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MTX.N - Q2 2026 Minerals Technologies Inc Earnings Call

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PRESENTATION

Operator

Good day, and welcome to the Minerals Technologies Q2 2026 earnings conference call. (Operator Instructions) Please note this event is being recorded.

I would now like to turn the conference over to Lydia Kopylova, Vice President of Investor Relations. Please go ahead.

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

Thank you, Dave. Good morning, everyone. Welcome to our second-quarter 2026 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 the slides. 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 in an appendix of this presentation, which are posted on our website.

I'll turn it over to Doug. Doug?

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

Thanks, Lydia. Good morning, everyone. And thanks for joining today. I'm going to kick us off with a review of our second quarter financials. Erik will take you through the numbers in more detail and provide our outlook. At the end of our presentation, I'll briefly share some of the highlights from our Sustainability Report, which we just published, and provide a preview of our upcoming Investor Day on September 22. After that, we'll open the call to questions.

First, a quick overview of the quarter results. Sales were $548 million, up 4% over last year, with operating income of $75 million. Earnings per share were $1.60, up 3% from last year. We continue to be a strong cash generator, with cash flow improving over last year, and our balance sheet is in great shape, with our net leverage reducing to 1.6 times EBITDA.

Our top-line momentum has continued, with sales growing 7% for the first half of the year. I'll highlight that this has been quality revenue growth, driven by higher volumes from our new growth projects and from stronger end market conditions.

Another highlight is that our Engineered Solutions segment delivered a particularly impressive performance this quarter, generating a record margin of 17.8% and a record quarterly income of $49 million. Both segments continue to be positioned for solid growth this year, with our strategic projects in each segment remaining on track. As a result, we have a clear line of sight to hitting our mid-single-digit growth guidance for the company for the full year.

In our Consumer & Specialties segment, our cat litter sales have grown 9% through the first half of the year, driven by the introduction of new products, and this business remains on track for a mid- to high-single-digit growth year. We're also excited about our RAFINOL bleaching earth expansion, which is now ramping up, and we can begin working through a very strong order book from sustainable aviation fuel customers.

Our new Fabric Care product production is also ramping up. And we expect sales to strengthen early in the fourth quarter. Paper and Packaging sales were also strong, up 7% so far this year, and our three new satellite facility launches are all progressing.

In our Engineered Solutions segment, High-Temperature Technologies is having a strong sales year, driven by our refractories business, where sales are up 14%, driven by Minscan installations and the corresponding contractual refractory volumes, as well as from higher foundry sales in Asia, which are up 11%.

We also saw strong sales in Environmental & Infrastructure, where sales are up 19% this year, driven by higher volumes of environmental lining products, building materials, and drilling products, as well as from strong demand for our offshore energy services business.

Our main challenge this year has been dealing with the higher level and persistent inflation. As we mentioned would happen, this quarter, we absorbed quite a bit of higher energy, transportation, and raw material costs, the majority of which hit our Consumer & Specialties segment.

We've adjusted pricing across all product lines, due to contractual price increase timing to many customers in the Consumer & Specialties segment, the majority of the positive pricing impact is only now beginning to take effect. Margins in the quarter for the Consumer & Specialties segment were impacted as a result. Erik will outline all of the price cost dynamics for you in detail, but we continue to make contractual price adjustments and expect to recover segment margins as we move through the second half of the year.

A few other items I'd like to touch on before handing the call over to Erik. First, I wanted to mention that we've made organizational changes that I believe will result in even closer collaboration and greater efficiency across our four product lines.

We've elevated four experienced leaders to oversee each product line, leveraging their deep knowledge of our markets, operations, and technologies. This change will more closely align the people, products, facilities, and core technologies that serve similar markets and strengthen execution across the organization. We expect these changes to drive efficiencies, further accelerate innovation, and speed to market for new products, and accelerate best practice sharing and adoption across our business.

Second, as we previously announced this past quarter, we also filed a plan of reorganization in the Chapter 11 cases of our subsidiaries, BMI OldCo, formerly known as Barretts Minerals. Its affiliated debtors to comply with the court deadline. Concurrently, with the filing of the plan, we recorded a charge of $290 million to increase our reserve for funding the proposed potential trust and for estimated costs related to this matter.

More recently, the judge has abated the bankruptcy court cases in order to await the outcome of a district court proceeding on the underlying talc causation issue. We continue to maintain that all talc sold by BMI OldCo has always been safe and remain committed to a fair and final resolution for the company and all stakeholders.

Lastly, I'm pleased to announce that we published our 18th annual sustainability report earlier this week. It's packed with information about the company and our journey over the past several years. I'm going to take a moment at the end of our presentation to run you through some of the highlights.

Now let me hand the call over to Erik, who will take you through our second quarter financials in more detail. 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 a summary of our financial results, followed by a review 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.

Now let's review our results. Second quarter sales were $548 million, up 4% versus last year, driven by strength in High-Temperature Technologies and Environmental & Infrastructure. After a strong first quarter, second quarter sales in Consumer & Specialties were down slightly from last year, primarily due to some volume that shifted into the second half in Household & Personal Care.

Second quarter operating income was $75 million. You can see from the bridge on the lower left that volume contributed $4 million and pricing contributed $8 million to income. However, overall cost increases totaled $16 million in the quarter as we experienced higher freight, energy, and energy-linked costs, such as mining. The cost environment remains dynamic and further price adjustments will be necessary until costs stabilize and we fully offset these increases.

Moving to the top right side of the slide. Sales have grown 7% in the first half over last year, with 5% growth in Consumer & Specialties and 10% growth in Engineered Solutions. We'll show year-to-date figures in a few places today to highlight the growth so far this year and to highlight the magnitude of the cost impacts that we expect to fully recover once these higher costs plane over.

The first half operating bridge on the bottom right shows that volume delivered $13 million of additional income. Higher pricing contributed $14 million. The biggest challenge this year has been the higher costs I just mentioned, which ramped up significantly in the second quarter. Earnings per share, excluding special items, grew 3% in the second quarter and are up 11% year-to-date. I'd also like to note that EBITDA is up 5% year-to-date.

Let's turn to a review of our segments, beginning with Consumer & Specialties. Second quarter sales in the Consumer & Specialties segment were $275 million. Sales in our Household & Personal Care product line were $123 million.

Following a very strong first quarter, cat litter sales moderated in the second quarter. Q2 is typically a slower seasonal period for cat litter, and customer orders also ease off following the new item fill in Q1. It's worth noting that cat litter sales have increased 9% in the first half versus the prior year, and our outlook for this business remains solid.

Our edible oil and renewable fuel expansion hit target production levels at the end of the second quarter. Our order book is solid, and we expect sales to ramp up steadily through the third quarter. Lastly, in Personal Care, we had a large customer campaign in the second quarter of last year, and this year, a similar campaign has moved to the second half.

Second quarter sales in Specialty Additives were up 1% from the prior year and are 3% higher year-to-date. Global sales to paper and packaging customers are up 7% year-to-date, driven by higher volumes from our newest satellites in Asia, and this growth is helping to offset slower demand for residential construction products. Segment operating income was $29 million in the quarter and $62 million year-to-date.

I'm showing you a first-half operating income bridge on the bottom left to highlight the price versus cost lag in this segment. In the second quarter, we saw a significant increase in freight and energy costs. As we mentioned on the last call, this segment and the Household & Personal Care product line in particular, is bearing the majority of the cost increases, and it's also the segment with the majority of the contractual lag on pricing. Due to the nature of our contracts in this business, we typically have a lag between cost increases and price increases.

You may recall that several years ago, it used to take us three quarters on average to catch up from a price versus cost perspective. Since then, we've shortened that time to around three to four months on average by making changes to our contracts to better line up our cost-price timing, and we continue to drive improvement in this area. However, until cost pressures [plane] over, we're still about 90 days away from fully catching up in this segment.

Looking ahead to the third quarter, we expect segment sales to increase in the 3% to 5% range versus the prior year, driven primarily by growth in the Household & Personal Care product line.

Let's turn to the Engineered Solutions segment. Second quarter sales in the Engineered Solutions segment increased 9% from prior year to $274 million, extending the growth momentum we saw to start the year. In total, segment sales are up 10% through the first half of the year.

In High-Temperature Technologies, sales of $190 million were up 7% for the quarter. Sales are also up 7% year-to-date for this product line. Sales to steel customers in North America remained strong. We've started to see signs of improved demand in Europe as well. Sales growth to foundry customers in Asia was very strong, with second quarter sales up 14% versus prior year.

Environmental & Infrastructure sales were $84 million in the second quarter, representing a 15% increase from prior year. Year-to-date sales are up 19%. Demand for our building materials products was strong this quarter, with sales up 41% versus prior year, driven by some large projects in the quarter. Growth in drilling products also remained strong with sales up 20% versus prior year. Sales for environmental lining solutions were up 18% in the second quarter, driven by higher project activity levels, particularly in the mining sector.

Operating income for the quarter was $49 million and totaled $88 million year-to-date. You can see in the year-to-date operating income bridge that sales growth is translating well to operating income, which is up 13% versus last year. And price adjustments are keeping pace with the cost increases we're seeing. Operating income represented 17.8% of sales in the second quarter, a record for the segment.

Looking ahead to the third quarter, we're expecting sales growth of 3% to 5% versus prior year for the segment.

Let me turn to a summary of our balance sheet and cash flow highlights. We had another strong cash flow performance in the second quarter, bringing year-to-date cash from operations to $95 million, up $37 million from last year. Capital expenditure was $27 million in the second quarter. We continue to expect full year CapEx in the $90 million to $100 million range.

Year-to-date free cash flow of $45 million is up significantly versus prior year. Cash flow is expected to continue to build through the second half. And we expect full year free cash flow to be in the range of 6% to 7% of sales. Our balance sheet remains solid, with our net leverage ratio at 1.6 times EBITDA.

Now I'll summarize our outlook for the third quarter. Overall, we expect a similar performance sequentially with third quarter sales of approximately $550 million, representing an increase of around 4% from prior year.

In the Consumer & Specialties segment, we expect sales to grow 3% to 5% versus prior year, driven primarily by the Household & Personal Care product line. We're seeing stronger sales for cat litter early in the quarter, and we expect this will continue. With our natural oil purification expansion running at target rates, we're expecting a solid quarter growth for this business. The only area where we're not seeing improvement for this segment is the residential construction market, which remains soft relative to last year.

In the Engineered Solutions segment, we also anticipate third quarter growth in the 3% to 5% range versus prior year. Overall, we expect similar market conditions sequentially for this segment. We're expecting growth in High-Temperature Technologies to be driven by another quarter of steady demand from steel customers. In Environmental & Infrastructure, we expect year-over-year demand improvement to continue into the third quarter.

Overall, for MTI, we expect similar operating income sequentially of around $75 million and earnings per share of between $1.55 and $1.60. We expect to fully leverage these higher levels of sales into income as soon as our price cost dynamics take hold in Consumer & Specialties. We expect overall operating margin to recover in the fourth quarter to slightly above prior year levels with the normal seasonality moving from Q3 to Q4.

We remain confident in our growth trajectory, and we continue to expect full year sales growth in the mid-single-digit range. And with several growth initiatives ramping up in the second half of this year, we expect this growth rate to continue into next year.

With that, I'll turn the call back over to Doug.

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

Thanks, Erik. A couple of other items I'd like to touch on before we finish. This month, we're proud to publish our 18th annual sustainability report. Sustainability has always been a part of the DNA of our company, not only because it's one of our core values, but also because we believe it supports our continued growth as well as our customers' growth. You can download the full report on the Sustainability page of our website at mineralstech.com, but let me take you through some of the highlights.

In 2025, we achieved a company best and world-class safety performance, reflecting our continuous improvement culture tied to our deep commitment to keeping all employees safe. 2025 was also the target year for achieving the 12 of the environmental goals we set for ourselves back in 2018 and are pleased to report that most of our results exceeded our expectations.

Let me give you some highlights of what we accomplished. First, we reduced our CO2 emissions by approximately 40%. We also eliminated the use of coal at all but one of our facilities, reducing consumption by 70%, and converted 34% of our fuel oil usage to renewable alternatives.

We reduced landfill waste by 44% and now divert approximately 56,000 tons of waste annually through beneficial reuse. We reduced water consumption by over 30% and water discharge by almost 60%, which equates to over 660 million gallons of water saved each year. That's enough water to supply a mid-sized American town annually.

In this year's report, we also announced our new ten-year targets through 2035, which build on the successful achievement of the previous targets we established in 2018. We are aiming to reduce our environmental impact by another 20% on an absolute basis and 30% on a per ton basis.

Sustainability continues to be a meaningful driver of MTI's long-term growth strategy. Over the last five years, 67% of the products commercialized by MTI have had a sustainable profile. Many of these products, like RAFINOL for sustainable aviation fuel, FLUORO-SORB for PFAS remediation, and our New Yield line of products, are examples of how we have tied together our minerals and our technologies to create sustainable solutions.

These efforts are impressive by any measure and were achieved by the employees at MTI who are dedicated to continuous improvement in all that we do. And I'd like to thank all of our employees for their support.

Lastly, a plug for our upcoming Investor Day, which will be held on September 22nd at our R&D facility in Bethlehem, Pennsylvania. At our last Investor Day, we showcased the innovation and technical capabilities that support our bentonite-based businesses at our R&D facility in Hoffman Estates near Chicago. This time, in Bethlehem, we'll focus on innovations related to our crystal engineering technology in the calcium carbonate side of our business, as well as the engineered blends technologies used in our High-Temperature Technologies products for steel and other metal industries.

We're excited to take you through these innovation pipelines and introduce some exciting new strategic projects that we see driving growth over the next five years. If you'd like to attend in person, please reach out to Lydia Kopylova, our Head of Investor Relations, and I hope to see many of you there.

With that, let me open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Daniel Moore, CJS Securities.

Daniel Moore - *CJS Securities Inc - Analyst*

Appreciate all the color. Start with the, obviously, year-to-date, you still really good strength in Consumer & Specialties and cat litter, personal, and household products. Just if you could dive a little bit deeper into the kind of timing of trends in Q2, particularly on the cat litter side. And then talk to your confidence about getting back to mid-single digit growth trajectory now in Q3, in the back half.

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

I think you're talking more about the sales in HPC. I think it was really driven in the first quarter by cat litter. As you remember, I think sales were up, like, 19% in cat litter in the first quarter. A lot of that we saw was due to the channel fill at distribution centers of all of our new products - really came in strong.

As Erik mentioned, I think over the second quarter, with those distributions full, I think some of the order patterns slowed down a bit. But we're seeing that picking up again to a regular pace here in the third quarter, and we still have a really strong outlook for that business for this year.

D.J., you want to add any color to some of the new products, things that are going on?

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

Yeah, thanks, Doug. Dan, just to bring into it a little bit, these new products that we're launching, we're pretty excited about them. Right now, as we're going into the third quarter, we're getting some good traction on that.

But as I look back, I'm pretty happy with the top-line growth with pet care. I mean, it's at that 9%, it's double what the ongoing markets are in North America and Europe, the same thing. We're well above what the market rates are, and that's been mostly driven by these new products and just lining up with some major retailers. We see that continuing strong for the second half of the year. And in the meantime, working as Erik was talking about, on getting pricing up to offset some of the persistent inflationary increases that we're seeing.

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

Dan, the other thing I'd add to that, you are talking about timing and some of that Erik mentioned in his comments was our bleaching earth or the oil purification business. Strong order book. As Erik mentioned, that facility, our expansion is now fully ramped up. It came fully online at the end of the second quarter.

We thought some of those new sales would come into the second quarter, but it looks like with that ramp up late in the second, those are going to be ramping up through the third. So the timing should be some growth in HPC, not only from pet litter, but the sustainable aviation fuel orders that we have on the books for the back half of the year.

Daniel Moore - *CJS Securities Inc - Analyst*

Helpful. On the cost side, you've clearly demonstrated the ability to take pricing to offset inflation over the last several years. This environment, clearly unusual. If costs level off to some degree, should we be able to get back to that, say, 14%-plus operating margin next year? And again, that's assuming that not necessarily flat, but a more normal environment. Just kind of talk to where you think business should be as things normalize over time.

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

Yeah. Thanks, Dan. This is Erik. Yeah, we do think that. So right now, year to date, we're at around 13% operating margin. We're guiding to about 13.5% for the third quarter. The fourth is going to be between 13% and 13.5%. So this year, we're looking at between 13% and 13.5% for the full year operating margin. That's going to depend a little bit on how costs play out for the rest of the year.

The reason that we haven't caught up on the cost increases yet is because costs are still increasing for us. We had increases from Q1 to Q2, and we're actually seeing increases from Q2 to Q3 as well. So the pricing that we have going into place in Q3, which is meant to cover the cost increases from Q2, it's catching us up, but we're still going to be upside down from a price versus cost perspective in the third quarter by something like $5 million to $6 million.

With that being said, when costs do play over, we do expect to make up that price versus cost gap. And I think we've shown historically that on the back end of that, we actually expand margins. So I think we're going to be exiting this year, assuming our current outlook on costs, exiting this year in a much better position to get back to our target margin level. Assuming we're at 13.5% in the fourth quarter, that's not a bad place to be for a full year run rate of 15%. You'd want to be closer to 14%, perhaps. We do have that typical seasonality in Q4 and Q1 every year.

Daniel Moore - *CJS Securities Inc - Analyst*

Yes, very helpful. One more, I'll jump out. Maybe just a little bit more color on the sort of update on the BMI case. How did we come to the determination of the funding the trust and the $290 million charge? I know it's not apples to apples, but obviously J&J just came to an agreement. How does that sort of impact your confidence about the ability to get this settled and put it behind you? Any color or commentary there would be helpful, if possible.

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

Yeah, thanks. Maybe I'll answer the second part first. We saw the news on other J&Js and their settlement. It's a different tort. It doesn't have much bearing. It's probably some positive news for them to get through that or at least come to some final, but it really doesn't have a bearing on ours, our cases.

What I will say is, yes, we determined to increase our reserve for the funding of a potential plan that we filed to meet that court deadline. We were in mediation for many weeks before that. We wanted to put in a plan that we felt provided finality to the company and that we felt was a fair settlement. And through that mediation and those discussions, we determined that that was a very rich offer to be able to put that out and get finality for the company.

Since then, I think you might have seen that the bankruptcy has been abated and the general causation issue has been moved into district court, and that's where we sit now. Right now, we're just in the scheduling, so there's not much to talk about there, but we're in the scheduling aspects of that trial and resolving that issue. That's where we are. That's how we came to that determination. We wanted some finality for the company and get this behind us, and we'll see where we go from here.

Operator

Michael Harrison, Seaport Research Partners.

Michael Harrison - *Seaport Research Partners - Analyst*

Hi. Good morning. Was hoping that we could get just maybe a little bit more color on what's going on in the PC&H business. Just really surprised that you guys were guiding to a high single-digit growth number, and I believe it was a 3%-ish decline. Understand there were some pieces that didn't play out relative to your expectations, but I guess, what were some of the key drivers of that meaningful shortfall? And I guess, what gives you confidence that you're going to see momentum pick back up in Q3?

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

Mike, I guess let me start just with kind of bridging the shortfall to our expectations. It was really three things. The easing off of the cat litter orders from the strong Q1. We probably overestimated where we were going to be just based on how strong the first quarter was. Like D.J. said, I think we're pretty happy with the year-to-date 9% growth and then seeing the orders pick back up into the third quarter. No real concerns there, but it was a difference from where our expectations were.

The other piece was the bleaching earth expansion. Doug already mentioned, fully ramped up at the end of the second quarter, but we had assumed some sales in the second quarter for that expansion.

The only other piece I would mention is the Personal Care campaign that was in the second quarter last year. We were expecting it earlier in the year this year. That's moved to the second half as well. So we had a few things shift, I would say, from the second quarter out to the second half. But we're still feeling confident about the growth rates for those businesses going forward.

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

Mike, I would just add to that. So Erik summarizes well our interpretation of what we were thinking going into the second quarter.

What I'm telling you, what I'm seeing as we are going into the third, is pretty strong pull that supports some promotional activity with some key retailers that we've got. That is a combination of new products with them and some new SKUs of old products, new repackaging of old products. So right now, that pull looks very strong on the pet side. Got some increased momentum really across the US on pet.

On the bleaching earth, we're very bullish about that. Some minor delays in getting the project up and running, but we're also impeded by some shipping challenges that were associated with some geopolitical issues. We've worked through that. We've got the strong supply chain going forward supplying the sustainable aviation fuels that also got a good base of edible oils underneath it.

So we're feeling really good about bleaching earth supporting that pet care growth, and again, the personal care item was just a shift from the second quarter into the third versus on that. So that still looks like it's going to take off. So we feel very good about this quarter coming up.

Michael Harrison - *Seaport Research Partners - Analyst*

And while we're on the topic, I believe last quarter you referenced a new laundry innovation or a new product that a customer was going to be launching. Any update on the timing of any benefits coming from that laundry business?

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

Yeah. Thanks for the question, Mike. Glad to address that. The team's done a great job on our end on getting our portion of that lined up. It is in dry laundry. It is supporting some innovations out there in the market. So everything on our end is good. Everything's qualified. Supply chain is set and ready to go. And now our success will be dependent on how that new product responds in the market.

So we feel good about that. I don't know that it's so much in the third quarter as the fourth, but it's entirely dependent on the success of our partner and how the market is embracing that.

Michael Harrison - *Seaport Research Partners - Analyst*

All right. Over on the refractories side, you noted some improved pull from European steel customers. I assume that's Minscans that's driving that, but I guess any additional detail on what you're seeing, and whether you think that momentum could continue?

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

Go ahead, Brett.

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

This is Brett. Hey, Mike. The European market is still soft. It has improved over the prior quarter. There's been some carbon regulation safeguards that have finally been put into place, and that's really helped the threat of imports, and it's improved production. We're seeing really a lot of that production in Germany that is improving. But overall, we're starting to see some improvements.

The UK just nationalized one of their major steel mills. That's going to be positive. It's been a plant that we've had business with for many, many years. They're going to actually expand and put a third blast furnace into that production.

Of course, we're seeing our Middle East business, which is part of the European growth. We're doing pretty well despite the Iran conflict. But of course, the lanes and the logistics have caused a little bit of commotion. But overall, we haven't lost any business. We continue to sell, and we are seeing a little bit bigger uptick in the steel production. That's a good sign.

As far as the Minscans in Europe, we have four units now outside of the US, and we installed one in Europe this year. There's more to come, and we see more opportunities in Europe as the electric furnace steel production expands.

Operator

Peter Osterland, Truist Securities.

Peter Osterland - *Truist Securities - Analyst*

I wanted to start just by digging in a little more specifically on the C&S margins. You mentioned that higher costs haven't yet been fully recovered due to some contractual timing. Just what percent of your sales within C&S are still awaiting contract resets? I guess, if that's the right way to think about it. And should we be thinking about maybe a 200-basis-point or higher margin snapback specifically in the third quarter? Or will this more likely be a multi-quarter recovery trajectory?

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

Yeah. Hi, Pete. This is Erik. Thanks for the question. In terms of getting the Consumer & Specialties margins back to target, the biggest thing right now is the price-cost catch-up. The fact that costs are continuing to rise means that that's going to be pushed out to the fourth quarter. So we're not expecting a major improvement Q2 to Q3.

I would say the other things we have going for us longer term is just the growth of higher margin, these Consumer & Specialties that we talk about. That's going to help the mix overall. And just higher volumes in general just will help with fixed cost leverage.

But in terms of your specific questions around the percent of contracts with a delay, a lot of that sits in the Household & Personal Care product line within Consumer & Specialties. Historically, we've had more of a pricing lag within Specialty Additives, for example, in the paper and packaging business. We've done a lot of work there in terms of tightening up those lags and less so of an impact these days in that product line.

Peter Osterland - *Truist Securities - Analyst*

Got it. Very helpful. And then also, just on the record margins within Engineered Solutions, was there any degree of the second quarter margin performance that you view as overearning as opposed to permanent operational efficiency improvements? I guess, is it fair for us to be thinking about 17%-plus as the structural floor for this segment going forward?

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

Yeah, those margins are solid. The segment is performing very well. I wouldn't call anything out as special or unusual for the second quarter. I would say, if you're looking sequentially Q2 to Q3, you do have some typical seasonality in terms of customer and maintenance shutdowns in Europe for some of the more industrial businesses. But I think we're setting a new baseline for this business from a margin perspective.

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

Yeah, Peter, I think the only thing I'd add to that is, we kind of signaled that there was some pent-up profitability in this business, right? So the High-Temperature Technologies business operating really well, new products, Minscans, contractual volumes coming through. Steel markets in Europe are improving. North America has been strong for the past year or so.

We've had almost two years of kind of a lull in our environmental products business, and that's starting to turn a little bit. We've had five quarters of growth in that business, in that product line. And we said as that starts to turn, that's a lot of contribution that comes through. It's project-based, a little bit lumpy still, but at the same time, we're starting to see our offshore oil grew 22% in the first half of the year.

Drilling products and infrastructure for infrastructure drilling has been really doing well. Building products is starting to turn, and our environmental products and water products, and FLUORO-SORB is in there too. So we still see there's more growth potential. That business, as you start to see these volumes of one of these product lines start to move, really drops to the bottom line in good contribution, and that's what you're seeing, and we think that's stable.

The other side of the business, still good growth, right? We've got, as Erik mentioned, that lag that we're going to move ourselves through and those costs parked there. There's a lot of transportation, energy. We'll get that pushed through, but that growth is there, and we start to leverage that growth to the bottom line.

I think that's yeah, we got some work to do in the Household & Personal Care business and costs. But once we get that work done, I think we got to both sides of the business kind of moving along. So that's where we see that margin improvement. But with the 17% on one side and moving the other side up to 14%, you start to see that 15%, 16% as we push through.

Now, a lot of things have to line up. We got some work to do, I think we're setting up for that margin improvement. It's unfortunate we have this delay still, we'll move through it, and we'll deliver that profitability.

Operator

David Silver, Freedom Capital Markets.

David Silver - *Freedom Capital Markets - Analyst*

I'll apologize in advance. I had a little trouble joining the call at the beginning, so apologies if I make you repeat yourself.

I wanted to drill down, I guess, with D.J. on a couple of the expansion projects that are underway. And in particular, I guess there was a series of three PCC satellites that were due to turn on this year. Just wondering where we are on that and what the contribution might have been in the second quarter.

And then just on the edible oil, you did explain the timing. It's complete. The order book is full, but revenues will probably start in the third quarter. With a full order book and the project complete, I'm just wondering about next steps there, like what might be the cadence for the next incremental expansion, assuming the SAF market continues to progress, which I think is a pretty sure thing myself, personally.

And then is the expansion program one where the incremental additions are more of a modular nature? In other words, they can be added relatively quickly, or is this more of a discrete project with its own separate, I don't know, off-sites or supporting utilities? What might be the cadence that we should think about for growth in your capacity on the edible oil side, edible oil purification side?

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

So David, I'm going to try and unpack that a little bit. Let me deal with the first part of the question on the PCC. I would say, as Erik had indicated and Doug had indicated, all three of those are up, running, distributed in the second quarter, and they look like they're going to be good business for us moving forward.

There's another one that we have mentioned in the past that comes online in '27. So we're building another satellite right now. It's a pretty substantial satellite that supports packaging growth in Asia. So we had the three that came up running in the second quarter and contributing in the second quarter. Another one still to come that'll be early in 2027.

So paper is looking solid. And then I would say that the nature of that pipeline still remains healthy. 20-plus projects in the pipeline, a blend of packaging and new yield and PCC and the new products we've introduced. So we feel pretty good on that side of things.

Shifting gears now to the bleaching earth question. So we just put in that expansion. It's reasonable for you to think of that one as a modular expansion, pretty efficient in getting it up and running and designing the product specifically for these customers, getting them qualified with the customer. So we're up and running, and you'll start seeing that pretty much running full out in this third quarter.

We are looking further at expansions. The next one probably is a bigger magnitude one, but we still got to line up some volumes on that. I would tell you, though, that from what we've been able to do with both the quality of the ore and the reserves that we've got, especially in Turkey, plus the scientists that we've got working at Hoffman Estates, we feel very good about that product line and what it's able to contribute differently in the market, especially in sustainable aviation fuel.

So we're happy with this last expansion. We're happy with the qualifications that we've been able to do and the pace in which we've been able to bring them in. And we'll get ready to expand further, but nothing to announce on that just yet.

David Silver - *Freedom Capital Markets - Analyst*

Okay. Great. I hope you'll indulge me here, but I wanted to go back to the $290 million charge that was taken, and I just want to make sure I have things lined up. So there's a total funding of the 524G trust of $450 million, and I believe in first quarter of 2025, you allocated, I believe, $185 million of your total charge then for the trust. Is it correct to say that of the $290 million, I guess the $265 million were the balance to get to $450 million? So $265 million of the $290 million goes to the trust and the balance of $25 million or so is for estimated other costs. Is that correct or am I missing something?

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

David, this is Erik. So you're close. There's a portion in there that's to fund the ongoing process. And so right now, there's about $450 million in terms of potential 524G funding and about $35 million in terms of ongoing process funding. And that's made up of the charge we just took and the one from 2025.

David Silver - *Freedom Capital Markets - Analyst*

Okay. Great. And then, I don't know if you can answer this or not, but you have set up a trust that you believe is acceptable to settle all the ultimate claims. However, the bankruptcy judge, as you pointed out, has abated his process in favor of letting the district court work on the issue of causation.

Doug, I guess this is how determined or how do you feel about letting that district court process run its course versus maybe pursuing something sooner, but that may ultimately prove to be a little more expensive for your company? How do you kind of weigh the pros and cons of settling sooner versus letting the district court process run its course?

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

Yeah, David, I'm not going to answer that question. We're right in the midst of the beginning of litigation. And so I don't want to speculate on outcomes in district courts or the ramifications of that right now. I think where we are is we've filed a plan that we feel is fair and provides finality for the company.

We've always maintained that BMI's -- Barretts Minerals, BMI OldCo Inc., talc has been safe. And so the district court taking on that issue, we see that as a positive because we've always maintained this to be the case. But we're right in the beginning of that, and we're going to be going through the process of scheduling and seeing how that goes, and I just don't want to speculate on where we'll land at the moment right now, given where we are.

David Silver - *Freedom Capital Markets - Analyst*

Fair enough. I appreciate that. And then last thing for me, I did just want to get a PFAS update. I believe last quarter, the plan was to have 10 commercial projects start up through 2026. And then I am curious, but I did watch the EPA panel discussion where your company was one of just a handful featured.

And I'm just wondering if that presentation and that opportunity for interested parties has resulted in an acceleration of trial and beta testing. So just an update on progress with commercializing PFAS and then your take on what has happened since your participation in the EPA panel?

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

Hi, David. It's Brett. Let me just give you a quick update on where we stand with FLUORO-SORB, and hopefully I can answer your questions.

FLUORO-SORB really continues to gain traction. And we do have the 10 full-scale municipal drinking water plants up and running. The good news is we now have 18 municipal systems specified for upcoming installations. Most of them are under construction. Several of them will start in 2026, and others will start in 2027. So that, we're gaining traction. We also expect to see more of the pilot projects for the small groundwater treatment plants move into full scale. So a lot of that will start to move over the next several months.

As you know, we also use the FLUORO-SORB in in situ remediation. And we're working with the Department of War and other aviation-related fields. Based on the success we've seen with the Department of War, we're expanding that project, and actually, we have two big projects that will happen in the third quarter. Both are airports, and one is a military site. So that is working, and it's really based on the absorption technology of the FLUORO-SORB. It's working very well.

The other update I'll give you is we also continue our discussions with the US EPA Office of Water and Office of Land and Emergency Management. Both are really committed to the PFAS remediation and disposal research. So we're working with them to wrap this up, and with the CRADA agreement, and I think once that is finalized, then the research will expand much more rapidly. Things are moving well, and we expect to see additional municipalities taking on the FLUORO-SORB.

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*

Thank you, Dave. Appreciate it. I appreciate everyone joining the call today. If you have any follow-up questions, we'd be happy to answer them after the call. But we'll talk to you in about three months. Thank you.

Operator

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

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