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MTX.N - Q3 2021 Minerals Technologies Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 05, 2021 / 3:00PM GMT

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PRESENTATION

Operator

Good day, everyone, and welcome to the Third Quarter 2021 Minerals Technologies Earnings Conference Call. Today's call is being recorded.

At this time, I'd like to turn the call over to Erik Aldag, Head of Investor Relations for Minerals Technologies. Please go ahead, Mr. Aldag.

Erik Aldag - *Minerals Technologies Inc. - Head of IR*

Thanks, Cody. Good morning, everyone, and welcome to our third quarter 2021 earnings conference call. Today's call will be led by Chairman and Chief Executive Officer, Doug Dietrich; and Chief Financial Officer, Matt Garth. Following Doug and Matt's prepared remarks, we'll open it up to questions.

I'd like to remind you that beginning on Page 15 of our 2020 10-K, we list the various risk factors and conditions that may affect our future results. And I'll also point out the Safe Harbor disclaimer on this Slide. Statements related to future performance by members of our team are subject to these limitations, cautionary remarks and conditions.

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

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

Thanks, Erik. Good morning, everyone. I appreciate you joining today's call. I'll go through our third quarter results at a high level, including our sales performance and how we managed through a variety of challenging dynamics. I'll then take some time to describe the progress we're making with our growth initiatives and our team's solid execution on several fronts. I'll then turn it over to Matt to discuss our financial results in more detail and expectations for the fourth quarter, and then we'll open the call to questions.

Let me start with a recap of the quarter. First and foremost, market demand has remained robust across all of our product lines and geographies. We delivered strong results, marked by another record quarter of earnings per share of $1.30. Performance was achieved while managing through a challenging operating landscape, the supply chain and inflationary pressures across our businesses.

Sales for the quarter were $473 million or 17% higher on an organic basis and up 22%, including sales from the recent Normerica acquisition. We saw sales increases in every segment and across every geography.

For more perspective on our organic growth, the projects we've initiated -- and I've discussed with you over the past year -- contributed approximately 5% to our organic growth in the quarter. Said another way, about 5% of our growth was delivered from new projects and technologies initiated over the past year; 12% from market growth and 5% from the acquisition of Normerica.

The strength of our operating capabilities is reflected in how we successfully managed through the external conditions we faced this quarter, which enabled us to generate $63 million of operating income, a 22% increase over last year. Performance was achieved within the context of a myriad of external issues, including rising costs, truck, rail and shipping logistics challenges, difficulties finding talented people to support expanding production, significant energy cost increases that became more pronounced during the quarter and continued challenges presented from the COVID pandemic. In spite of these issues, we kept our inventory and supply positions for key raw materials and commodities in good shape. We acted quickly to solidify our pricing leadership across our product portfolio and to address the inflationary cost pressures that accelerated over the past few months. And we tightly controlled expenses and continued to drive productivity improvements. Not to be forgotten, we navigated everything while also seamlessly integrating Normerica into our company.

Cash flow remains strong and, through the first 9 months of the year, cash from operations is up 10% compared to 2020. We completed our share repurchase authorization. Last week we initiated a new 1-year $75 million program. Strong cash flow and solid balance sheet gives us the flexibility to continue to allocate capital to shareholders, while also investing in attractive organic and inorganic growth opportunities.

Overall, we had a very strong quarter in terms of financial and operational performance. Needless to say, there was a high level of activity this quarter. Our execution speaks to the capabilities of our team, who did a great job operating the company safely and efficiently while remaining focused on delivering for our customers.

Now let me take you through some of the year-to-date sales highlights, outline the contribution from our recent growth projects and describe the initiatives that will further advance our sales trajectory.

We've discussed with you the initiatives we've executed over the last year, which have been key contributors to our growth in 2021. We've also advanced several new projects this quarter, that will support further sales growth going forward. We're very encouraged with our continued progress on our growth strategy, which is focused on geographic expansion, new product development and acquisitions. Demand trends are favorable across our markets. The sales growth demonstrated in our businesses has been further bolstered by our new projects aimed toward higher growth markets and also from investments we've made to strengthen our portfolio of value-added products.

Let me provide some perspective on what we've realized through the third quarter from these projects and then detail our new initiatives, new technologies and recent acquisitions that will accelerate growth.

I'll start with our Household, Personal Care & Specialty Product line, where our broad portfolio of consumer-oriented businesses continues to perform very well, resulting in organic sales growth of 13% year-to-date and 20%, including the recent addition of Normerica. This growth is a result of our leading positions in structurally growing and stable markets. But it's been enhanced through our investments in new products, capacity expansions and by extending the geographical reach of each of these businesses.

Our global pet care business is an example of this, with its portfolio of premium products, new online sales channels and broad global presence, which has led to above-market growth rates. We're also realizing significant sales increases in other consumer specialty applications, such as edible oil purification and Personal Care. These are businesses where we've made targeted investments to enhance our technology portfolio and expand our manufacturing capabilities to reach a broader customer base in Europe and Asia.

Our global Metalcasting business remains on its consistent growth track with sales up 30% year-to-date, driven by strong demand from both North America and Asia foundries, serving a diverse customer base in automotive, heavy truck and agriculture markets. Specifically, penetration of our blended products continues to expand in Asia as sales increased 30% compared to last year, with 29% growth in China alone. While much of our growth is driven by our penetration in China, we continue to demonstrate our value proposition in other countries with attractive long-term growth fundamentals. In India, which is the second largest gray and ductile iron casting market globally, sales of our blended products are up 50% over 2020.

Our PCC business has been delivering a strong performance this year. Sales were up 17% year-to-date as uncoated freesheet paper demand continues to improve in all regions. We've also benefited from the ramp-up of 200,000 tons of new capacity that we've brought online over the past year, which includes a 150,000-ton facility in China and another 50,000-ton satellite in India. Production at our 40,000-ton expansion for a packaging application in Europe was also just commissioned in the third quarter.

For perspective, sales realized from these latest satellites were responsible for 5% of the 17% PCC growth so far this year. Our fourth quarter PCC volumes are currently projected to be above where they were in 2019, more than absorbing the volume loss from our 4 paper machine shutdowns that occurred since then.

Moving forward, we have several other new satellite projects under construction that set this business up for continued sales growth next year. In addition to the capacity I just mentioned, another 40,000-ton satellite in India will start up this quarter and we've begun building another 50,000-ton satellite in China, which should be operational in the first half of next year. We've also just reached an agreement and expect to sign a contract over the next couple of weeks with a new customer in India for another 22,000-ton satellite. It will be our ninth satellite in India after entering the market with our PCC technology 10 years ago.

In total, with the satellites just commissioned and ramping up, combined with these 3 new satellites, we see the 5% growth rate from new satellites continuing through next year. Pipeline of new satellite projects remains robust. We're expanding our addressable market opportunities with new products and technologies for the packaging market, which I'll describe in a moment.

I'll finish up the year-to-date growth highlights with our refractory segment. It's been a very impressive year for this segment with growth of 22%, marked by steel utilization rates noticeably improving over last year. Growth also reflects the team's success in capturing new business.

Over the past 6 months, we've secured 7 contracts worth $100 million over the next 5 years, 2 of which were signed during the third quarter. We've been able to secure these new contracts in the electric arc furnace market through the deployment of our new portfolio of differentiated refractory products and high-performance laser measurement solutions, which reduced costs and improved furnace safety for our customers.

I've discussed how we're investing in several new technologies, and I want to share with you how they're beginning to pay off, specifically a few areas where we've broadened our product offering to enter adjacent growing markets. I'll highlight 2 significant areas. First, our Paper PCC business has been developing new technologies, processes and products to accelerate our growth beyond high value filler for uncoated freesheet paper and into the adjacent packaging market.

We've made significant progress over the past 2 years, deploying PCC into white top linerboard. More recently, we've been developing new products for other packaging applications, including ground calcium carbonate for white carton board and alternate mineral products for brown packaging. These are attractive and growing packaging markets and we're developing a more comprehensive product portfolio to reach this broader customer base.

Currently, we're working to finalize a long-term contract with a premier white carton board customer in China that would represent a significant step for us into this adjacent market.

We also recently concluded customer trials with our alternative mineral products for brown packaging here in the U.S. With an expanding product portfolio and a pipeline of potential customers, we believe the packaging market represents a real avenue for new long-term growth.

Another project in our technology pipeline that we're very encouraged with is FLUORO-SORB, which addresses PFAS contamination in groundwater. Last call, I shared with you details about our first major commercialization for a large-scale project at a North American Department of Defense location. This project went well and its success has helped to advance our other opportunities. In fact, we're currently working to secure several other large projects in the drinking water and soil stabilization markets. As this sector continues to develop and regulatory bodies focus on implementing changes, we're well positioned to capture new opportunities with our patented technology.

To finish up the discussion on our growth for the future, I'll take you through how we've strengthened our business through recent acquisitions. First, we completed the Normerica acquisition during the quarter and the integration is progressing well. The team has been in place working on a variety of activities with our new colleagues to integrate all facets of the business and deploy our culture of safety and operational excellence. Everyone has done a tremendous job making this a seamless transition.

We're still in the early stages, but the knowledge we've gained over the past 3 months has only further validated our thesis when we acquired Normerica. We've identified significant opportunities in the North American cat litter market for our broader portfolio of private label products, and we see a clear pathway to drive higher growth rates and profits in our Pet Care business.

In addition, yesterday we acquired the Specialty PCC assets from Mississippi Lime Company. This bolt-on transaction helps expand our manufacturing reach into the Midwest United States and gives us a strategic logistics footprint at a key point along the Mississippi River. The strategy is to leverage our latest technologies such as rheology modifiers for sealant applications throughout our Specialty PCC plant system in the U.S.

Let me leave you with a few takeaways. We continue to build MTI into a stronger company on all fronts. We take actions to balance our portfolio to generate higher, more sustainable growth. The sales mix has evolved over the past few years, with 30% of our revenue now coming from stable and growing consumer-oriented markets.

The projects I described to you demonstrate how we're leveraging our newest technologies to drive growth in our current markets and enter attractive adjacent markets. We also underscore how we continue to drive penetration of our core product lines in growing geographies. Our recent acquisitions further supplement this momentum. And all taken together, we have meaningfully shifted our sales trajectory going forward. Specifically for next year, we see our sales growth moving north of 10%. And this sales trajectory, along with our strong operating capabilities, provides a powerful combination for significant long-term value generation.

With that, let's turn it over to Matt to go through our quarter performance in more detail. Matt?

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

Thanks, Doug. I'll review our third quarter results, the performance of our segments, as well as our outlook for the fourth quarter. And now, let's review the third quarter results.

Sales in the third quarter were 22% higher than the prior year and 4% higher sequentially. Organic growth for the company was 17% versus the prior year. And the acquisition of Normerica contributed the remainder of the growth in the quarter.

Operating income, excluding special items, was $63.2 million, up 23% versus the prior year and was relatively flat versus the second quarter. Operating margin was 13.4%. It's worth noting that excluding Normerica, operating margin was 13.8% for the quarter.

As we have stated previously, the Normerica acquisition will become income-accretive beginning in the fourth quarter as integration activities progress.

The year-over-year operating income bridge on the top right of this slide shows volume and mix contributed $14.9 million, driven by our strategic growth initiatives and the broad-based volume growth we've seen across our end markets. You can also see the significant inflationary cost we experienced, $18.4 million in the third quarter alone, driven by energy, freight and raw materials, such as lime and packaging.

To give you some perspective, we saw energy pricing go up by anywhere from 50% to 400%, depending on the location and power source, with the most dramatic increases in the U.K. and Europe. We offset $10.7 million of these inflationary costs with continued price increases, including contractual pass-through mechanisms in Paper PCC and negotiated price actions in the rest of the business. The sequential bridge on the bottom right shows how inflation accelerated from the second quarter to the third quarter by $10 million, more than half the total year-over-year impact. However, this bridge also shows how quickly we acted to implement pricing, offsetting nearly 70% of the sequential increase. In fact, we've implemented a variety of pricing mechanisms in several of our businesses to recoup the higher costs that we had to absorb in the third quarter due to the rapid nature of the increases, particularly on energy. The price adjustments we are making in the fourth quarter, will help us to fully catch up on the cost we have absorbed by the first quarter of 2022. Meanwhile, we continue to control overhead expenses with SG&A as a percent of sales at 10.6%, 150 basis points below the prior year, 70 basis points lower sequentially.

Earnings per share, excluding special items was $1.30, the second consecutive record quarter for the company and represented 41% growth versus the prior year.

And now let's review the segments in more detail, starting with Performance Materials. Third quarter sales for Performance Materials were $250.4 million, 23% higher than the prior year and 5% higher sequentially. The acquisition of Normerica contributed 10% growth versus the prior year and organic sales contributed an additional 13%. Household, Personal Care & Specialty Product sales were 30% above the prior year, driven by Normerica and continued strong demand for consumer-oriented products. Sales were 19% higher sequentially, primarily driven by the acquisition.

Metalcasting sales were 10% higher than the prior year, driven by stronger demand globally and continued penetration of greensand bond technologies in Asia. The impact of lower automotive production has been limited on our sales as foundry customer demand has remained strong across a broad set of other industrial markets. Sales were 9% lower sequentially, primarily due to typical seasonal foundry maintenance outages.

Environmental product sales grew 32% versus the prior year on improved demand for environmental lining systems, remediation and wastewater treatment. Building Material sales grew 18% versus the prior year and 3% sequentially on higher levels of project activity.

Operating income for the segment was $32.6 million and operating margin was 13% of sales. Margin was temporarily impacted by unfavorable product mix, the timing of pricing actions relative to cost increases, as well as the incremental sales from Normerica. Operating margin excluding Normerica was 13.9%. We are in the early stages of the integration process with Normerica and I'm pleased to report that the back office and financial process integration is progressing well.

Now looking to the fourth quarter. We see continued strong demand for Household and Personal Care, and we expect Metalcasting volumes to improve sequentially as foundry demand remained strong in both North America and Asia.

I'd like to remind you that we typically experience higher mining and energy costs in the colder months, and this could have a temporary impact on our margins. In addition, acceleration of input costs that we saw in the third quarter is resulting in a lag of inflation versus pricing that we expect to continue in the fourth quarter. As I mentioned, we have pricing actions in place to catch-up on these increases in the first quarter of 2022.

Overall, we expect operating income for this segment to be slightly lower sequentially, as higher operating costs will temporarily offset continued strength across our end markets. Also some uncertainty with respect to power outages in China, which could also temporarily impact our volumes in the fourth quarter.

And now let's move to Specialty Minerals. Specialty Minerals sales were $146.9 million in the third quarter, 17% higher than the prior year and 3% higher sequentially. PCC sales grew 17% versus the prior year and 3% sequentially on recovering Paper PCC demand, the continued ramp up of 3 new satellite plants and higher SPCC demand from automotive, construction and consumer end markets.

Processed Minerals sales grew 18% versus the prior year and 2% sequentially on continued strength in residential construction and consumer end markets. Processed Minerals sales, as I just spoke about, did grow 18% and segment operating income was $18.4 million and operating margin was 12.5% of sales. Ordering was temporarily impacted by the timing of contractual and negotiated price increases relative to cost increases.

This segment has seen the most acute impact from energy and raw material cost increases, with inflationary cost increases of $9 million partially offset by $5 million pricing in the third quarter alone. We have implemented price adjustments to cover these cost increases and we should be caught up in the first quarter. And as we have demonstrated, we will continue to adjust pricing as necessary to keep pace with additional cost increases.

Now moving to the fourth quarter. We expect modestly higher PCC volume sequentially as the ramp up of our new satellite in India will be partially offset by the paper-machine shutdown in Jackson, Alabama. We see continued strength in Specialty PCC and Processed Minerals in what is typically a seasonally weaker period for our residential construction end markets.

In addition, we will have a timing lag as our price adjustments catch up to the cost increases we have absorbed. We see margins rebounding to more normal levels as pricing actions take hold. And overall for the segment, we expect fourth quarter operating income to be similar to the third quarter.

And now let's turn to the review of the Refractory segment. Refractory segment sales were $75.9 million in the third quarter, 28% higher than the prior year and 2% higher sequentially, as demand remained strong for refractory and metallurgical products. We also had modestly higher laser measurement equipment sales in the quarter. However, we continue to experience delays in being able to perform on-site installations and maintenance in this product line.

Segment operating income was $13.2 million, a quarterly record and 81% higher than the prior year and 13% higher sequentially. Operating margin was strong at 17.4% of sales and was also a record performance. Looking to the fourth quarter, we expect another strong performance from this segment. However, we expect slightly lower sales and operating income to be down approximately $2 million.

Now let's take a look at our cash flow and liquidity highlights. Cash flow from operations was $163.1 million year-to-date compared to $148.4 million in the prior year, up 10%. Capital expenditures were $63 million year-to-date versus $45.8 million in the prior year, as we continue to invest in high return projects. The company used a portion of free cash flow to repurchase $63 million of shares year-to-date and the share repurchase authorization from the prior year was completed in October. The Board of Directors authorized a new $75 million 1-year share repurchase program on October 20, 2021. As of the end of the third quarter, total liquidity was over $500 million and our net leverage ratio was 2.2x EBITDA.

Our balance sheet is in a very strong position which provides us with the flexibility we need to continue to invest in high-value high-return growth opportunities. We expect strong cash flow generation to continue in the fourth quarter with free cash flow in the $150 million range for the full year.

Now let me summarize our outlook for the fourth quarter. Overall, we see robust end market demand across our segments, with typical construction end market seasonality. We expect demand for our growing portfolio of consumer-oriented products to remain strong. Inflationary cost pressures have persisted into the fourth quarter and we have pricing actions in place to mitigate these increases in the quarter and fully catch-up by the first quarter of 2022.

While it's still early in the integration process for Normerica, it's progressing well and we will begin to realize accretion from this acquisition in the fourth quarter. And overall for the company, we expect another strong performance with operating income around $60 million.

As we have demonstrated throughout the year, we have navigated uncertainty and a number of obstacles to deliver a strong financial performance and we expect to continue to execute well as we close out 2021. We have solid growth momentum across our segments. With the growth initiatives outlined earlier in the call, we are set up well for a strong 2022.

With that, let's turn to Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question from Silke Kueck with JPMorgan.

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

A couple of questions. My first one is, I was wondering if you can talk about what your offshore/onshore split -- sorry, offshore and domestic split is in Paper PCC at the end of the year? And how many tons you think you would sell this year in total versus next year, given the progression of the start-up? That's my first question.

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

So offshore/onshore volumes.

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

I was wondering what your split is, like, right, like in tonnage terms like how much you sell onshore or offshore by the end of the year and what are the total tons that you think you'll sell this year? And how many tons you think you'll sell next year?

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

So the split, if we look on a -- in the quarter, Silke, it was about 30%. And when you say onshore, you're talking about North America?

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

Yes.

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

So the rest would have been international or offshore. When you look at it on a year-to-date basis, it would be the same. As Doug said, we're growing volumes and that contributed to the 5% growth that you saw in Paper PCC and that's coming from mostly international. So that mix is going to grow more internationally as we move forward.

Does that answer?

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

It does. Typically, like you have tons in PCC are like somewhere like the -- you know roughly like 3 million tons or so. And I was like wondering what you're like targeting for like next year?

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

So as you saw, I mean you can see the volumes here in Q3 were about 700,000 tons with that ramp up that's taking place. And as we've told you before, we'll be closer to the 3-million-ton mark here for the full year. And then I don't know if you want to talk, D. J., any further about anything that's taking place in 2022, but Doug outlined for you, that you're going to see another 5% in Paper PCC into next year.

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

Silke, it's D. J. And so just to augment that, Doug had mentioned the 2 satellites that are just coming online. So those are all -- 1 in Europe will continue to grow. That's in the packaging sector. And then another one in India, that will continue to ramp up. China will continue to ramp up over time, and then those -- that capacity that's coming online is another 50,000 tons in China and then Doug mentioned we've --- got a very strong level of confidence that we'll also be growing India further, with another 20,000 some tons. So majority of that will be growing offshore and then we did -- we have mentioned that there is a restart that will be happening in the U.S. at Domtar, which will be changing to Paper Excellence over time, but that restart is in the neighborhood of 30,000 tons.

So still majority is going to be going offshore. I would tell you also that, as I look at the business development pipeline that is ahead of us, I would say 70% of those opportunities are offshore opportunities. So that's the split that we're seeing.

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

That's helpful. And then you mentioned that you've signed several contracts on the Refractory side. And I was wondering whether you could also quantify that what do you think the contribution from those will be for the next year, or maybe it has to be looked at over like a longer period of time. I was just wondering whether you can quantify that in any way?

And the second question on the Refractories business is, I was wondering whether you are affected in any way purchasing dead-burned magnesia? Like it's a little hard to tell what the supply/demand issues are and I was just like wondering how you're situated?

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

Sure. Let me start and then I'll hand it over to Brett, to give you more -- just to give you more detail on the contracts. So the contracts that we've signed, as I mentioned, are about $100 million over the next 5 years and they're pretty equally spaced. I think some of them will start to accrue to us early in the year. So if you can think about it, Silke, this is kind of a $20 million per year over the next 5-year kind of pace. The business is about $300 million right now. So it's a significant kind of built-in growth right there.

The contracts are more toward the electric arc furnace and they've been really promoting our new technologies. And so before I answer the MGO question, maybe Brett can do it, let me pass it over and he'll give you a little bit more detail on these contracts and kind of how we've approached them with these new -- these new technologies. Brett?

Brett Argirakis - *Minteq International Inc. - MD*

Yes. Silke, the Refractory business, we continue to transform this business into a safer, more high-tech company. We've focused our efforts in developing the automated refractory and wire injection equipment to be safer and move people away from really high temperature heat. As Doug mentioned, we did sign 7 contracts this year, over $100 million over the next 5 years.

The new equipment that we utilize has our laser technology tied to it. So we're able to measure the electric furnaces or steel ladles, the lining thickness. It feeds the information to our robotic Scantrol equipment, and then it applies our refractory products to the appropriate areas. The application, the key to this is being able to do it remotely, keeping the operators out of harm's way, away from very high temperatures.

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Then, in addition, the R&D team has done a great job in expanding our product portfolio. So we're now able to apply product in all areas of the furnace rather than specific areas prior to the new developments. And then really lastly is the continuation of our -- you know, Service Group. Our customers really have a lot of confidence in these guys and they're able to support their Refractory programs and maintain our equipment, as these programs continue to develop.

From an MGO standpoint, we are in a pretty good position. We've prepared ourselves. We buy MGO from both China and Turkey. So we've positioned ourselves well and really preparing ahead of schedule for the China Olympics. So we're in pretty good shape there.

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

Does that help Silke?

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

Yes.

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

So, we're in a good spot from our inventory positions and I take that from certainly from the Refractories business in how we've diversified our supply base, made sure that those inventories are in good shape to support the customers, but I'd say that also across the company, in other businesses.

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

Last, I was wondering if you can talk about where the pricing benefits were flowing for -- like, I know there's like $5 million Specialty Minerals. But I think overall, you got like $11 million. Like, where does the rest of the pricing come in?

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

It's across the business. I'd say -- let me give you a quick example of the dynamic that's going on this year. A typical year, our Specialty Minerals business, the 2 pieces, the Paper PCC and kind of Performance Processed Minerals piece. On the Paper PCC side, scheduled price increases, right? So every 6 months, once a year, prices move up. And those are contractual and that continues and we have those protections in those contracts. So that will be taken care of on its normal timing.

On the Processed Minerals side, you see once a year setting the pricing up. I will tell you this year, we've changed our prices 4x. We're on our fifth increase. We are using different mechanisms to make sure that we're covered. So it's been a very dynamic pricing year and I think you're probably hearing about that a lot out there in the market.

So the majority of the inflation that we talked about was coming into this business, a lot of that in the third quarter was energy. Acted very quickly to get our pricing and mechanisms in place to have all of that covered. There is about a month lag between some of that absorption and the pricing change, just because it takes some time to move some things through. And that's why, fully through the fourth quarter and into the -- it will take a month into the first quarter, we have that covered. However, we expect that pricing or costs are going to continue to change. And so, we'll continue to make those adjustments as necessary to make sure that we keep ourselves covered.

So I'd say the majority of that pricing, to your question, is going into the SMI business. That's not to say that we have another 50% of it or 40% of it is probably in the Performance Materials segment.

Operator

We'll take our next question from Daniel Moore with CJS Securities.

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

Doug, you got my ears burning in those prepared remarks. You said next year sales trajectory goes north of 10%, and I was typing really fast. So is that across the Board? And walk us through that maybe by segment, product, end market, kind of where you see the biggest drivers there?

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

Yes. That's a number that we're looking for, for MTI in total. I think we'll give you more details on how that breaks down by segment, as we go forward, Dan. But at high level, what's behind that is a couple of things. And I think in the beginning of my comments I tried to break out for you the organic growth that's occurring today in this quarter, 5%. So we grew organically 17% this quarter. But if you take away the market aspects, right, that was 12% of our growth. 5% came alone from the organic projects, right.? So 5%, new satellites, new technologies, the market positioning and the growth in those geographies, moving into these adjacencies, the growth of our consumer-oriented products, which is -- I think it grew 13%. The consumer growth was 13% year-over-year. So you have a -- a 30% of the company growing at that kind of 11%, 12%, 13% range. You've got the new satellites in the Paper PCC business growing at 5%. So all told of the ins and outs, we grew just in the third quarter organically without market, 5%.

You then take the Normerica acquisition, which will be another 5%, and that's as the market planes over next year. Let's say it just stayed flat. We think that 10% is delivered both organically and inorganically next year. And honestly, I think we can add to that with some projects that we might pull in between now and the next 6 months, right?

So we've got a level of confidence that says we can deliver that next year. And then further out -- in my remarks, we're trying to show you the things that we're investing in, how we're positioning ourselves. Even as we plane over from Normerica next third quarter, the projects that we have in hand and the momentum we have in our businesses, we think we can keep that going.

Now I've always said this business can grow at mid-single digits, if not higher, supplemented by acquisitions. And I think next year, you're going to see that thesis come out.

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

All right. Normerica, I guess it should turn accretive by Q4. When is that accretive to operating income margins or neutral? When do we kind of see that flipping given potential synergies?

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

So I will tell you that Normerica right now is not accretive. We showed you that chart in Performance Materials as it sits today and not accretive to those Performance Materials margins. That was part of where we saw value in the business being able to operate it differently, capture synergies through that business and its combination and the vertical integration with our mines. And so it will take a little bit of time. I think we said last quarter, we'll probably by the second, third quarter of next year, we feel we'll have that fully integrated. And then we feel those margins will be up there at that average if not maybe higher in total for the company.

So it will be accretive, but it's not currently and we need to make sure we move through -- methodically move through and continue with the integration and capture those savings that we saw when we went into it. That's what I mentioned. I think it's not only our thesis when we bought it, is intact, but also that will come from leveraging that position that we have in the Packaged -- Packaged cat litter business and we see those sales opportunities out there.

So we're working on making sure we get the operation straight, safe, integrate employees, bring them into our culture and then we think we've got a really nice platform to grow from. So we'll get there, Dan. It's not going to be in the next quarter or 2 though.

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

Yes. That's perfect. Shifting gears, obviously, you've done a really much better, remarkable job in terms of pricing in a very dynamic environment. That said, if we just focus on sort of logistics, transportation, input costs, what's the cadence been over the past few months of the direction of that inflation supply chain challenges and logistics challenges? Is it starting to plateau or ease a bit in certain areas? What can you say about that? Will we need to continue to play catch-up is the question.

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

Yes. And Dan, when you take a look as we move from the second quarter to the third quarter, right, what we showed you on a quarter-over-quarter base was about $10 million and inflationary factors moving it higher. The biggest component of that delta change was the change in energy. So you had that rapidity of move take place. Logistics, raw materials, we've seen a steady uptrend in. And what we talked about was the fact that that was going to continue into the fourth quarter. And so you're now looking at a fourth quarter, that for me, a cost inflation perspective looks a lot like your third quarter. That being said, the pricing component, we are narrowing on and the mechanisms that we have in place, we're catching up on, so that we have, by the first quarter, as Doug said, we're moving to be net neutral against those inflationary costs.

So you are seeing that take place, raw materials have been about 2/3 of what we're going to see this year in terms of the higher costs. Energy is going to make up the largest component of the rest. So call it 60% raw materials, 30% energy and 10% logistics. With that logistics condition improving slightly, some of those raw material components improving slightly, but continuing, like I said, to have a fourth quarter that looks just on an inflationary cost year-over-year, a lot like your third quarter.

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

Really helps, Matt. Metalcasting, you continue to grow despite the well-documented auto and chip shortages, supply chain shortages. Looking out to next year, is that the expectation even if SAAR stays down, do you see that opportunity to continue to grow at the levels that you described?

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

Yes, we do. We see -- I'll pass to Jon to give you more color. But the foundry markets that we serve are not just automotive focused, and I think you're seeing that. And I think there probably has been -- there has been some impact from auto on those foundry customers and that's been far outpaced by the growth both geographically where we're positioning ourselves and in the other markets that those foundries serve, agriculture, outside of automotive, heavy equipment. So those have done very well and I think we're going to continue to see that penetration rate. And especially as I mentioned today, we're starting to see smaller markets that we have been seeding and developing like India, smaller markets for us, a very large market opportunity start to grow. And those growth rates are starting to get to the point where they're making a difference and we think that's going to further supplement the growth.

So going into next year, Jon, you want to talk a little bit about what we're seeing and what we're hearing in the marketplace around the foundry?

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

Certainly. Couple of things to point out. First of all, some of the companies that we serve, the foundries, who supply the auto industry, are relaying to us that the automakers are sending them signals that starting in Q1 and Q2, they're going to be producing in excess of what they had produced in 2019. So very strong positive outlook, starting in Q1 of next year.

As Doug has said, we're pretty well diversified. We're positioned extremely well across the globe. We participate in the markets that have really good, strong casting growth rates, think about North America, China, India. Our penetration strategy continues to work extremely well. We're working with customers who are demanding qualities that are equivalent to Western technologies, especially in India and China. And as a result, they're looking for our high-value blended products. And so that's one of the key initiatives and key drivers of our growth.

Doug mentioned that we are positioning ourselves. We took advantage of the COVID downturn and also some of the outages with chips and the labor shortages that have occurred. But we're positioning ourselves with our new customers. So we're growing our share and our positions in each of these regions. We're introducing the technologies, the high-value technologies. we're supplying those new customers and we're positioning ourselves so that when the markets are fully functioning, we're going to be very well positioned for future growth and we'll see that in 2022.

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

Super. Lastly, real quick on the capital allocation side. The new share repurchase authorization, given it's got kind of 1 year on it, is the expectation that you would execute the full amount in that time frame? And secondly, does that have any implications for the M&A pipeline or simply that your balance sheet and free cash flow give you the flexibility to kind of pursue both avenues?

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

I think you hit it right on the head there, Dan. I think, yes, we fully intend to execute within the time line, as we did this past one. But I also think, yes, that it speaks to the flexibility, the strong cash flow generation and the expectation that's going to continue, the balance sheet and being able to both -- the options of being able to both return to shareholders and pursue bolt-on acquisitions. We also have a leverage position that if something other or larger, we think we can handle that as well. So I think it speaks both, that the flexibility that we have with our cash flow and balance sheet to be able to do both.

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

And as we look out, Dan, just to add one component to that. Just remember, we did have about $100 million that we took on our revolver for the acquisition of Normerica, began paying that down in the fourth quarter and should have that over the next 12 months taken care of.

Operator

We'll hear next from David Silver with CL King.

David Cyrus Silver - *CL King & Associates, Inc., Research Division - Senior VP & Senior Analyst*

Yes. And a lot of good questions before. That puts me in a bind. Just kidding. But I would like to ask maybe a bigger picture question about kind of the energy cost environment that you're operating in. I mean, there was just some good commentary on the foundry side. But what I'm thinking with paper and steel, I mean those are both very energy-intensive industries that you're serving. And the price of crude oil is certainly rising. But the regional price for, let's say, natural gas has escalated pretty sharply and there's been headlines about some production cutbacks here and there.

So I was just wondering if maybe we could just hone in on your PCC business and maybe the steel making side of things. I mean, from your perspective, what is the risk that may be elevated energy costs or some difficulty in availability may be in China or elsewhere, energy availability kind of will negatively impact your operating plans over the next couple of quarters?

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

So David, I think over the next couple of quarters, the risks are in that inflationary environment. So -- and then I'll try to address the longer-term I guess question you're asking in terms of the energy intensity of these things, which I also think will be dealt with in an inflationary environment, that's a different set of challenges, countries and industries will have over the long term. But in the short term and how we're looking at it, we have absolutely seen a rapidly changing energy market. I think you're probably hearing that around, we're starting in the third quarter. Different by geography. In North America and in the West Coast, it's been a little bit more electricity-driven in terms of cost increases, some natural gas given the changes of pricing in the United States.

I'd say in Europe, much more acute in terms of natural gas pricing. Matt gave you a number that said we saw in some areas in Europe a 400% increase of instantaneously through the third quarter. We're having to deal with volatility like that and staying on top of it and making sure that we have our energy. It's not about necessarily in our regions, the availability of the amount. It's the rapidly changing pricing to get quoted.

In China a little bit different. We're starting to see curtailments. We saw some of them in the third quarter. We weren't impacted significantly. Matt mentioned, that is an uncertainty going into the fourth quarter, that we could see further curtailments, but we have seen some easing of coal prices in China and electricity has been a little bit more -- a little bit more stable.

So I think we've put all of that into what we're giving you in our forecast in the fourth quarter. We've got our pricing mechanisms and our inventories in a position -- in good position. So we are covered in the short term, and we have mechanisms in place that is, as those energy cost change over the next year, we'll be in a position to make sure that we were on top of that.

Longer term though, energy is going to be an issue. And I don't know if we want to get into this call, in terms of our conversion from fossil fuels to more greener sources. But that will be something as a company we're dealing with that as we move to greener energy sources. We are sourcing 40% of our electricity from green sources out in our Wyoming facilities and we just changed to that. So we are taking steps as a company to convert our business from coal to natural gas to cleaner sources to electricity and that electricity we're purchasing from greener sources already today.

You can see what we've been doing over the past year in our sustainability report, but it's a little -- hopefully that answered some of what the company is doing over the longer term and how we're dealing with it in the short term.

David Cyrus Silver - *CL King & Associates, Inc., Research Division - Senior VP & Senior Analyst*

Yes. Very helpful. I'd like to ask 1 more question maybe to go back to the M&A and balance sheet question. So you have concluded a couple of transactions in just the past few months, including I think your largest acquisition since AMCOL, in terms of the purchase price. And I was just wondering if you could maybe comment on a couple of aspects. I mean first regarding the M&A funnel or project pipeline. Doug, how would you characterize -- following these 2 deals, I mean how would you characterize your project pipeline or potential target pipeline, right now, let's say, relative to a year or 2 ago?

And then secondly, maybe Matt, if you could just remind me, but you know you have shown interest in projects of various sizes, including some larger ones. And is there a way for us to think what -- how high the company might go, let's say, above today's, I think it's 2.1x net debt to trailing 12-month EBITDA. I mean how high might the company be willing to go for the right acquisition and how important is maintaining your current credit ratings in the event that a unusually attractive but larger target was to present itself?

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

Okay. Let me start with the first one, David. In terms of the pipeline, I guess I could answer it quickly, that it's 2 projects smaller than it was couple of months ago. But that's about -- we have a good pipeline of projects that fit along those growth strategies that we have to support our businesses globally. And as you've seen move -- we have some opportunities to grow our consumer-oriented product lines. So though we've executed on two of those that were in our pipeline just recently, I do think that there is other opportunities that have moved in and things become more actionable. So we've maintained a similar-sized pipeline and the things that we're attracted to if they became actionable than we were earlier in the year a year ago. So about the same.

That said, in that pipeline, there are things that are smaller and we've always said in the 10s of millions of dollars of revenue type numbers and there are some that are bigger in the hundreds of millions of dollars of revenue type pipeline. How far would we go to get some of the bigger ones? I think I've always answered the question that says it really depends on the target. And it really depends on, as we've looked at it over time, what we'd be willing to do, what we feel we can do with it.

And so, if we feel from a risk standpoint and an understanding and fit with the culture of the company that the technologies that we have and the markets and how comfortable we are, we see some things that fit very well with our company and there -- and if we know what we can get from a synergy standpoint, we always look at things going in and on a post synergy basis and we look at that and make sure that they are going to be accretive to the value of the company after we know what we're going to do with it. We take a lot of time to think about that.

How high does that take us? Well in AMCOL, that took us up to about 4.4x. I'm sorry to say this -- I'm not going to say there's any limitation, but that's at the higher end of the range, right. I don't think the things that we have in our pipeline require us to go there. But if we find the right thing and we feel comfortable with it, we're willing to make sure that we pay the right amount for it.

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

Yes. And David, just to -- you heard Doug talk about how and it was demonstrated I think in these last 2 acquisitions, how we're managing the small and medium type bolt-on acquisitions, managing that with cash on hand, using the revolver, paying that down quickly based on the strong free cash flow that we have and that we will continue to generate, and that is the flexibility that we talk about and have demonstrated over the past couple of years.

So that's the way we think about that transformation where Doug just gave you some space there. Our conversations with credit rating agencies is very robust. I think we have a very good metric result in terms of our rating. And when you read their reports, they reflect that. They also reflect that there is optionality in our portfolio, and that's why they rate us like I do -- rate us like they do. So there would be some of that deal structure built into their current rating.

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

I'd just say, David that we're disciplined with that capital. I think there's not a lot that you see, sometimes they're not public. But I'd say we will walk away from -- there is more that we've walked away from because we're just not willing to pay when we don't see the value in it. So we keep to our knitting. We make sure we look at things very robustly. And we're really disciplined about how we're going to put that capital out to acquisitions.

Operator

We'll take our next question from Marisa Hernandez with Sidoti & Company.

Marisa Liliam Hernandez - *Sidoti & Company, LLC - Analyst*

So question on your commentary about implementing price increases during the fourth quarter, that would allow you to catch up with some cost inflation by the end of the year. What does that mean exactly? How do you think about it in terms of percentage margin, where would you like to be at perhaps relative to prior quarters or at the beginning of 2021?

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

I want to make sure I understand the question. In terms of the margin, we're targeting -- let me see if I can answer it and you tell me if this is addressing it the right way. So we will absorb costs. There are many instances where we will absorb costs and then there is a timing aspect to some of our business in terms of contractually when we get to pass that through. So there is some lag. When costs are going up, there is a lag putting the pricing up. But then as cost retreat, there's a lag between where we take that price down. That's largely in our Paper and there's some other contract businesses we have.

There is also a practical speed at which you can put prices up for your customers. And so, we will absorb costs and the communication, the changes, the announcements and we've been very quick to make those changes, in the instance of our Specialty Minerals business, where prices, especially in the third quarter, in energy went up very quickly. There is maybe a month lag in terms of our ability to push that price -- change those prices and move that through. And so, therefore, as -- I'll give you an example, November 1, so the third quarter costs were absorbed, and November 1 prices changed. That will be the end of January before that tranche has been absorbed.

Now we'll continue to make those changes, so it's a dynamic type of environment. But that's why we said we'll be -- we've got it in place to be able to capture those increases. That said, that brings our margins, as Matt mentioned, in that business going back to that historical kind of average of where they've been. So we look at that, again, with higher cost and higher pricing. You also have to recover your margins in that pricing. And so we target that as well. So it's both on an absolute basis, Marisa and on a margin basis to make sure we're protecting that, but there's a timing aspect to that change.

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

And just, Marisa, one clarification there. What we said, not by the end of the year, but in the first quarter of 2022 is when we're going to see us catch up with the costs, that we've absorbed so far this year in '21.

Marisa Liliam Hernandez - *Sidoti & Company, LLC - Analyst*

Got it. Okay. So you talk also about cost inflation persisting into the fourth quarter. Curious as to what the pace has been lately? Have you seen any slowdown or pick-up of inflation in, generally speaking, specifically in some pockets?

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

So when we came into the second quarter, what we told you was that we had inflationary factors that we're in about that $7 million range. That accelerated to about $18 million on a year-over-year basis in the third quarter. And what I said previously was that you're looking at a fourth quarter that on a year-over-year basis is going to be in that $17 million to $18 million.

Looks a lot like what we had seen in the third quarter. The buckets of inflation started out in the second and third quarter, really starting with energy, that's now moved into raw materials. Logistics has been a steady march, as we've gone through that inflationary period and that is -- so you're bucket of raw materials on a full year basis has grown. And that's what I said before, it was about 60% of what we're anticipating for inflationary factors for the full year.

That being said, what we also showed you was that pricing was also accelerating. And for the fourth quarter, you're going to see that gap narrow significantly again on that $17 million, $18 million, we have pricing in place that's going to bring us closer to fully capturing that. And so when you look now into the first quarter, that's why we have a viewpoint that we can catch up on what we've absorbed so far this year.

Marisa Liliam Hernandez - *Sidoti & Company, LLC - Analyst*

That's very helpful. And finally, on the sales growth for 2022, north of about 10%, does that require additional acquisitions in 2022 or not necessarily?

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

No, not necessarily. So we think that that's -- with current acquisitions from the back half of this year, plus our growth rates in the projects that we have in hand, that we're executing on as they ramp up in the new technologies, that's how that number is derived.

Operator

And we'll now take our final question from Mike Harrison with Seaport Research Partners.

Michael Joseph Harrison - *Seaport Research Partners - MD & Senior Chemicals Analyst*

Was wondering if you could give some details around the Specialty PCC assets, what kind of revenue or EBITDA contribution would you expect to see? And I guess maybe give a little bit more detail on what made those assets attractive to Minerals Technologies.

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

Let me start and then I'll pass through to D. J. But look this is a small bolt-on acquisition, it's -- we're not highlighting it because it's significant in terms of our system, of our platform of Specialty PCC production here in the United States. It helps us from a logistics standpoint and at the moment relatively underutilized assets that we're going to upgrade to put in some technology. So we're not necessarily disclosing the revenue size of it and what we paid for it, but it will -- it's a small bolt-on acquisition.

I don't know, D. J., you want to give us a little more kind of what we're going to do with it?

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

Sure. Mike, so a good way of thinking about it is, as if it's a -- a PCC plant, that we've been deploying, so that's a good way of just thinking about the level of revenue contribution that it would do, in the neighborhood of $10 million. What we're excited about the most is, is that capacity that it gives us and to what Doug was referring to. That allows us to work with our team that's in Adams, Massachusetts, with this asset now in Missouri. We can introduce the new products, we can seek some growth that we think we've got a unique access -- access to versus the previous owner.

And then we also feel that we can -- it gives us great flexibility to work with product mix and really better serve the market. So we're very excited about that opportunity. It's a nice augmentation to what we've built in Adams, Massachusetts and it complements our position in both the construction and transportation markets, that's probably 75% or so of where those current tons go, and then a little bit of it goes into the publication grade. So there's a little bit of Paper business that's in there and some business that goes into inks. But we're excited mostly about the overlap in construction and transportation.

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

So Mike, a small bolt-on, again not trying to oversell the small base of revenue today around $10 million. It's what we're going to do with it going forward, given its capacity, we're going to put in new technology, debottlenecking and then really leverage it in conjunction with our Adams facility. And we think from a future growth standpoint, it could be bigger than that. So more to come as we -- this is yesterday. So more to come as we integrate it. I want to welcome our new employees and we'll keep you up to date on how we develop that over the next year.

Michael Joseph Harrison - *Seaport Research Partners - MD & Senior Chemicals Analyst*

Understood. Appreciate the color there. And then I wanted to ask about the packaging opportunity. You talked about that as being kind of a key technology for your PCC business. Maybe just take a step back and help us understand how PCC that goes into packaging applications is different from PCC used as a filler in uncoated freesheet? And maybe help us understand I guess for a similar-sized mill, is it the same amount of PCC in terms of volume per amount of paper and what do the margins look like compared to a traditional PCC application?

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

Yes, let me start and then D. J. can fill it in. So it's not all PCC, there is PCC in packaging. PCC is using white top linerboard, as we mentioned some of our current packaging applications. There is PCC used as a high-end coating and some packaging applications. But these are different mineral types, I mentioned ground calcium carbonate and other mineral types that are going to white and brown box. The reason we highlight that today, is we've been working on this for a while and we've had some really good results and some -- now some pretty far along discussions in those packaging markets that put ourselves and our technologies -- we like the base paper market, but this puts us into other markets that our technology applies to that are growing and in the geographies -- in the geographies where we currently sit. So D.J., are there more technical aspect of how we view those pigments in packaging?

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

Sure. So Mike, let's start with the stuff that we're doing today, and then I'll walk you through that kind of a sequence chronologically of how you'll be seeing these technologies get exposed. Doug mentioned this white top liner, think of that as pizza box and there is new higher-end stuff that's coming out that you'll see a fully printed Amazon box for instance. The value equation for PCC there, is that we provide a better coverage and a better sheet. So we're enabling this upgrade of that capability and upgrade of that product performance. And the margins and things that you should see from there are typical with what you see with our current PCC plant.

Doug talked about our penetration in white board basically and this carton board that we've got. So what you will recognize that in the marketplace on high-end stuff, which is where our PCC goes, that's -- the high-end would be stuff that you buy a bottle of liquor in or you get a case of golf balls. And well, you go lower in that, and you've got things like ice cream board and those sort of things. And what we've introduced and what we're commercializing and working on these contracts on in China is GCC. Now what we've done here is combined our capabilities that we have at Adams and Lucerne Valley, where we're very familiar with the mineral GCC, combine that with some new processing technology and our operational excellence and satellite model, and so we'll be introducing satellite models in China, that's -- that is what we're doing there and much like the PCC business, these are discrete investments that will yield an appropriate return.

Then the last thing that Doug had referred to is really towards the brown box. This is our first machine trial. We're very excited about it. It is not a carbonate-based technology, it's an alternate mineral and first trials were good. We will probably have a better feeling for how quickly we can commercialize that in the first half of next year. It will take -- this first trial, we're analyzing the data for it, it was successful enough that we already have a second trial lined up. We'll get the full data and economic impact understood in that first quarter of next year and we'll be able to give you some more insight on that. But really pleased with how that Paper group is -- has pursued this strategic objective.

Michael Joseph Harrison - *Seaport Research Partners - MD & Senior Chemicals Analyst*

Okay. And you mentioned, this is another mineral not a carbonate-based product. Is it bentonite based?

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

Mike, at this time, we're not -- for competitive reasons, we're not giving some details on that. And there are actually, the one that I -- are two technologies in this space. One that deals with recycling of minerals and then one that is -- the one that was just trialed is a -- is what I was specifically referring to. So we're holding back on that for some intellectual property advantages that we feel we have.

Operator

Thank you. And that does conclude today's question-and-answer session. I'd like to turn the conference back over to management for any additional or closing remarks.

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

Thank you very much for attending the call today. I do appreciate you taking the extra time to stick with us and ask the questions. We'll get back to you in another 3 months. Thanks. Thanks again.

Operator

Thank you. And that does conclude today's conference. We do thank you for your participation and you may now disconnect.
