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PRESENTATION

Operator

Good morning and welcome to the Minerals Technologies Second Quarter 2025 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. Please go ahead.

Lydia Kopylova - *Minerals Technologies Inc - IR Contact Officer*

Thank you, Gary. Good morning, everyone, and welcome to our second quarter 2025 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 questions.

As a reminder, some of the statements made during this call may constitute forward-looking statements within the meaning of the federal securities laws. 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 these forward-looking statements.

Please also 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 and an appendix of this presentation, which I posted on our website.

I will 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. I'll start the call by giving you an overview of our second quarter, followed by a review of our current market conditions across our product lines, as well as an update on our near-term growth initiatives. Erik will then take you through the detailed financials and provide an outlook for the third quarter. We're going to close our prepared remarks with a quick review of our 17th annual sustainability report, which we just released earlier this week, before opening the call to questions.

Let me start with our Q2 numbers. This is a strong quarter for us, both on a stand-alone and historical basis, with EPS coming in at \$1.55, up 36% from Q1 and at a level only behind the second quarter of last year, when market conditions were relatively stronger. Our ability to generate these results amid the recent global economic backdrop is an example of the strong operating culture of this company.

As we shared on our last call, we started to see a significant uptick in sales at the end of the first quarter, and our sales rate expanded through the second quarter and resulted in \$529 million, up 8% sequentially. Operating income came in at \$79 million, up 25% sequentially, and operating margin was 14.9%, up 200 basis points from the first quarter, and reverting to our natural level of 15%.

It's important to put this performance into context, given the challenges presented by changing tariffs and the ongoing uncertainties they continue to put on our end markets. Our results are a testament to MTI's strong fundamentals, including our operational agility, prudent cost and expense control, and our team's ability to take quick action and make necessary adjustments.

I'd like to highlight that we delivered strong cash conversion this quarter, in line with our historical average of around 7% of sales, a level that we expect to continue. We also returned \$22 million to shareholders this quarter, reflecting our ongoing commitment to steer capital back to investors. Our balance sheet remains in excellent condition, giving us a strong foundation, with the flexibility to pursue multiple avenues to drive growth in sales, earnings, and cash flow.

Now let me talk a bit about what we're seeing with market conditions and give you some insight into projects that we have coming online to drive both growth and margin expansion. Let's start with the Consumer & Specialties business segment, which comprises our Household & Personal Care and Specialty Additives product lines.

In Household & Personal Care, we're seeing mixed conditions across these consumer end markets. The North America cat litter market has been slower this year compared to recent years, and these conditions have created more competitive dynamics. We're navigating this with increased promotional activity with our customers, and are seeing momentum building in our order books as a result.

We continue to see positive long-term growth dynamics across global pet litter markets. To support this growing demand, we've been retooling our facilities in North America and Europe with new process and packaging equipment. These upgrades are designed not only to produce higher-quality products, but also to improve efficiency and reduce production costs. In addition, we are opening a new pet litter packaging facility in Asia late in the third quarter to support the demand growth we are seeing there.

In our other consumer-oriented products, we are seeing significant increased demand for Renewable Fuel Purification, Animal Health Solutions, and Fabric Care. This is being driven by regulation changes for more sustainable aviation fuel, the continued trend to natural livestock feed additives, and the growing demand for more sustainable laundry detergents. We have several capacity expansion projects underway for these product lines as well.

In the Specialty Additives product line, market conditions remain mixed. The paper market in North America is relatively flat, and Europe remains weak. However, we continue to penetrate the paper and packaging market in Asia, with strong customer pull for our packaging solutions and sustainable products like NewYield.

Three new satellite facilities, two of which are for packaging applications and one packaging -- and one capacity expansion are set to come online within the next seven to eight months. And we continue to see a strong pipeline of additional opportunities across the paper and packaging market further down the road.

In other areas, the automotive market has been relatively flat this year, while residential construction markets vary for us by region, with stronger demand on the US West Coast and continued softness on the East Coast. Meanwhile, our food and pharmaceutical markets remain robust.

Now let me turn to our Engineered Solutions segment, which includes our High-Temperature Technologies and Environmental & Infrastructure product lines. In High-Temperature Technologies, we continue to see strong demand in North America for our automated MINSCAN systems and for our newest steel refractory formulations.

The North America steel market remains relatively stable and at a production level that provides good volumes for us. In Europe, the steel market remains weak, and we expect these conditions to continue for the remainder of the year.

A bright spot in Europe is that we've secured our first MINSCAN LSC sale there, opening a new market for our technology. We're pursuing the same strategy as we have in North America, helping our customers reduce cost and improve safety through high-tech automated refractory application and measuring systems. We expect to generate additional MINSCAN sales moving forward, as other customers become comfortable with and adopt our new technology.

The US foundry market has generated solid demand for our greensand bonds through the first half from stable auto demand and despite the softer heavy truck and ag equipment markets.

The China foundry market has remained resilient, despite the introduction of increased tariffs. Our volumes of greensand bonds in China remain strong, as foundry customers quickly adapt to the changing market conditions and seek the cost savings and productivity value that our products provide.

On the Environmental Infrastructure side, the commercial construction and environmental lining markets have stabilized, but we have not yet seen the initiation of several planned large projects where we are specified.

We expect commercial construction markets to remain relatively soft as long as interest rates remain higher. However, we are seeing strong pull for our infrastructure drilling products, water remediation solutions, offshore energy services, and PFAS remediation through FLUORO-SORB.

As an overall market summary, we see similar market conditions to the second quarter continuing into the back half of the year. However, I would not characterize these conditions as robust by historical standards.

But as I just mentioned, we are executing on several initiatives to support the strong near-term demand we are seeing in multiple product lines. These initiatives include new capacity and plant expansions to support demand for Sustainable Aviation Fuel, Animal Health, Fabric Care, and Pet Care. These specific projects will support \$100 million in revenue growth for products that will drive the margin profile of the company higher.

This is just a subset of our growth initiatives. Other projects such as geographic expansion initiatives and new product introductions can be supported by our existing capacity.

Now, let me let Erik take you through some additional details of our financial results, as well as the third quarter outlook. Erik?

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

Thanks, Doug, and good morning, everyone. I'll start by providing an overview of our second quarter results, followed by a review of the performance of our segments, and I'll wrap up with our outlook for the third quarter. Following my remarks, I'll turn the call back over to Doug to cover the highlights from our 2024 sustainability report.

Now let's review our second quarter results. Overall, we delivered a strong performance in the second quarter. Across our end markets, conditions played out mostly as we expected, with sales continuing to show improvement in the levels we saw in the first quarter.

Sales of \$529 million were up 8% sequentially, driven by higher volumes in both segments. Customer order patterns continue to normalize through the quarter. Not quite the prior year levels, but a significant improvement from what we experienced in the beginning of the year. You can see from the bridge on the top right that higher volume drove \$30 million or \$37 million sequential improvement in sales, with the balance of the increase coming from favorable pricing and foreign exchange.

Consumer & Specialty sales increased by \$9 million sequentially, and in Engineered Solutions, sales were up by \$28 million. Operating income increased by \$16 million or 25% sequentially to \$79 million, matching the second-highest operating income quarter for the company, and that was despite the current macro challenges weighing on some of our end markets.

In the sequential operating income bridge, you can see that higher volume drove a \$9 million improvement to income, which is a typical incremental margin for us on \$30 million of volume. In addition to favorable pricing and foreign exchange, we also benefited from \$4 million of lower costs, driven by improved productivity and the ramp-up of our cost savings program. As a result, operating margin increased by 200 basis points to 14.9% of sales. It's worth noting that we incurred about \$0.5 million in incremental tariffs costs in the second quarter, which our team has done a nice job mitigating through supply chain and commercial actions.

As Doug mentioned, we are working on several projects to expand capacity for high-growth products and optimize our footprint for continued margin expansion. In the second quarter, we executed on some efficiency opportunities in Engineered Solutions by consolidating two facilities in the US, which will result in direct cost savings, as well as productivity and efficiency improvements.

In addition, we made adjustments to the layout of another facility in the US to accommodate future capacity expansion for FLUORO-SORB, our PFAS remediation technology. We recorded special charges in the quarter associated with these actions, which were mostly offset by a gain on the final installment for the sale of refractory manufacturing assets in China. Second quarter earnings per share excluding these special items was \$1.55, up 36% sequentially.

Now let's turn to a review of our segments, beginning with Consumer & Specialty. Second quarter sales in the Consumer & Specialty segment were \$278 million, up 4% sequentially, as customer order patterns stabilized throughout the quarter.

Sales in our Household & Personal Care product line were \$127 million, up slightly from prior year and up 3% sequentially. As Doug mentioned, we've got a lot of exciting initiatives in Household & Personal Care. Some of these specialty applications, like natural oil purification and animal health, are growing at double-digit rates, with incremental margins above the company average. The growth of these products will continue to drive the margin profile of the company higher. And we are supporting this growth with capital investment to ensure our facilities can keep up with demand.

In our Specialty Additives product line, sales of \$150 million were 5% below prior year, driven by softer demand conditions, primarily in paper production in North America and Europe. On a sequential basis, sales in the product line were up 4%, primarily driven by seasonally higher sales into residential construction applications.

The team remains focused on driving operational efficiency, while also supporting our growth opportunities. And this segment delivered a much stronger operating performance in the second quarter. Operating income was \$37 million, up 24% sequentially. And operating margin increased by 220 basis points to 13.4% of sales. Margins were lower than last year due to volume leverage and some higher raw material and energy costs that we're working to pass through.

We're also in the process of making significant upgrades to one of our cat litter facilities in the US. And this is resulting in temporarily higher freight costs, as we've shifted production around our network to accommodate the work at this facility.

Looking ahead to the third quarter, we expect sales in the Household & Personal Care product line to increase sequentially, driven by an improving demand outlook and the ramp-up of our growth initiatives. And in Specialty Additives, we expect a similar quarter sequentially.

Now let's turn to the Engineered Solutions segment. Second quarter sales in the Engineered Solutions segment were \$251 million, up 12% sequentially. In our High-Temperature Technologies product line, sales were \$178 million, 3% below prior year, but up 5% sequentially. Global sales to foundry customers were similar to prior year.

Demand in North America is holding relatively stable, apart from some ongoing softness for castings going into the agricultural equipment and heavy truck markets. And in Asia, we continue to deliver year-over-year volume growth, including in China, despite lingering tariff uncertainties.

Second quarter sales to steel customers were mixed. We saw a modest sequential improvement in sales to European steel customers after significant destocking in the first quarter. However, that market remains softer than last year.

Meanwhile, the US steel market has been solid, and our team is doing an excellent job executing on growth initiatives. Second quarter sales to steel customers in North America were higher than last year and up sequentially as well.

In the Environmental & Infrastructure product line, second quarter sales were \$73 million, 1% higher than the prior year and 35% higher than the first quarter, as we entered the seasonally stronger period for this product line. Demand conditions across the product line have stabilized, although overall project activity is still lower than historical levels.

The segment overall delivered another strong operating performance. Operating income was \$44 million, and operating margin improved by 200 basis points sequentially to 17.4% of sales, matching last year's record performance. Turning to the third quarter, we expect end market conditions to remain stable for the segment, and overall sales to be similar sequentially.

Now let me turn to a summary of our balance sheet and cash flow highlights. We delivered a solid cash flow performance in the second quarter with free cash flow of \$34 million. Looking ahead, we expect cash flow to continue to build through the second half.

As we've mentioned, we're making several key investments across the company that support the progress we've made on our strategic growth initiatives. In the second quarter, CapEx was \$29 million, as activity on several projects picked up.

And for the full year, we're projecting capital of approximately \$100 million. This figure includes the ramp-up of several growth investments that Doug referred to in his remarks, that will add \$100 million of annual revenue at above average margins. These investments total about \$50 million of CapEx that we'll be executing on over the next 12 months.

We're expecting to generate significant free cash flow in the second half. At this point, we expect full year cash flow in the 6% of sales range, which factors in the slower start to the year, the higher level of investment, and a very strong second half of cash flow generation.

We also returned \$22 million to shareholders through dividends and share repurchases in the second quarter. And we returned \$73 million to shareholders over the last four quarters, maintaining our balanced approach to capital deployment.

Turning to the balance sheet. Total liquidity at the end of the second quarter stood at nearly \$700 million, which is \$150 million higher than the last year. And our net leverage ratio was 1.7 times EBITDA, below our target of 2 times EBITDA. The company's strong balance sheet and reliable cash flow generation provides the financial strength to navigate periods of uncertainty while also enabling significant flexibility to pursue growth and return cash to shareholders.

Now I'll summarize our outlook for the third quarter. We're expecting a largely similar quarter sequentially for sales and income, with a balance of potential upsides and some ongoing macro uncertainty. Overall, we're expecting sales of between \$525 million and \$535 million.

In Consumer & Specialties, we're expecting higher sales from continued growth across the Household & Personal Care product line, including natural oil purification, personal care, and animal health products, to name a few examples. And in Engineered Solutions, we see a similar level of sales sequentially, as our stable market outlook is balanced by seasonal customer maintenance outages in High-Temperature Technologies.

Our operating income guidance of approximately \$75 million reflects the midpoint of our sales range and represents a balanced view with potential upside, as well as the potential for macro uncertainty around trade and tariffs to continue to impact our customers and end markets. And while our direct exposure to tariffs is relatively low, we are facing a higher tariff cost in the third quarter of \$1.5 million. We're confident we'll be able to mitigate this tariff impact through our ongoing supply chain and commercial efforts.

In summary, we feel confident that the second half will be stronger than the first half, and we are excited about the progress we are making on several key initiatives that will contribute to long-term growth and continued margin expansion.

With that, I'll turn the call back over to Doug for some remarks on our annual sustainability report. Doug?

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

Thanks, Erik. I want to close the call with a quick overview of our sustainability report, which we just released earlier this week. This is the 17th year that we've published this report, and it reflects tremendous amount of ongoing activity across our company to enhance what we do and how we do it in order to drive value for our customers, employees, communities, and investors.

Sustainability is not new to MTI. It's always been explicitly included in our values and how we run the company. We're committed to being responsible stewards of the environment, good neighbors in the places in which we work, and dependable, supportable -- supportive, and inclusive colleagues who are laser-focused on keeping each other safe.

This isn't just talk. We put this commitment into action, as you see from the highlights in our report. Let me give you a few of them. Through 2024, we've achieved 11 out of 12 of the environmental goals we set for ourselves back in 2018, and we achieved them one year ahead of our 2025 target.

The progress we've made since 2018 is quite remarkable. We've reduced our overall Scope 1 emissions by 32%, Scope 2 emissions by 6%, and reduced emission Intensity for both Scope 1 and 2 on a per-unit basis by over 50%. We've reduced our airborne pollutant emissions by 70%, cut our process water usage in half, and reduced process waste disposal by 44%. Every year, we extract over 1.1 million metric tons of waste CO2 from our customers and our own exhaust stacks, and sequester those to be used into consumer products.

We operate at a world-class safety level and consistently look for ways to make our work environment safer, though we will never be satisfied until we reach and maintain zero injuries as a company.

We support our customers achieving their sustainability goals, with 66% of our new products, which we define as products developed over the last five years, having a sustainable profile. These products range from natural solutions to emissions and waste reduction products that support pollution prevention, filtration, and energy savings.

You'll also see several examples of how we engage within our communities by supporting education, installing systems to bring clean water to areas of need, and working alongside our neighbors in a variety of local initiatives.

This is only a sample of what you'll see in this year's report, and I encourage you to take a deep dive into it. I'm extremely proud of what we've achieved thus far, but there's so much more to do for us and for our industry. We intend to outline this next chapter when we publish our new long-term goals in next year's report.

With that, let me turn the call over to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Mike Harrison, Seaport Research Partners.

Mike Harrison - *Seaport Research Partners - Analyst*

Congrats on a nice quarter. Was hoping that we could talk a little bit and start out here with the Household & Personal Care segment. There was some improvement sequentially, but we're still not back to the kinds of growth rates we'd like to see there. I know you mentioned that kind of the underlying pet care market is still not fantastic. But can you give us maybe some additional color on what you're seeing in that HPC product line in terms of volume trends and when you might expect to get back to stronger growth rates?

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

Sure, Mike. Let me start off, and then I'll hand it over to D.J. to give you a little bit more detail. Look, I think the product line -- several of the products, as we mentioned in this, are doing quite well. We've got some of the smaller products like our Aviation, Natural Oil Purification, Animal Health, Personal Care, these are growing at kind of double-digit and high double-digit kind of rates. So they're doing very well. They're a smaller piece in the profile, as I mentioned, we're investing in them, and I think as they grow, they're going to be continuing to drive the growth profile of this product line much higher. They are also the higher-margin products in the company, some of our newest technologies, and they, as I mentioned, will drive the margin profile of the company higher as they grow.

Now Pet Care is the largest product in that product line. And yes, this year, it's been a bit of a slower year for the market in total. And I think you'll see that across any of the producers with that commentary. And I think that's driven by some higher competitive activity, some discounting that's been going on, that we've been working our way through.

So with that, I've answered the other products, D.J., why don't you take us through the Pet Care and give us a little idea of the dynamics going on there?

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

Yes, sure, glad to. Thanks for the question, Mike. So let's kind of peel back the onion a little bit on what we're seeing in the pet care market. A little surprised to see the sequential drop that we saw in the quarter. It's not uncommon for the second quarter to be a little bit lighter than the first, but we saw a 2% drop in that market, and it particularly hit the private label sector.

Doug has mentioned some discounts, and just to give you a flavor of the discounts that we're seeing, done by the major brands. In a normal year, you're seeing 15% to 20% of those major brands sell on deal. This year, they're still up in the 20% to 30%. We're starting to see some mitigation on that, so we're expecting the shift to private label to start improving a little bit, but the market has still been down. And against that down, we've kind of held our own, not bragging about it, but just that gives you some perspective on that.

So let's talk about then what's going on in that context on the pet side. We enable our private label partners to execute their strategy. And what we're doing lately with them is quite a bit of brand refresh and promotions. So that brand refresh can be as simple as new placements and increased volumes that our partners want to put and display differently in the shelves. But they also could be as complicated as product refreshes, which could just be a label change, but could also be a reinvigoration of the whole product line. That would include some things like new products, which would be, in our case, it's -- what we're promoting is some lightweight litter products, and some other things that have to do with the kind of under the clean hygiene theme. So those promotions are ongoing now. We expect to see some better growth in that pet care market going forward.

And then I guess on top of that, as Doug was mentioning, the capital investments that we're doing. Towards the beginning of the fourth quarter, a little bit in the third quarter, you're going to start seeing an increase in China as we bring that new facility online for us. So that's the backdrop for pet care that we've got going on.

The other element that Erik had mentioned, we did major rework, a major optimization of our footprint in the US, and we also made some refinements to our Netherlands facility. These changes will allow us to improve the productivity, better enabling us to meet some promotions, but it also expands our capability to meet some requests we got for customers in different channels on new grades, new products. So we're pretty enthused about that.

That's the pet care story, and I guess I just want to, I guess, pile on to the other side of the equation in that Household Personal Care line. Big investment coming online early in 2026 to meet -- continue to meet the demands of this fast-growing Bleaching Earth product that is helping purify the plant-based fuels and plant-based oils that include sustainable aviation. Sustainable aviation is the primary pull that we're seeing from there. We also got some really good projects going on, especially in the Fabric Care line, where we're introducing some new products to help the macro trends of better washing in a cold-water environment with those folks.

So overall, we feel really good about that part of the product line within the segment. Still think pet care is on track to be a \$500 million-plus business. Feeling really good about the Specialties growth trajectory, especially as embodied by Bleaching Earth, Animal Health, Fabric Care, and the Personal Care products. I hope that helps.

Mike Harrison - *Seaport Research Partners - Analyst*

Very helpful. Thanks for all that additional color. I wanted to switch over to Engineered Solutions. The operating income, you guys have kind of given a range there in terms of guidance for the second quarter, and it looked like you came in pretty nicely, ahead of those expectations. So can you talk about some of the key drivers of that better operating income performance in Q2?

And I guess just looking at your overall guidance, it seems like even though you expect a similar quarter in Q3, the Op income guide is a little bit lower. So is that an Engineered Solutions step back that we should be expecting in operating income?

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

Yes, Mike. This is Erik. Thanks for the question. So yes, I think from an Engineered Solutions perspective, they performed very well in the second quarter. Productivities were very strong. The supply chain team, in particular, have done a really nice job managing input costs for us. We mentioned that tariffs are not a huge direct impact for us. But the supply chain team in Engineered Solutions, in particular, has done a really nice job mitigating that impact for us. So margins, probably a little bit better than we guided to for the second quarter in that segment.

I think in terms of what we're looking at for the third quarter guidance, as I mentioned, we have upside to that number. I think what you're hearing from us is there is still a lot of uncertainty out there in terms of what's going on with macro end markets and potential impacts on our customers, but I would say if things continue to play out and continue to be relatively stable, we can do a similar level of margin performance in the third quarter. We are facing some slightly higher tariff costs in the third quarter, but we are confident that we're going to be able to mitigate that. That's what I would give you in terms of the color for the third quarter.

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

And Mike, the only thing I would add is, look, this product line, this segment is performing really well. I think they're doing -- as Erik mentioned, all the things they've got -- this is where the tariffs hit mostly in the company, and they are having to navigate that, and they have a heavier load in the third quarter, which we're confident we'll do, so there's some uncertainty there.

But this is -- these margins are not -- they've been moving in this direction for a while now. It is part of the strategy. It's these -- it's our higher-tech greensand bond solutions. It's growing the business in underserved regions. These MINSCAN units, which then come with kind of contracts for refractories. But then also, there are new refractory formulations that we're using that have good performance, which help us with higher margin capture. So there's a number of different things that are going on. And yes, the steel market in Europe is pretty weak right now, we got this tariff load, so I think we're being a little bit middle of the road here. But yes, I think there's some upside, and I think even further margin expansion in this business, long term.

Mike Harrison - *Seaport Research Partners - Analyst*

All right. Sounds good. Last question for me. The balance sheet's in pretty good shape. It was 2021 when you guys last did a more sizable acquisition. Was hoping you could talk about your capacity and your appetite for a larger or more transformative deal, given that there are some potential targets out there, including some targets that you may have looked at in the past.

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

Well, M&A has always been a piece of the growth strategy for the company. We've executed fairly regularly on acquisitions. Over the past five years, I think we've done four of them. The balance sheet's in good shape. Liquidity position's in good shape. I think we have a nice portfolio of things that we're looking at, Mike. I think they are -- there's some larger things that we would consider. And I think there's also some bolt-ons that give us faster penetration in regions, or they bolt on to some of these higher-margin products in the consumer space.

So I think there's a number of things that we would consider. I think we look at these things, obviously, very carefully. We model them with the appropriate level of risk and concern and we make sure that we know exactly what we're going to do with it if we were to get it. And so we take a very measured approach to it. But I think the balance sheet's in good shape if something were to become actionable. That's what I can give you.

Operator

Dan Moore, CJS Securities.

Unidentified Participant

This is Will, on for Dan. Can you add some more color to the schedule for new PCC satellites, including NewYield coming online in the second half and end of 2026?

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

Sure. We'll outline that for you. D.J., do you want to give some details? What I mentioned, Will, was we have three new satellites and one expansion coming online in the next seven to eight months. Two of those satellites are for packaging, in Asia. One of them is kind of what we call our base PCC for paper, and then another expansion. And D.J. can give you more details on what they are and where they are.

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

Yes. Well, so just as a baseline for you, we're going to be -- we started a plan earlier this year that's in the neighborhood of 60,000 tons. We're still seeing that to ramp up a little bit. That's not quite at full capacity yet. In the third quarter, we'll be seeing two more satellites come on. One of them is the expansion to which Doug was referring. That's in India, and that will come online pretty quickly. The other one is a NewYield facility in China, so that will be coming on, and we'll start seeing the impact of that towards the second half of this year.

As we go into next year, we've got another packaging facility that will actually have a combination of products. One is NewYield, but the other one is our satellite GCC. It's a new-to-MTI technology that we've been getting a lot of market pull for. So that will be coming on towards the end of the first quarter. As well as another site that we've got in China that will be coming on in -- and that would be a printing and writing site that will be coming on in China towards the end of that first quarter. So -- and that one is about a 60,000-ton sort of ballpark.

Unidentified Participant

Thank you. That's super helpful. And then looking at refractories, could you add some color to the outlook for steel production for the remainder of the year? And then secondly, where are we in terms of penetration of MINSCAN systems in the US and Europe?

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

Sure. Brett, do you want to take that one?

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

Sure. Sure, Doug. Thanks, Will. The US steel penetration, the second quarter actually saw capacity utilization rates reach the highest level since Q3 of '24, so it's in that high 70%, 78% range. Steel prices seem to be stable, flat rolls, over \$900 a ton. So pretty stable market right now in North America.

The service center's inventory has come down to around 55 days. That's a pretty -- that usually -- when you get into the mid-50s, that seems like it keeps a pretty consistent steel production. So overall, US is doing really well. That's benefiting our refractory business.

From the European side, of course, as Doug mentioned, the European market still remains really, really low. Their efforts converting to green steel technology has slowed. That means going from integrated steel or basic oxygen furnace to electric furnace. That slowed just because of the market and the Turkey and Middle East market, which we -- as part of -- we work as part of our European group, has also slowed.

So from a market standpoint, pretty -- really good market for us in North America and much suppressed market in Europe. So overall, it's pretty stable for our business.

As far as the MINSCANs go, as Doug also mentioned, these MINSCANs provide us with really custom application for our customers. It improves safety and it improves the efficiencies of their operation and allows their furnaces to run longer by extending the refractory life.

In 2025, for this year, we signed eight agreements. We installed one in the first half. The remaining will be in the second half, possibly into the first quarter, but our target is to get the rest of them tied in this year.

Over the past few years, we've had 17 MINSCANs or Scantrols, which include the laser and the camera, installed to date. Two of those were in Turkey, and the remaining were in North America. And we're happy to say that we signed our first agreement in Austria. That will go in sometime in the first quarter of next year. So we're excited about that, moving that technology to Europe.

So there's still a very sufficient runway to add more of these units. There's plenty of electric furnaces out there, both in North America and Europe, so we're not going to give up. We're going to continue to pursue them, both North America, Europe, and Japan as well. So I hope that helps.

Operator

Pete Osterland, [Truist Securities](corrected by company after the call).

Pete Osterland - *Truist Securities - Analyst*

First, I just wanted to ask one on the Pet Care business. Just given the increased competitive activity you've referenced, are you having to lower prices there in order to increase momentum in your order book? And is that a potential source of margin pressure in CNS in the second half until you see a more meaningful pickup for demand?

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

Yes. I think there's -- promotional activity is generally a pricing issue. It's either similar prices, higher sizes, or more weight; two-for-one, those types of things. What we're doing is working with, as D.J. mentioned, we're working with our customer. They own the brand, and so it's their decision as to how they want to put it on the shelf and price it. But we're helping them with those packaging solutions, the labeling.

And yes, we could help them with some pricing actions a little bit in this quarter to help with that promotional activity. What that does is make sure that we maintain and help them maintain that value proposition and that value gap between the branded product and private label, and ensure that there is that value seen on the shelf, and that tends to pull more of their product, i.e., our product off the shelf.

So yes, we're working on all of those, and there has been some pricing that's been through that. But as D.J. mentioned, we expect that some of this promotional activity, in the marketplace in general, to go back to more normal levels. We make sure that we keep our private label kind of value proposition.

But I think longer term, we see that private label is going to continue to grow. It's not just in North America and in Europe, but also in Asia. We see positive fundamentals for the pet litter market in general, globally. We're investing in that growth, as we mentioned, with investing in our expanding a facility in -- a new facility, actually, in Asia. That's going to double the size of our business in Asia. And I think that's just the beginning, because that is a much higher-growth-rate area. And so as we start there, you're going to see that adding to the growth rate of the business long term. So hopefully, that helps you with both short-term kind of actions and long-term dynamics, Peter.

Pete Osterland - *Truist Securities - Analyst*

Yes, that's very helpful. And then I wanted to ask one on talc as well. I guess, is there anything you can share on the time frame for a final resolution or any meaningful upcoming dates to be aware of? And just kind of as a follow-on question to that, is there a time frame within which it needs to be resolved in order for the reserve that you've established to be sufficient?

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

Well, first, I can't give you a solid answer on the timing. These are quite dynamic and it's determined by a number of different items in terms of the courts and court dates.

Regarding the reserve, it's sufficient. It's a sufficient reserve and it's -- we find it sufficient. There's no time stamp on that. We find that that is the liability that we see for resolving this.

Look, I think what I can give you in terms of over the past 90 days that's happened, a couple of significant items. There was a hearing in the middle of May, about May 14, where the bankruptcy court referred to -- had a hearing and referred a key factual question in the case to a Federal District Court, and that was to determine whether BMI OldCo talc contained asbestos. That's a relative positive element for us because we've always maintained that BMI OldCo has always maintained that its talc was safe and free of asbestos, and so there is a forum by which that can be determined. At the same time, we're still -- BMI is waiting for that kind of next steps in that hearing.

And while we wait, we're waiting on that clarity, we're still working and hope that a consensual plan can be developed. We're working through -- we've always been open to a plan, and we feel that the reserve is sufficient to that end. But there's two steps here: one through the District Court and showing that our talc has been -- BMI Talc has been free of asbestos, and then also, working on developing a consensual plan. So that's going to take some time. We're open to both avenues, but I can't give you a time frame when that will be concluded.

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*

Well, everyone, I really appreciate you joining the call today. Again, thank you for the questions. Hopefully, it was informative, and we look forward to talking to you after the third quarter in October. All right, take care until then.

Operator

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

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