 tons this year over last from the new facilities. Keep in mind, I showed 150,000 tons that we installed last year and another 150,000 tons this year, though some of those satellites this year will be, as you noted from the chart, will be Q3 and Q4 installments. So, the increase in volumes associated with them will be later in the year, and that was my comments. So, about an incremental 140,000 to 150,000 tons this year.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

And that does not include the decline in Europe?

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

The decline in Europe, so -- as I mentioned, about 40,000 tons per quarter. Now, that is not exactly; that is an average. And also, it depends on the Alizay mill. So, if that -- that will be less than that 140,000 -- or 160,000 tons annualized, if that Alizay mill comes back up. So, 40,000 tons per quarter in Europe down, and we are looking at about 140,000 to 50,000 tons in Asia coming on this year, incremental.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Okay. So net net, you are going to have a loss in terms of volume?

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

No, I think we are looking -- it's more even, in terms of volume. And again, it really depends on how Europe shapes up this year.

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

And Fulfill could come in faster.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

And regarding Fulfill and coming faster, once the product has been accepted at, let's say, one paper mill for one machine -- which I am assuming is what is going on currently in Asia, how quickly do they -- do you think that you are going to see the incremental growth from this product going through all of their paper machines?

D.J. Monagle - *Minerals Technologies Inc. - SVP & Managing Director, Paper PCC*

Rosemarie, that is the insight that I was trying to give as we were discussing that. We are still working through that; certainly, we are starting to see a revenue stream from a couple of the Asian paper makers now, but it has been taking a while. So, from the time we have announced the agreements, it does take a little bit of time. I don't have a good sense yet to be able to commit to exactly what that time is. And then, on the -- what we are hopeful based on the plans that the North Americans and the Europeans are sharing with us, their project management and their way of rolling in the new technology seems to be very different. But all indications are, based on the plans that we have seen, that from the time that we would announce something in those locations to the time we would see the revenue stream should be quicker. But it's just too early to give you a specific weeks or months guideline on that.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

And if I may ask one last question on Refractories -- given your expectations in Europe, do you think that at a lower volume you can maintain your improvement on the margin side?

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

The rate of improvement or the absolute?

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

The absolute. And can it actually improve some more from this particular basis, even with the lower volume?

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

I think the -- in part, it's a little hard to answer, because it depends on how low the volume drops. In other words, how -- the questions are around how severe will the Europe recession be, and how will that effect steel? And so, I think what we do have, we do have a lower breakeven point across the whole business globally, but Europe was also part of that. So, I think we should be able to reasonably hold margins up to a certain level. Now, what is that level? If steel drops 10%, 15% utilization, that clearly is going to have an effect on us. Within a 5% band, we should be able to manage that.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Okay, thank you.

Operator

Daniel Rizzo, Sidoti & Company.

Daniel Rizzo - *Sidoti & Company - Analyst*

You indicated that you raised prices to offset lime costs in the fourth quarter. Are lime costs still rising?

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

They are. So, we -- contractually in Paper PCC, we reset our prices in North America annually. So, we absorb lime cost increases in the fourth quarter and then we pass them through, and that is contractual, in the first quarter. In Europe, it's different timing. We have seen some higher lime costs in Europe, and it also depends on whether those lime costs are at some of our merchant facilities, where we can't pass on pricing. So, we do see some higher lime costs; but in North America, we will be absorbing them through pricing in the first quarter.

Daniel Rizzo - *Sidoti & Company - Analyst*

Okay. And then, maybe you said this and I missed it -- so, what is the time frame difference between going from active discussion to revenue stream in Asia versus North America -- or North America and Europe? Is it months, or what have you seen so far?

D.J. Monagle - *Minerals Technologies Inc. - SVP & Managing Director, Paper PCC*

Well, our frame of reference is that right now we don't have any European or Americans that I am in full commercial agreement with. So, to give you a strong data point is difficult, since I don't have that closed. But in general, should we continue to see the technology perform as it has been and assume that we can maintain the project plans as we have worked on them with the customers, I would say the difference is months -- maybe a quarter difference.

Daniel Rizzo - *Sidoti & Company - Analyst*

Okay.

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

I think, also, if I could add, and this really ties back to Rosemarie's question about getting one with the paper company, how does that help with getting other mills? And to give you a real example, unfortunately, we can't tell you the name of the company, but this recent announcement that we made on the recent commercialization is actually tied to a paper maker that we announced with earlier. And it did lead to faster acceptance at another paper mill at a totally different site, totally different country.

So, we do clearly see -- we are working with paper companies that have mills -- multiple mills in the same country or different countries. We do believe it is going to help move faster once we get through the initial commercialization and it's proven out, because then the other mills within that company's system are able to go in and observe it and be able to relate faster to the differences in their own particular mills. So, that is part of what I think will help this process going forward.

Daniel Rizzo - *Sidoti & Company - Analyst*

Okay. And then, just unrelated -- for the share buyback, do you guys know the -- offhand, the average price you guys paid for the buy back?

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

Let me look at the average price, Dan. Average price -- sorry, Dan, for the year was about $61.45.

Daniel Rizzo - *Sidoti & Company - Analyst*

Okay. All right. Thank you, guys. Great quarter.

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

Thank you.

Operator

Steve Schwartz, First Analysis.

Steve Schwartz - *First Analysis Securities - Analyst*

At some point, I would like to come back and get the FX detail on the segments. But if I could just ask you first about any potential price concessions in the Paper PCC business. I think the first quarter is often when you see the first wave of that for the year. So, how is 2012 looking?

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

Hi, Steve, this is Doug. Not seeing any significant price concessions coming up in the first quarter. A lot of those contracts, the major ones, were renewed -- so, last year we saw those impacts. We do typically have renewals each year. D.J. can talk a little bit more about that. But right now, we are not seeing any significant concessions for the first quarter.

Steve Schwartz - *First Analysis Securities - Analyst*

Okay.

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

Is that good?

Steve Schwartz - *First Analysis Securities - Analyst*

Yes, no, that is good. And then, regarding the volume gains and losses for Paper PCC -- very helpful the information you put in the presentation, by the way. You didn't mention the Aanekoski mill over in Europe. That is an event that happened since you last reported, and all in the fourth quarter. Are you guys affected by that?

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

We are. We have seen some volume declines. They have taken some of their grades and shifted it to some other of their mills. So, the Myllykoski, as I mentioned, was a direct shutdown. The Aanekoski, some of those volumes have shifted. That is affecting us about 24,000 tons, of the 140,000 or 150,000 that I told you, that I mentioned.

Steve Schwartz - *First Analysis Securities - Analyst*

Oh, okay. And it's, of course, then, factored into everything you have talked about to this point?

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

Yes. So, when I gave you the average per quarter, the Alizay, Aanekoski, and Myllykoski were in there.

Steve Schwartz - *First Analysis Securities - Analyst*

Okay.

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

So, Aanekoski is about 24,000 of that.

Steve Schwartz - *First Analysis Securities - Analyst*

Okay.

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

Annualized. That is annualized.

Steve Schwartz - *First Analysis Securities - Analyst*

Okay. And then, looking at slide 14, that is great detail on the new product development. And so, Joe, is there a way you can maybe help us understand -- and I know you have gotten this question before, but I want to ask it again -- to what extent that might be helping revenue in '12 or '13. Is there any one product in that bar chart that might be a 0.5% or 1% revenue adder? Or maybe another way to look at it is, of those 24 that are in launch stage from 2011, does that add 1% or 2% to revenue?

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

Well, if you take the cumulative effect of -- starting with first-quarter revenues that we expect to see from Fulfill, then you add the number of product announcements that we have had in the Performance Minerals business, in terms of the Optiblocs and other products that have actually been commercialized over the last several years, I can't give you the exact percentage, but we are beginning to affect that revenue line. Some of these are small; in Performance Minerals, we have announced some that are in the $2 million to $5 million range, others $2 million to $3 million

So, we should expect to begin to get a cumulative effect from the aggregation of all of the new product development activities. And keep in mind that we have been working on building this pipeline up now for two years, and we have started to see the rates of new products becoming commercialized. That top number, that 24 in 2011, means we actually launched 24 new products. It doesn't mean 24 are generating revenue; but you start to see the cumulative effect that is beginning to actually happen in the Company.

Obviously, the largest is going to be Fulfill, but we have many other smaller ones, up to and including the LaCam. The LaCam is expected to generate revenue for us this year. And Refractories have some other products that are part of that pipeline, that they have actually been out in the field with. We just haven't made the announcements yet, that they are testing out. So, there are a lot of things -- when I talk about health, it's health around not just the numbers, but health in terms of line of sight to commercialization and solid revenue potential.

Steve Schwartz - *First Analysis Securities - Analyst*

Okay. And -- well, that is helpful. And it's certainly encouraging to see it in these terms here, on slide 14. Okay. I have some other questions, but I will get back in queue, and hopefully we have some time to come back. What is the FX detail for the segment revenue for fourth quarter?

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

Sure. Fourth quarter sequentially, Steve, or year over year?

Steve Schwartz - *First Analysis Securities - Analyst*

Year over year, please, yes.

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

So --

Steve Schwartz - *First Analysis Securities - Analyst*

I think you did the sequential in the release.

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

Yes, it's minimal year over year. It really hasn't been -- down about $1.2 million in sales total, year over year. So, very minimal fourth quarter over fourth quarter.

Steve Schwartz - *First Analysis Securities - Analyst*

Okay. Very good. Thank you.

Operator

Silke Kueck, JPMorgan.

Silke Kueck - *JPMorgan Chase & Co. - Analyst*

Do you expect any PCC volume growth in 2012? Or is it more of like a flattish year, if some of the satellite expansions will just be offset by the mill shutdowns in Europe? How do you think about it?

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

Well, as I just mentioned to Steve -- this is Doug, Silke -- the Myllykoski mill is a shutdown. The Aanekoski mill is a demand shift; it's not shut down. So, the movement of those paper volumes to another facility is affecting our demand. And then, you have the Alizay mill -- again, we still have a contract with that mill. We are hopeful that it will come back this year. So, that is really the unknown. If they were to stay down the entire year, that is what I represented in terms of about 40,000 tons per quarter, which would leave us relatively flat with the growth we expect out of our new satellites -- with the exception of Fulfill volumes, as they come on. And D.J. has touched on all of that. So, we will see -- we could see some volume growth from that Fulfill, but it depends on the timing of some of the commercializations.

Silke Kueck - *JPMorgan Chase & Co. - Analyst*

So, it seems like that there is some expectation that maybe the first half of the year may be more flattish, and then maybe there is a little bit of growth in the second half of the year.

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

Yes, Silke, I think that is a good assessment. And part of it ties to prospectives around Europe and recession. If Europe -- many of the current economists are forecasting Europe GDP at negative 1%, negative 1.2% for the year. That would suggest recession, low economic growth first half, coming back in the second half. So, that is part of our thinking as well. So, I think your overall assessment is where we are right now as well.

Silke Kueck - *JPMorgan Chase & Co. - Analyst*

What -- if I can ask two or three questions and then get back into queue. What is the percentage of equipment sales out of your total Refractories sales currently? How much was it in the fourth quarter, and what is it typically?

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

Typically, Refractories -- in total for the year, it's only about 4%, Silke, of the total Refractories segment sales. So, it's a very small piece; however, it's a very profitable piece. The margins on the equipment are much higher. And so, in the fourth quarter, as we build those units throughout the year and the customer finally accepts them in the fourth quarter, is why we see such a boost in profitability.

Silke Kueck - *JPMorgan Chase & Co. - Analyst*

And how much more profitable is the business? Is it --?

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

They are significantly more profitable, in terms of -- compared to a refractory ton.

Silke Kueck - *JPMorgan Chase & Co. - Analyst*

Yes, okay. To just jump around, when do you think you will have worked through most of the high-cost magnesium inventories? Do you think you can -- do you think you will have those levels completed sometime in the first quarter? Because it looks like -- at least if you look at some of the indexes, that magnesium costs really are moving lower. And I was wondering when that may become -- when you may begin to benefit from that?

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

Yes, we have -- so, we are still working through -- we have a very long supply chain, we do purchase our magnesium oxide for the most part from China, though we have been diversifying that base. So, we are looking at probably toward the end of the first quarter, Silke, that we will work through the higher-cost inventories.

Silke Kueck - *JPMorgan Chase & Co. - Analyst*

All right. And lastly, have you sold any V series PCC today for Nalco?

D.J. Monagle - *Minerals Technologies Inc. - SVP & Managing Director, Paper PCC*

Silke, this is D.J. We have not sold it today. We are in position to run trials. But what I was trying to highlight earlier, a lot of that last quarter was spent on working with the customer, deciding which series is best for them, based on the specifics of their operation. We have sorted through that at a couple of locations. And so, I would imagine that trial activity -- right now, we have commitment for trial activity really this quarter and next. It will be much more significant than the last.

Silke Kueck - *JPMorgan Chase & Co. - Analyst*

That is helpful. I will get back into queue. Thanks very much.

Operator

Steve Schwartz, First Analysis.

Steve Schwartz - *First Analysis Securities - Analyst*

Again, Joe, going back just in a reference point, that slide 14 -- can you give us a picture like that for what your M&A pipeline looks like?

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

I would love to.

Steve Schwartz - *First Analysis Securities - Analyst*

I know we only have three minutes, right?

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

I would love to.

Steve Schwartz - *First Analysis Securities - Analyst*

It's not that simple.

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

You know --

Steve Schwartz - *First Analysis Securities - Analyst*

But maybe you can tell us, in the equivalent of that launch stage, what -- how has maybe that category for you guys changed over the past six months? Do you see more things that are potentially closer, or fewer?

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

Well, I -- that is an interesting way to look at it. I would say a year ago, we -- the list might have been a little longer than it is today, but the probability of actually making an acquisition has gone up. As I look at -- inside of the number of companies that we have not only targeted, but obviously, you are at different points of evaluating companies, are in discussions. And so, I would say from the standpoint of richness of what we have, fewer numbers; but richer in terms of the types of companies, sometimes they are divisions of larger companies.

And also, the market conditions have changed a bit. If you recall, we talked about -- there was a period first half of last year, even prior to that, where valuations were very, very high. We had been engaged in a number of projects where it didn't work out, simply because we weren't willing to pay the price that something actually went for, was the multiple was too high and the IRR we would have achieved would have been too low. What we are seeing is that actually is beginning to come into more reasonable ranges. That is also why it feels like the market itself for us, in terms of opportunities and potential for doing something, appears better today. It's a better climate.

Steve Schwartz - *First Analysis Securities - Analyst*

Okay.

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

I think perhaps the Europe and what is happening there is having an effect on the general climate, as well as money supply, to certain (multiple speakers) companies.

Steve Schwartz - *First Analysis Securities - Analyst*

Okay. So, fewer targets, but better, and basically the pricing on assets is -- what you are seeing is a little bit better.

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

A little bit better, exactly.

Steve Schwartz - *First Analysis Securities - Analyst*

Okay. And in terms of the size of the assets you are looking at, still the pool is still maybe about the same size as some of the assets we have heard about in the past?

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

I would say so, yes. We have looked from companies or divisions that are $30 million, $40 million, $50 million, up to $250 million, $300 million, $400 million. And as I have indicated, the potential for us to do something even larger, that -- assuming that it makes sense for us, given not only our cash position, but our balance sheet and our borrowing capability around that balance sheet, suggests that we can do something large if it makes sense.

Steve Schwartz - *First Analysis Securities - Analyst*

Okay. Okay. And then, if I could ask just one last one around some 2012 estimates, both with respect to operating expenses and tax rate -- for op expenses, obviously Fulfill is ramping up, and you gave a very nice description of the effort that MTX puts into working with its customers. So, you net that effort and those expenses against your general austerity, let's call it -- what does 2012 look like?

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

Well, first of all, I think one of the things that I like to reinforce -- because we talked about this when we were actually in the depths of the financial crisis and the economic recession. And what we said was that -- A, even -- and at that point in time we had a restructuring, but we have been expense-conscious and focused on continuous improvements since then, which I touched on earlier in the presentation. But one of the things we have maintained throughout the last five years is a strong focus on growth, new products, and customers. And so, we have continued to fund every avenue from an expense standpoint that we believe can pay off from a commercialization and revenue and profit standpoint.

So, that philosophy or underlying approach to how we manage the business is not changing. So, the net effect of what we are doing may come out a little more on expenses, which you would expect, but there will be a -- obviously, a significant multiple payoff on that, going forward. But at the same time, we have other parts of the Company that we continue to look at reducing expenses. So, net effect, we are able -- we have been able, year on year, in spite of all these efforts and business development and trialing, to continue to actually reduce net expenses as a percentage of sales. And we are going to stay on that track.

Steve Schwartz - *First Analysis Securities - Analyst*

So, the 10.7% you had for '11 is likely to be appropriate for '12?

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

Doug, I wouldn't (multiple speakers) anything else.

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

I think so. Again, we -- I wouldn't suggest either. I think Joe is right, we -- a relentless focus on, other than pushing expenses to where they can generate revenues, let's focus on streamlining processes and keeping an eye on expenses, so that we can keep that base and leverage as sales grow. So, I would say that, yes, I think we are looking to keep that at the same level, if not drive it lower, as sales increase.

Steve Schwartz - *First Analysis Securities - Analyst*

Very good. And then, tax rate for '12 -- what do you expect?

Doug Dietrich - *Minerals Technologies Inc. - SVP & CFO*

Tax rate, probably 29%, 29.5%. It really depends on the mix of [earnings]. But I mentioned we were at 28.75% this year; so looking similar, 29%, next year.

Steve Schwartz - *First Analysis Securities - Analyst*

Very good. Okay. Thanks again, gentlemen.

Operator

Rosemarie Morbelli, Gabelli.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Just quickly, Joe, and I may have missed it -- if I have, I apologize. What is the CapEx for 2012?

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

Yes, we spent around $50 million, $52 million. 2011, we are projecting a little bit of a wide band. But we are projecting higher, $60 million to $75 million in 2012.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Is that larger amount because of construction of new satellites?

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

Yes, exactly. Both what we have in process right now, plus the potential to add more satellites.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

And when -- since you are in what it sounds like serious discussions with North American and European mills, what would be the cost for those particular paper mills to convert to using Fulfill? Is there a lot of additional expenses involved? Is that an additional cost that you share with them? Could you give us a better feel for how it works?

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

Sure. It's -- one of the reasons we are able to progress and drive the Fulfill as fast as we have been able to drive it is because there is a very low capital threshold -- very low, below $100,000 in many cases. We have actually done some of these for $50,000. So, it's not a -- capital is not a barrier to us or the paper makers. Maybe D.J. can give us a little more color on that.

D.J. Monagle - *Minerals Technologies Inc. - SVP & Managing Director, Paper PCC*

What I would say is, capital is not the barrier at all. The only issue is getting our heads together and innovating the specifics. So, it's not about cost, but you can see that it is taking us a little more time to deploy these items. And that is because it's very tailored and very -- it's very precise. And then, part of that tailoring is the needs for today, coupled with what we can see for needs for tomorrow. So, there is planning time, there is brain power that is applied, but minimal capital.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Okay. That is helpful. And then, if I could ask one last question -- so, 2011 was supposed to be one of those years of consolidation, but then you did a lot better. Does that change the delta going into 2012? And linked to that -- if we look at a similar top-line growth, just to pick a number, do you see EBITDA margin or EBIT margin improvement year over year, if you look at the Company as a whole? We talked about the different pieces, but if you put it all together.

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

Yes, I think it's important to -- it gives me a chance to perhaps reinforce -- the Company achieved record earnings in relatively either stable or markets that in the case of Europe were quite shaky. And so, I think it's fair to say that the Company did a lot, relative to the economic environment that we were working, accomplished a lot. But the seeds for accomplishing a lot were set a number of years ago. And what we are seeing coming together is, you heard me mention we are a better operating Company, we are much better able at not only controlling costs, but improving efficiencies, bringing more to the bottom line.

We are also improving in the area of market penetration in certain markets, through -- you heard D.J. talk about customization and product customization with customers. We are doing that better across the Performance Minerals business, you heard me Those are the things that allow us to do more and leverage in stable markets or markets that are growing more slowly. It also positions us very well where there isn't -- where there is an increase in the -- like the automotive sector improved, I think it grew, what, 7% or 8% or more.

We were able to leverage that extremely well in the Performance Minerals business, and -- by keeping costs low, but also by having some products that the customers for those particular segments really liked, and were cost effective. So, to answer your question -- yes, the reason why I said in my closing remarks -- my earlier remarks, was that I'm positive on the year and I'm positive on -- because I do believe barring something unforeseen in Europe, that we should be able to improve further. A long-winded answer to your question, but there is a lot underneath it that I think is important to understand, in terms of how we are operating today as a Company.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

No, I appreciate the answer. And when you say that you are looking at, obviously, the uncertainties in Europe -- in your mind, when you are -- when you look at the answer you just gave and the anticipated decline in Europe, are you factoring in the 1% to 2% negative growth for the year that you mentioned earlier?

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

Well, I -- Europe -- yes, I would say yes. But Europe potentially, some of the forecasts are 2% to 4%. But yes, it's within that -- but if Europe is worse than what people are projecting, then obviously that is going to have some effect on it. But we are taking a -- in our own planning, yes, we do plan for worse conditions, but in terms of our own outlook, we are not expecting it to be that bad. But we have to be prepared in case it is. So, we are -- the projections Doug gave were, I would say, a moderate projection, relative to some of the key drivers around profitability, which are going to be, for paper and even Refractories, is going to be around volume. So, within a certain volume band, we are going to do fine, we are going to do well.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Okay. Thank you very much.

Rick Honey - *Minerals Technologies Inc - VP, IR & Corporate Communications*

There are no other questions, we can conclude the call. And I would like to thank everybody for their interest in Minerals Technologies.

Joe Muscari - *Minerals Technologies Inc. - Chairman & CEO*

Thank you.

Operator

Thank you. This concludes today's earnings call. You may now disconnect.
