REFINITIV STREETEVENTS

EDITED TRANSCRIPT

MTX.N - Q4 2024 Minerals Technologies Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 07, 2025 / 4:00PM GMT

CORPORATE PARTICIPANTS

Lydia Kopylova *Minerals Technologies Inc - Vice President, Investor Relations*

Douglas Dietrich *Minerals Technologies Inc - Chairman of the Board, Chief Executive Officer*

Erik Aldag *Minerals Technologies Inc - Senior Vice President - Finance and Treasury, Chief Financial Officer*

Brett Argirakis *Minerals Technologies Inc - Group President, Engineered Solutions*

D.J. Monagle *Minerals Technologies Inc - Group President, Consumer & Specialties*

CONFERENCE CALL PARTICIPANTS

Daniel Moore *CJS Securities - Analyst*

David Silver *C.L. King & Associates - Analyst*

Pete Osterland *Truist Securities - Analyst*

Michael Harrison *Seaport Global Securities LLC - Analyst*

PRESENTATION

Operator

Good morning and welcome to the Minerals Technologies, fourth quarter, 2024 earnings conference call. (Operator Instructions). Please note this event is being recorded.

I would now like to turn the conference over to Lydia Kopylova, Head of Investor Relations at Minerals Technologies. Please go ahead.

Lydia Kopylova - *Minerals Technologies Inc - Vice President, Investor Relations*

Thank you, Gary. Good morning, everyone and welcome to our fourth quarter, 2024 earnings conference call. Today's call will be led by Chairman and Chief Executive Officer, Doug Dietrich; and Chief Financial Officer, Erik Aldag; following Doug and Erik's prepared remarks we'll open it up to question. As a reminder, some of the statements made during this call may constitute forward-looking statements within the meaning of the federal securities law.

Please note the cautionary language about forward-looking statements contained in our earnings release. And on this slide, our SEC filings disclose certain risks and uncertainties which may cause our actual results to differ materially from this forward-looking statement. Also, please note that some of our comments today refer to non-GAAP financial measures, a reconciliation to GAAP financial measures can be found in our earnings release in an appendix of this presentation which are posted on our website.

Now I'll turn it over to Doug.

Doug?

Douglas Dietrich - *Minerals Technologies Inc - Chairman of the Board, Chief Executive Officer*

Thanks, Lydia. Good morning, everyone, and thanks for joining today. Let's go over a quick outline for today's call. First, I'll do a quick review of our full year financial highlights. I'll then spend a few minutes reviewing the progress we've made this year on our long-term strategy. Erik will then take you through the detailed financials for the quarter and full year, and I'll come back at the end to give you an overview of what we're seeing in our end markets for 2025.

Let me start off by saying that 2024 was an incredible year for MTI. This is the first full year after our re-segmentation and one where we saw the true power of our new organization. It was also an impactful year in which we enhanced our financial stability, demonstrated the effectiveness of our business system and continued to prove the value that we bring to our customers. I'm very proud of what our teams around the world achieved and want to thank them for their ongoing dedication to delivering outstanding results for our stakeholders.

I'll start by saying that this ended up being a relatively flat sales year for MTI. Our consumer-oriented businesses continued on a steady track and we're seeing the growth that we expected from our positions in these expanding markets. However, the commercial construction market weakened further throughout the year, and our steel and foundry markets that began the year strong, softened toward the end. Nonetheless, our ability to navigate these issues and remain focused on the execution of our growth strategies, turned the revenue we generated into a year of record profitability.

This is the fourth consecutive quarter and the second consecutive year of record operating income. Our solid execution on growing our higher-margin products, disciplined pricing, capturing cost savings and improving productivity led to an operating margin of 15% in 2024, a target we had planned to achieve by the end of 2025. This is also the second consecutive year of record EBITDA, reaching over $400 million this year.

Full year earnings per share were also a record, increasing 18%. We sustained our strong cash flow generation and strengthened our balance sheet. We increased returns to shareholders by completing our previous $75 million share buyback program. further increasing dividends by 10% and authorizing a new $200 million share repurchase program. Our strong cash generation profile provides us with significant financial strength and options to drive value. Over the past 4 years, we've acquired three companies, paid down debt, keeping leverage at or below our target levels and returned over $240 million to shareholders.

These achievements underline the effectiveness of our operating model. and are the outcome of strategic actions we've taken over the last couple of years. Two years ago, we realigned our organization to enhance operational efficiencies, speed of decision-making and better align accountability. This change continues to pay off with strong performance by our team.

Our results this year were delivered in no small part through our ongoing focus on managing costs and improving productivity, all of which would not be achieved if we were not anchored in a culture of operational excellence. We have a highly engaged team of colleagues who come to work motivated to provide input and generate ideas at all levels of the organization.

Last year, we performed over 8,500 problem-solving kaizen events and implemented more than 80% of the 60,000 suggestions we received from our employees around the globe. MTI's 4,000 employees submit an average of 160 suggestions and conduct 30 problem-solving events each and every day across the company. Those are remarkable numbers from a high-performing workforce and a powerful example of our people-centered operational excellence culture. All in all, this is a solid year for us, one where we made significant progress against our long-term goals.

We also made significant progress in 2024 in each product line on the three elements of our growth strategy. As a reminder, our strategy has been to grow in consumer-oriented markets. expand our positions in our core markets and extend them geographically and continuously introduce new, innovative, higher-margin products to the market.

Let me walk you through some of these highlights, and I think it will give you a good perspective on how we continue to transform MTI and solidify its foundation for sustainable growth. As I just mentioned, one of our core strategic tenets is to expand in higher growth consumer-oriented markets. This past year, we completed the integration of the three pet litter companies we acquired into one unified business called SIVO.

This new name is a way for us to be uniformly recognized by our customers around the world for the value we can bring to them in any region. We're the only company that can offer the combination of vertical integration, our global manufacturing footprint and deep technical capabilities to provide stable supply of innovation -- innovative solutions. This business is well positioned to supply both private label and branded cat litter customers worldwide and generate above-market rate sales growth. We're also building on the global trend of converting to natural additives in products ranging from personal care to animal health. Illustrating this, our Animal Feed Additives business has grown at a 25% rate over the past couple of years, and we see this pace continuing in 2025.

Another high-margin business where we're well positioned to continue to grow is our natural oil filtration business or Bleaching Earth, which serves the edible oil and renewable fuel markets. This business has grown steadily over the last 3 years, and we expect its growth to accelerate as regulation for increased use of sustainable aviation fuel additives is driving higher demand for our products in 2025. At the center of this slide are some examples on how we have deepened our positions in core markets and continued to expand them geographically this past year. We further solidified our position in the electric arc furnace market through the deployment of our automated Minscans.

These units also position us for sales of our new high-durability refractory products for these same furnaces. Over the last 2 years, volumes of our foundry green sand bond systems have grown by 7% in Asia, a rate that they have been consistently growing at for the last 8 years. We made further progress with penetrating into the growing packaging market. Since 2021, 60% of the satellite capacity we have installed has been for packaging applications. We also continue to successfully deploy New Yield, a technology that repurposes customers' paper-making waste. And three of the five contracts we signed in 2024 were to deploy this innovative product. Lastly, we positioned ourselves as a leader in PFAS remediation through our Fluoro-Sorb adsorbent solutions. In 2024, we sold product into 51 projects, including drinking water utilities and groundwater remediation. We currently have over 250 Fluoro-Sorb projects running around the world and are working with the US EPA on a broad-based study of our products in several drinking water applications.

On the right side of the slide are some examples of new product innovation, the third element of our growth strategy. The pace of innovation at MTI remained robust in 2024 with our percentage of revenue generated from new products remaining around 18%. Let me touch on a few new products released this year that will have a positive impact on our sales going forward. To help our cat litter customers maintain their brand, we must continue to offer them innovative technologies. This year, we have several new products rolling out to our customers with features such as litter with a pet health indicator, litter that has better clumping and better odor control, and litter that is lighter in weight.

We also have added to our portfolio of sustainable solutions this past year. A few examples are post-consumer recycled packaging solutions, specialty additives for bioplastics and lower emission foundry blends. And we're excited about our new infrastructure solutions like drilling muds and grouts that provide efficient solutions to support increased drilling activity for hardening of the power grid. In summary, we accomplished quite a bit on all strategic fronts this past year. Each of these are examples of moves we have made to drive sales higher in 2025, but also to further solidify our foundation for long-term growth.

Now let me turn the call to Erik to take you through the details of our financial results for the fourth quarter and full year.

Erik?

Erik Aldag - *Minerals Technologies Inc - Senior Vice President - Finance and Treasury, Chief Financial Officer*

Thanks, Doug, and good morning, everyone. I'll start by providing an overview of our fourth quarter and full year results. followed by some detail on the performance of our segments, and I'll wrap up with our outlook for the first quarter. Now let's review our fourth quarter results. We finished 2024 with another strong quarter.

Our operating income and EPS results were record fourth quarter performances for the company, all while navigating some mixed market conditions. Fourth quarter sales were $518 million. You can see from the bridge that sales in our Consumer & Specialties segment were slightly below prior year, driven by Specialty Additives.

And in the Engineered Solutions segment, we saw further softening in the fourth quarter in our steel and foundry markets which impacted sales in high-temperature technologies. Despite some challenging market conditions, we delivered another strong operating performance. Gross margin improved by 170 basis points versus the prior year to 25.6% of sales, as our teams delivered on price increases, cost savings and productivity.

Operating income increased by 7% year-over-year to $74 million. You can see in the operating income bridge that our pricing actions of $4 million and favorable cost performance of $3 million more than offset the unfavorable volume impact, resulting in an improvement to operating margin of 110 basis points. Fourth quarter earnings per share was $1.50, excluding special items, representing a 17% increase versus the prior year.

Our reported earnings were $1.68, which included a $12 million gain on the sale of a refractory facility in China. We sold this facility to the local government who is developing the area. This was a very small piece of our refractory business, and we've absorbed the business across our other facilities in the region. Now let's review our full year results.

Overall, 2024 was an outstanding year for MTI. The company delivered record performances for operating income, EBITDA and earnings per share. and we expanded operating margin by 200 basis points versus the prior year. Full year sales were $2.1 billion. In the sales bridge, you can see that we saw continued growth in the Consumer & Specialty segment offset by lower sales in Engineered Solutions.

The Environmental and Infrastructure product line drove most of the year-over-year change in sales as weak market conditions for commercial construction and environmental lining applications persisted for most of the year. And in High-Temperature Technologies, we experienced slowing demand for steel and foundry products in North America and Europe as we moved through the second half of the year. Operating income was $316 million, up 13% overall and up 16% on an underlying basis, driven by favorable mix, pricing and cost savings. Altogether, we delivered $44 million of operating income improvement over 2023.

Adjusted EBITDA was $406 million, representing 19.2% of sales and up 210 basis points. And finally, our full year earnings per share was $6.15, representing an 18% increase over the prior year. I'd also like to highlight that over the last 5 years, our EPS has grown at an 8% compound rate. Now let's review the performance of our segments, beginning with Consumer & Specialties. Fourth quarter operating income for the segment was 4% higher than prior year on 1% lower sales.

Household Personal Care sales were 2% higher sequentially and relatively flat year-over-year. Cat Litter sales increased 5% sequentially and were up 1% versus prior year. And sales of our other high-margin specialties in this product line were down slightly due to the timing of customer orders. Specialty Additives fourth quarter sales were 2% lower than prior year, primarily driven by pass-through pricing and softer base volumes in paper and packaging, which offset new volumes in Asia in the quarter.

For the full year, segment sales grew 2% and operating income grew 25% on an underlying basis. Sales in Household and Personal Care grew 2%, primarily driven by sales of cat litter. We also saw growth in animal health, personal care, edible oil and renewable fuel purification and Fabric Care. These relatively small but fast-growing and high-margin businesses will continue to have a larger impact on the segment's growth and margins as they become a larger part of the portfolio.

Specialty Additives sales grew 1% on 3% higher volume. Note that some of the growth in this product line was offset by lower energy surcharges and formula price changes. Overall, the Consumer & Specialties segment delivered an impressive operating performance in 2024.

As Doug outlined, we're making progress on growth initiatives, and we're making investments across both product lines to support these initiatives. Throughout the year, the team adjusted selling prices as appropriate, captured cost savings, and drive productivity improvements. The result was a 260 basis point expansion in operating margin and a 25% increase in operating income.

Now let's turn to the Engineered Solutions segment. Fourth quarter operating income for the segment was 8% higher than the prior year on 2% lower sales. High Temperature Technologies sales were 3% lower than the prior year amid some challenging end markets. Steel utilization rates in the US dropped to as low as 72% in the fourth quarter, down from as high as 80% in the third quarter. And the Europe steel market, which has been weak all year, declined further in the quarter.

On a more positive note, our Asia foundry volume grew 10% in the quarter. Most of this growth was driven by the continued penetration of our products in the region. We also had some customers pull their orders forward into the quarter ahead of the relatively early Lunar New Year. Environmental and Infrastructure sales grew 4% over the prior year, a welcome change for prior quarters.

This was partly due to a large waterproofing project in the quarter but we also had higher sales of drilling products linked to infrastructure projects. And remediation and wastewater was another bright spot, up 43% versus prior year on solid demand for industrial wastewater treatment and environmental remediation. For the full year, operating income grew 7% on 3% lower sales. Full year sales in High-Temperature Technologies were 1% lower as solid market conditions at the start of the year gave way to more challenging conditions as we moved through the year.

And our Asia foundry volume grew 8% for the year as we continued to penetrate the region with our differentiated products and technical services. Full year sales for Environmental and Infrastructure were 8% lower as this product line experienced significant declines for the first three quarters. However, we started to see signs of the market stabilizing in the fourth quarter.

Overall, despite some challenging market conditions, Engineered Solutions delivered a solid performance. The segment's operating performance was driven by consistently strong execution, productivity improvements and diligent cost control. Now let me turn to a summary of our balance sheet and cash flow highlights. We delivered a strong cash flow performance for the year.

Cash from operations was $236 million and free cash flow was $147 million, representing 7% of sales. We deployed $90 million on CapEx, paid down $39 million of debt and returned slightly more than 50% of our free cash flow to our debt in November, extending our average maturity to more than 5 years and increasing our strong liquidity position. We finished the year with net leverage at 1.6x EBITDA and liquidity of more than $700 million.

The steps we took in 2024 further strengthened our financial position and will help support our long-term growth strategy going forward. Looking ahead, we expect 2025 will be another strong year from a cash flow perspective. with free cash flow in the $150 million to $160 million range.

Now I'll summarize our outlook for the first quarter. We currently expect first quarter sales of around $500 million, operating income of around $70 million and EPS between $1.30 and $1.35. We've had a slow start to the year on both sides of the business with customers taking a more cautious approach to inventories, shifting around their orders. We believe this is partly driven by the uncertainty in some end markets around the potential introduction of tariffs and partly just general conservatism on inventory levels and production schedules.

However, we don't see this reflecting a fundamental change in the health of our end markets. From a market perspective, we expect first quarter demand to remain similar on both the consumer and the industrial side of the company. We expect sales in Consumer & Specialties will be similar sequentially. We expect sales in Engineered Solutions will be around 5% lower sequentially due to the slow start in January, the Lunar New Year holiday and the large waterproofing projects we delivered in the fourth quarter.

I'll also note that the stronger US dollar is impacting our sales by approximately 2% to 3% in the first quarter versus last year. Overall, for MTI, our order books and shipments have been improving every week which gives us confidence in the health of our end markets and our outlook for the first quarter. And we expect further improvement across our end markets as we move into the second quarter.

Doug will take you through more of what we're seeing for the rest of the year in just a moment. Before I hand the call back over to Doug, I'll give some perspective on the current tariff situation and potential implications for MTI, as I'm sure it's of interest to many of you. We shared a similar slide in 2018 when the previous round of tariffs was put in place. And as we've said previously, we primarily source and sell locally in the regions where we operate. which does insulate us from the impact of tariffs.

On the top left of this slide, you can see that a very small portion of our cost of sales is imported into the U.S. To put this in perspective, the 10% additional tariff on China would increase our cost by approximately $2 million on an annualized basis. We also move a small percentage of our finished goods across borders in North America, as shown on the bottom left of this slide. The potential impact of the proposed tariffs on Canada and Mexico would be approximately $10 million. The actual impact of all these tariffs though would be less as we have multiple mitigating actions we would take, for example, shifting production between our facilities, if necessary.

While the tariff outlook is still uncertain, including potential end market effects, I'll summarize by saying that MTI's direct exposure is limited and we are well positioned to navigate these dynamics. With that, let me turn the call back over to Doug for some additional perspective on the year ahead.

Doug?

Douglas Dietrich - *Minerals Technologies Inc - Chairman of the Board, Chief Executive Officer*

Thanks, Erik. Let me finish up today by giving you an outlook on how our markets are shaping up for 2025. Overall, we're set up for a stronger year and anticipate sales growth of between 3% and 5% for the full year. The general framework for how we see the year playing out is that the consumer side of the business will remain solid and continue its growth track.

The industrial side of the business will have a relatively slow first quarter and strengthened throughout the year. Let me break this down for you by segment and point out a few trends and some specific factors in each. In Consumer and Specialties, we have a positive outlook on growth for the year. In Household and Personal Care, our cat litter business has grown share and secured new sales with customers in North America, Europe and Asia.

Sales will increase from our new packaging options and from the new technologies that I spoke about earlier. Our specialty consumer products like animal health, natural oil filtration and personal care products will all continue at their double-digit growth rate this year. The Specialty Additives product line, is also set up for solid year. We have three new paper and packaging satellites coming online and expect stronger demand for our ground and precipitated calcium carbonate additives serving food and pharma and residential construction and markets.

On the Engineered Solutions side, our outlook is a bit more conservative because of the uncertainty we are currently seeing in a few of these end markets. In High Temperature Technologies, after a slow start, we expect the North America steel market to improve as we move into Q2 and through the second half of the year, we could also see some increased demand given the potential additional tariffs placed on steel imports which may result in higher U.S. production. Our Metalcasting business should remain stable in North America and continue to grow in Asia. We could see some potential upside in metalcasting in the U.S. when the agriculture equipment market rebounds from a challenging 2024. Our Environmental and Infrastructure product line has seen the biggest impact on its markets over the past few years due to higher interest rates. There are several potential catalysts which could drive growth in this product line including increased infrastructure spending and lower interest rates, which support a rebound in commercial construction. We are seeing -- starting to see indications of stabilization in the large landfill lining and commercial construction markets but it's a bit too early to tell if this is the beginning of a positive inflection.

We also expect continued growth in Fluoro-Sorb and are set to launch a large product project here in the Northeast, which should help generate further sales traction. As Erik mentioned, we're watching what happens with regulations, taxes, the timing of tariffs and the effect all of this could have in our markets. But MTI is well positioned for what comes our way. We have operations in each of our major markets with capacity to support demand if it moves from one geography to another.

We have a very agile team and we'll quickly adapt to changing circumstances as they unfold. Speaking of our team, I'd like to thank everyone at MTI again for another great year. This is a people-centered company, and the continued focus on operational excellence across our organization is what sets us apart. For those of you on the webcast and dialing in, thank you for joining the presentation today.

Now let's open it up to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Daniel Moore, CJS Securities.

Daniel Moore - *CJS Securities - Analyst*

Thank you. Good morning, Doug. Good morning, Erik. Thanks for the color and taking the questions. Start with, obviously, operating execution has been really impressive. You're already basically at your 15% operating margin goal. What are your expectations for fiscal '25? And where do you see margins heading over the next 2 to 3 years?

Erik Aldag - *Minerals Technologies Inc - Senior Vice President - Finance and Treasury, Chief Financial Officer*

Yeah. Hi, Dan. Thanks for the question. So yes, we've had a strong operating performance in 2024. And we reached that 15% operating margin target pretty much a year earlier from where we expected. I think for 2025, just from where we sit today, we're expecting to maintain that 15% margin or improve upon it. We do expect the margin to build through the quarters.

So what we're guiding to in the first quarter equates to something around a 14% margin, which is similar to what we had in the fourth quarter and makes sense from a seasonality perspective. And so we would expect to see a margin build as we get into the stronger seasonal quarters in Q2 and Q3.

There's a little bit of uncertainty in terms of the end market picture, as Doug alluded to. So a little bit cautious on guiding higher than that 15%. But right now, confident in maintaining the 15% and could go higher from there depending on markets and volume leverage.

Daniel Moore - *CJS Securities - Analyst*

Makes sense. Appreciate it. And then Doug, I appreciate the color on the end markets. Just in terms of top line growth, Consumer and Specialty, the goal is to get to kind of mid-single-digit growth. Obviously, got some headwinds in terms of inventory -- customers managed inventories here in the short term. What do you need to see to drive sustained kind of low and then mid-single-digit growth? And when do you think we can get there? That’s Consumer and Specialties specific.

Douglas Dietrich - *Minerals Technologies Inc - Chairman of the Board, Chief Executive Officer*

Yeah. So this year, I think we're set up for a stronger year growth in Consumer & Specialties. We're looking at the 4% to 8% range for that product -- for that segment. And it's really going to be driven by what we see is in some of the product lines that I talked about; pet care or pet litter and the new products that we have coming online in the second quarter, the market share gains, our entry in a pretty significant way into Asia that's going to be driving growth this year. I talked about some of our bleaching earth with renewable fuels.

We are seeing some significant demand growth in that product line from aviation, sustainable aviation fuel. I don't know. I'll let DJ give some more color, but some additive rates have changed in Europe, and it's really pulling harder for that. And so we see that being very positive. So we have a number of things that we feel are positive for that product line going forward. I guess the area that as I mentioned, is a little bit uncertain right now is on the Engineered Solutions side. We saw a softer second half of the year, and we think that that's persisting into the first quarter. There are indications we get from customers right now that -- and in our order books that we see building in the back half of the first quarter for a stronger second and back half of the year. So it's almost like a mirror image of what happened last year. I think if those play out like that, we could be on that mid-single digits or higher part of the guidance I gave you. I gave the 3% to 5%. If building and construction and interest rates persist and we don't see the drag in building and construction, but we see a planning over we might be on the 3% to 4% range.

So I guess I'm not giving you exactly the guide because it's a bit uncertain as we sit today. But to get us above that 5%, I think what's going to happen is you're going to start to see these consumer specialty businesses become a much bigger part of our portfolio. They're growing at double-digit rates today. Animal Health, Bleaching Earth, our personal care business, with the cat litter growth in that mid-single digits. I think as that product line, that's been kind of the structure of the company. As that product line gets bigger and bigger, bigger, it's going to have those higher growth rates, and I think that's going to take us above that 5% and push us in the high mid-single digits over the long term. Does that help?

Daniel Moore - *CJS Securities - Analyst*

Really helpful. And then last for me is just leverage continues to tick lower. Cash flow outlook for '25 is pretty robust. So just talk about capital allocation and what the M&A pipeline looks like and what types of things you might like to flesh out or tuck in? Obviously, it always takes two, but just wondering what you're seeing there.

Thanks again.

Douglas Dietrich - *Minerals Technologies Inc - Chairman of the Board, Chief Executive Officer*

You took my answer out of my mouth. Yes, it does take two. Look, I think there's -- we have the balance sheet in great shape. I think it provides us a lot of optionality. We have a $200 million share repurchase program out there that I think we'll continue to execute. I think we look at steering half of our free cash flow back to shareholders, and I think we'll do that this year.

I do think that, that preserves some capacity to do bolt-on acquisitions. And to be honest, I think there's opportunities across all four product lines. ranging from moving us into new geographies, solidifying positions in those geographies, bringing in reserves, adding new technologies and deepening us into areas of environmental and some of these consumer products.

So I do think that there's opportunities in each of the four product lines. Again, we'll see how some of those play out and how the M&A market and the uncertainty plays out this year. But I think the balance sheet, where we are, it can support both returns to shareholders and some acquisitions this year.

So I think that's going to add. And what I'm giving you is organic growth, I think those types of things will even add further to that growth rate going forward. So we have a really positive outlook, Dan, and capacity to use the balance sheet that way.

Operator

David Silver, C.L. King.

David Silver - *C.L. King & Associates - Analyst*

Yeah, hi, good morning. Thanks for taking the questions. I had a couple of questions. I guess, firstly, I'm going to go back to a topic that was discussed in the third quarter conference call, and that was kind of the sources of your efficiencies. So I'll echo Dan's comments about the impressive nature of the productivity and margin strength. But the last quarter, Eric, I believe, did a pretty good rundown of efficiencies that you gained within your pet litter business, tightening the integration of the recent acquisitions. When I looked at the reported results and then again at the slide deck, I mean, there's a pretty big margin improvement on the other side on High-Temperature Technologies and Environmental and Infrastructure.

So modest revenue performance, but 150 basis points margin improvement year over year in the quarter and then also full year, if you were to kind of target one or two areas within the Engineered Solutions area where productivity or margin enhancing moves really came through in '24. Could you call out one or two of those? And then what's the outlook for further gains there in 2025?

Douglas Dietrich - *Minerals Technologies Inc - Chairman of the Board, Chief Executive Officer*

Thanks, Dave, for the question. Let me start, and then I'll pass it over to Brett Argirakis. The first thing I'd highlight is that we're always targeting productivity improvements across the company, and we're finding ways to achieve them every year. I think this year, for the entire company, productivity improvement was 4%. And so we're able to -- and we've averaged kind of 3%, 4%, 5% per year for many, many years. And that's because we're finding ways as a company, as a team, our employees are finding ways to do things more efficiently.

And that doesn't just include in our processing plants, And in particular, some of the productivity improvements this year in Engineered Solutions were in the mining side. But that's in our back office systems, right? So we're looking at we're looking at ways to do things efficiently, more efficiently, closing the books. A lot of those kaizen events are just looking at how to bring in sales without having to grow our overheads.

I think if you've seen our percentage -- our overhead -- our SG&A as a percent of sales, it continues to go down, and that's the leverage you're seeing on our sales. So being able to hold fixed costs flat and bring in revenue and then being able to keep variable costs and control through productivities on a variable basis in our plants is exactly what we do day in and day out.

And Brett, I guess, in Engineered Solutions, some things you want to point out, particularly for margin growth?

Brett Argirakis - *Minerals Technologies Inc - Group President, Engineered Solutions*

Sure. Thanks, Doug. Hi, David, look, I think Doug hit the highlights, but let me break it down into the two product lines. If you look at the High Temperature Technologies, our refractory growth initiatives continue to benefit the segment. very high-value products. Our Minscan Scantrol equipment continues to grow. We've got 17 units in place. We have about 8 more on the books for this year. So that's a huge impact to the High-Temperature Technologies.

The Metalcastings business continues to be solid. Our growth opportunities as we've discussed in the past are primarily in Asia, Asia signed up 14 new customers in 2024. So we anticipate that continuing to grow. It's been pretty solid. Trying to get those blends into Asia is our goal, and we'll continue to push that. Of course, the cost control, as Doug pointed out, and the productivity improvements continue to be looked at.

But when you look at the other side of the business, of course, it's been -- it's in a tough market. The Environmental and Infrastructure has struggled for the last 2 years because of market conditions. But the good news is, we're starting to see some activity. In the fourth quarter, we start to get more construction projects question where we got specified into some of the other -- some projects for when that market comes back and investment continues.

We talked about the large project in California, a waterproofing project. That's going to continue in '25 later -- probably in the second half of the year. So there's more to come. Of course, the drinking water, we continue to work on the drinking water and remediation projects and also the drilling products. So we've got a lot in the pipeline. We need a little help from the market, but we feel pretty good about where we're at now and where we're headed.

Douglas Dietrich - *Minerals Technologies Inc - Chairman of the Board, Chief Executive Officer*

And David, let me just add one thing. I know probably another question, but I think some of the most impressive Engineered Solutions that Brett was (inaudible) good progress this year. But the Consumer and Specialty side and especially in that pet care business, had some significant margin improvement. And I think that translated into that 25% operating income growth. And I think that's an exact example of what I'm talking about, being able to integrate these facilities, where we've lowered our fixed cost base and worked on productivities in these new acquisitions. And DJ, you saw a lot of that happening through the system that we've built over the past three years with these new businesses.

D.J. Monagle - *Minerals Technologies Inc - Group President, Consumer & Specialties*

Yeah, Doug. So David, just on the pet side of the house in particular, this -- we announced this integration and this global brand, SIVO. And to the customer-facing side, it's a consistent approach to how we go about serving our customers' needs. It gives them access to the global footprint, gives them access to our high-quality reserves and gives them a consistent access to all the innovation. And in the process of doing all that, especially on the manufacturing footprint, we've been moving around an awful lot of volumes, optimizing efficiency and really just optimizing that whole customer experience, taking costs out where we can and then also providing what I call incremental innovations where we're able to improve the margin through the offering of new products. So really a big part of that was that margin improvement. And then as we're looking forward, the exciting part to me on the revenue growth side is that we've got quite a few new projects and new products that are coming out over the next couple of months that should allow us for even further expansion, further optimization of that manufacturing footprint.

David Silver - *C.L. King & Associates - Analyst*

Okay. Great. Well, thank you for all the color there. I'd like to ask a second question here on Fluoro-Sorb. So Doug, in your prepared remarks, you called out a large new project for the Northeast, I believe. Could you just kind of point us in the right direction? Is that a beta test? Is that a full commercialization? And then is that for drinking water or groundwater remediation, maybe just some color on that large new Fluoro-Sorb project you called out.

Douglas Dietrich - *Minerals Technologies Inc - Chairman of the Board, Chief Executive Officer*

Brett you want to give some color --

Brett Argirakis - *Minerals Technologies Inc - Group President, Engineered Solutions*

Yeah. David, I can give you a little bit of color on that. So we do have a large-scale drinking water program that's in the works and that's in the Northeast. It's full-scale drinking water, Fluoro-Sorb and we anticipate that to start up in the coming months. So that's pretty exciting. We have a lot of activity on Fluoro-Sorb right now. We -- as we talked about, we've met with the EPA. We have a kickoff meeting scheduled with them this month.

We had 51 projects, David, of various sizes. Our portfolio included full-scale implementation, some larger-scale piloting, some cleanups in-situ cleanups for soil remediation. But the Fluoro-Sorb continues to get more and more attention. There's eight programs that we're working with the EPA on now. and we have four full-scale drinking water systems utilizing our Fluoro-Sorb and four more that we anticipate in the first half. So internationally, we continue to pursue it.

And of course, we continue to target the other opportunities outside of drinking water for landfill and wastewater and soil and groundwater remediation.

Douglas Dietrich - *Minerals Technologies Inc - Chairman of the Board, Chief Executive Officer*

And David, the reason I highlighted this one is it's a little bit newer for us. For the past year two, we've been working on drinking water in kind of vessels. So there's two different ways of removing impurities and drinking utilities. One of them is vessel-driven. Water passes through the vessel, through our media. It takes out Fluoro-Sorb. There's gravity fed systems, which are much larger where the water will pass through it in big, large, I mean, very large outdoor vessels. This will be one of those.

Again, we're still working through some of the details, but it would be a new application, a very high-volume application of Fluoro-Sorb, which I think gives more traction in a different type of utility. So I just want to call that one out because it's a bit different from the past ones. We've been piloting.

Operator

Pete Osterland, Truist Securities.

Pete Osterland - *Truist Securities - Analyst*

Hey, good morning. Thanks for taking the questions. So your first quarter guidance implies some margin pressure year-over-year. I was just wondering if you could break out what the major drivers are there. Is it mostly driven by operating leverage, your revenue mix. Are you seeing any pressure from pricing versus raw materials? Just any additional color, you could give there would be helpful.

Erik Aldag - *Minerals Technologies Inc - Senior Vice President - Finance and Treasury, Chief Financial Officer*

Yeah. Hi Peter. This is Erik. Thanks for the question. So yes, from a margin perspective, we're looking at a pretty similar margin in the guidance going from Q4 to Q1. And you're right to point out that last Q1 in 2024, we had a pretty strong margin.

I would point to mix on that. I mean, some of the markets that are softer for us this year, versus last year, are some pretty high margin markets for us, So I'm thinking of the High-Temperature Technologies markets in particular. So there's a little bit of a mix impact going on there. I will say energy rates are a little higher than they were last year, and we're working to pass those through.

We could have somewhat of a timing impact, in terms of when we're passing through those energy -- higher energy cost to our customers. But generally, we -- the margins are staying consistent with what we had in Q4, and we expect those to build through the year. As I mentioned earlier, Q4 and Q1 are typically the softest from a margin perspective, just seasonality, and then they strengthen as we go through the year.

Pete Osterland - *Truist Securities - Analyst*

Very helpful. Thank you, Erik. And just as a follow-up, are there any additional details you could give on the sale of refractory assets during the quarter. Just what was the reason for exiting that business? And are there any other asset sales across the portfolio that you are contemplating on similar lines?

Douglas Dietrich - *Minerals Technologies Inc - Chairman of the Board, Chief Executive Officer*

Yeah. There's nothing really to highlight. This is -- we've always had a very small refractory footprint in China. Our main markets have been North America, Europe, Southeast Asia, India, primarily Turkey. So we've always had a very small footprint there. The Chinese government was looking to develop this line. We were one of the first some years ago in this industrial park. As that park has grown, the local government there wanted to develop our piece of property, which is pretty valuable to them. which was not an issue for us.

We were able to move that and absorb that production elsewhere. We have a facility in Japan that was able to absorb some of that production. So -- and we also -- our equipment sales come into China from Germany. So it's not a -- wasn't a big deal from a manufacturing standpoint, and we thought it was a good thing to do and so exited that facility and sold it to government. So nothing more than that.

Operator

David Silver, C.L. King.

David Silver - *C.L. King & Associates - Analyst*

Okay. Sorry, I hit the mute button. Sorry about that. So there was one topic I wanted to ask you about not really mentioned in your prepared remarks or I believe, in the press release, but it does relate to the talc litigation. So you have -- you did dedicate, I think, $30 million to sustaining the ongoing negotiations towards settlement. And this doesn't relate directly to you, but I guess the folks involved with the larger talc litigation with J&J and Imerys. I guess there was some movement there. There was a shareholder vote that was successful.

Could you just give us maybe your latest thoughts on progress towards the settlement and whether the movement, I guess, with the litigation with J&J and Imerys bodes one way or the other for either the timing or the magnitude of an eventual settlement.

Thank you.

Douglas Dietrich - *Minerals Technologies Inc - Chairman of the Board, Chief Executive Officer*

Sure. So not a lot to report on that front, but there -- we have been progressing in mediation. I would say that we've been progressing at pace. These things tend to be relatively slow. But we're moving. We've had mediation sessions in December and through January. And so I'd say it's constructive and it continues.

I can't give you an indication right now that, that's leading towards a solution sooner rather than later, but I'd say it's constructive, and that's still positive -- that we're moving in the mediation direction. Relative to others, we're separate from that. We're focusing on our own solution to this to find a fair and final solution for the company and for all involved.

And so we're focused on that. If there's one thing maybe it does do is it creates less distraction outside of other mediations and enables us to maybe move more quickly, but that's my supposition. I would say that they don't have any influence on ours and we're dealing with ours on our own. So nothing much to add to that other than it's still constructive, and it is progressing.

David Silver - *C.L. King & Associates - Analyst*

Okay. Great. And then last one for me. I did want to touch base with DJ, just to get a sense of expected new start-ups in 2025? And then maybe just some comments on the new project funnel that you see.

Thank you.

D.J. Monagle - *Minerals Technologies Inc - Group President, Consumer & Specialties*

Thanks for the question, David. As Doug mentioned, we signed three contracts we've got coming on line in 2025. All of those are in Asia. I'd expect another couple of signings one in Europe, one in Asia and heavy emphasis on packaging, heavy emphasis on New Yield. When I look at the overall pipeline, it's reasonable for you to think we've got a couple of dozen projects that are under review, under discussion. Quite a few of them are related to packaging and there's some overlap of this comment, but quite a few of those are also a New Yield as a platform for other items.

So I would say we'll definitely see these -- the effect of these new startups coming on second half of the year. There's still a little bit of a ramp-up that's going on in the satellites that we started this year, that's three, four -- and then you'll see there was one conversion that we did to New Yield in in the Americas.

So that's not so much a change on revenue and volume, but it's part of the profit enhancement and margin enhancement that we've got going on in that segment. So overall, good progress, good trajectory and the continued themes are packaging and these newer platforms that are mostly directed at being a more sustainable pigment to the paper industry.

Operator

Mike Harrison, Seaport Research Partners.

Michael Harrison - *Seaport Global Securities LLC - Analyst*

Hi, good morning. I was hoping that I could just give some clarification on the sales outlook. The 3% to 5% that you're looking for, is that an organic number? Or does that include the expected FX headwind?

Douglas Dietrich - *Minerals Technologies Inc - Chairman of the Board, Chief Executive Officer*

That's an organic number. I'm not making a projection on foreign exchange right now. That's as we see foreign exchange today. If that would -- I guess, if there's further strengthening of the U.S. dollar that could put some pressure on that. But I think that if you think about that as an organic-based volume growth number, that's what we're seeing in our businesses. And it's really, it's driven on the high side by the Consumer & Specialty segment.

As I mentioned, we're seeing probably about 4% to 8% growth there. On the Engineered Solutions side, I'm going to give you 1% to 3%. Probably that's just 1%, just on the conservative side, given some of the markets building, construction, depending on how steel and metalcasting goes. But I do think that it could trend up higher than that in Engineered Solutions if what we're seeing --if you start to see an inflection in Consumer and Specialties and if the steel and foundry markets stay strong and if not strengthen, it could go higher.

So we have a pretty positive outlook, Mike, on this. And I think the average of those two numbers that I'm giving you is that 3% to 5%. But I see factors that could drive it higher than that. And I see headwind -- I hate to use that term, but foreign exchange that can push it down. So trying to give you as much as I can and then kind of an uncertain quarter right now, but that's what it looks like today.

Michael Harrison - *Seaport Global Securities LLC - Analyst*

Understood. Yeah, I think what we're trying to get to is some sense of what EPS could look like for the full year. Obviously, you're starting with a slower quarter in Q1, but it sounds like what you're seeing is maybe kind of low single-digit top line growth net of FX headwind and maybe not much margin improvement, so maybe kind of a low single-digit type of earnings growth? Is that kind of what the best projection would be for now?

Douglas Dietrich - *Minerals Technologies Inc - Chairman of the Board, Chief Executive Officer*

There's a lot of ins and outs to the EPS side of that, Mike, but I will tell you this, it really depends on where that revenue comes from, right? There are some very high-margin regions and product lines. I'd tell you, in some North America markets, if we see that bleaching earth traction in some of our newer higher growth, higher-margin products, you might see that sales growth, but it could come at a much higher margin.

So I think what Erik gave earlier is we're trying to stay a little bit conservative on that margin growth and holding it at 15%,given kind of the outlook that we have and some of the foreign exchange. But no doubt, if we get onto the 5% type range with some of the product lines that I've mentioned in refractories and some of these higher growth projects, that margin could trend north of 15%.

And it could for a few of the quarters like our second and third as they're usually our highest volume markets. That would change that EPS outlook a little bit. So 5% growth rate with an extra half turn on margin depending on what happens below the line with foreign exchange and how we translate things, I think it's probably back into that. Our compound annual growth of earnings has been 8%, and I think you can see that 8% again, keeping on that track.

Michael Harrison - *Seaport Global Securities LLC - Analyst*

All right. Very helpful. And then, Erik, you had mentioned in response to an earlier question that maybe energy costs are a little bit elevated. It may take you some time to pass those through. But certainly, the winter has been a little more ferocious than in the past couple of years. Any comments or quantification, I guess, you could provide on what you've seen in Q4 in terms of not just energy cost inflation, but maybe mining cost impacted by the colder weather. What did you see in Q4? And what would be your expectation for Q1 relative to last year?

Erik Aldag - *Minerals Technologies Inc - Senior Vice President - Finance and Treasury, Chief Financial Officer*

Yeah. Thanks, Mike. So I wouldn't call it out as a major impact in terms of energy in the fourth quarter. We saw -- I think if you look at the bridge, we actually saw favorable costs overall year-over-year. A lot of that is driven by the productivity, particularly in the Western mines in the US, we had a really strong quarter from a mining perspective and our clay inventories are in great shape. From an energy perspective, it's a little higher than last year. The cold weather in the US has resulted in a little bit of volatility in natural gas prices, but we're not talking anything really significant to the company and nothing that we can't pass through or mitigate.

Michael Harrison - *Seaport Global Securities LLC - Analyst*

All right. And then on the Engineered Solutions business, the margin improving quarter-on-quarter from the third quarter. That's a little bit unusual. Usually seasonally, that comes down in terms of margin performance. So can you talk a little bit about the drivers there? Is that the Environmental and Infrastructure business turning positive and showing some good operating leverage, or is there something going on within high-temperature technologies that helped the margin performance sequentially?

Erik Aldag - *Minerals Technologies Inc - Senior Vice President - Finance and Treasury, Chief Financial Officer*

Yeah, definitely helped by the Environmental and Infrastructure improvements. Those are -- that business, in general, has high incremental margins, high contribution margins. So when we get a couple of large projects and some higher activity in that business, that helped margins significantly. I would just point to the productivities again, we had a really solid quarter in that business from a productivity perspective.

The fourth quarter, I would just -- the only thing other piece of color I would add there is the fourth quarter is typically stronger from an equipment sales perspective in the High Temperature business, and that was again the case this year. So that helps to offset some of the seasonality that you would typically expect in the margins Q3 to Q4.

Michael Harrison - *Seaport Global Securities LLC - Analyst*

All right. Last one for me is just on the Specialty Additives business. You mentioned that there's some pricing headwinds there due to the contractual pass-through of lower raw material costs. Can you give us a sense, quantify the price decline in 2024 and in the fourth quarter in Specialty Additives.

Erik Aldag - *Minerals Technologies Inc - Senior Vice President - Finance and Treasury, Chief Financial Officer*

Yes. So I called out the volume increase in Specialty Additives for the full year was around 3% overall and revenue was up about -- around 1%. So that gap between the volume and the revenue increase reflects the pass-through pricing.

Douglas Dietrich - *Minerals Technologies Inc - Chairman of the Board, Chief Executive Officer*

And Mike, you're not too really familiar --we price those on a margin basis on a cash margin basis. So if some of the raw materials drop, the price will drop, but the margin and the cash generated off, of that ton remains flat. That's where those contracts work. So you do see those fluctuations from time to time in high inflationary periods on the way up. And then as it deflates on the way down, you'll see that impact the top line. But margins, cash flow always remain the same. That's how the contracts are structured.

Operator

This concludes our Question and Answer session. I would like to turn the conference back over to Doug Dietrich for any closing remarks.

Douglas Dietrich - *Minerals Technologies Inc - Chairman of the Board, Chief Executive Officer*

I just want to say, thank you very much for joining the call today. Appreciate you listening. Appreciate the questions from everyone and we'll talk to you again three months. Thank you.

Operator

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.