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MTX.N - Q1 2026 Minerals Technologies Inc Earnings Call

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## PRESENTATION

### Operator

Good morning, and welcome to the Minerals Technologies first quarter 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, Head of Investor Relations. Please go ahead.

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

Thank you, Gary. Good morning, everyone, and welcome to our first 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 know 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 in appendix of this presentation, which are posted on our website.

Now, I'll open it up to Doug. Doug?

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

Thanks, Lydia. Good morning, everyone, and thank you for joining. Today, as usual, I'll provide a quick review of our first quarter financials. Then I'll give an update on our outlook for the remainder of 2026, including an overview of the impact that current events are having on our business and the progress we've been making on our growth projects. Erik will then take you through the detailed financials and provide our outlook. After that, we'll open up the call to questions.

Before we get into the details, let me start with the headline. We delivered a strong first quarter with broad-based double-digit growth, and we're seeing early proof that our strategic growth investments are paying off. First quarter sales came in at \$547 million, up 11% from prior year. Sales growth was broad-based and from both of our segments.

We saw an 11% year-over-year increase in our Consumer & Specialties segment, driven by Household and Personal Care, which grew 16%, and Specialty Additives, which grew 6%. Our Engineered Solutions segment sales increased 12% over last year, with High Temperature Technologies up 8% and Environmental and Infrastructure up 24%. A portion of this growth is tied to the specific investments we made last year in support of our strategic growth initiatives to expand into higher margin consumer markets and into higher growth geographies.

If you recall, we projected that these initiatives would drive \$100 million in annualized revenue beginning this year, and this quarter, we delivered the first portion of that growth. From a market perspective, we saw small improvements in demand at the start of the year, which then trended stronger in March. The stronger trend has continued here in the second quarter.

Operating income was \$68 million, excluding special items, up 7% from last year. Earnings per share were \$1.38, up 21%, and both operating and free cash flows improved significantly compared to last year. Like most companies, we felt the impact this quarter from the rapidly changing environment caused by the recent geopolitical events, and I'll talk about that more on the next slide.

Let's start on the left side of this slide with some points about the impact current events in the Middle East. Overall, we've avoided any material impact on sales or operations to date, where we have seen an impact is with higher energy and freight costs, which we are addressing through pricing actions and temporary surcharges.

In terms of our operating and sales footprint, we only have a small presence in the region, primarily consisting of refractory sales to Middle East steel producers and a long-standing joint venture in our Energy Services business. We did encounter some challenges with shipments that were in the Persian Gulf when the conflict started, but we managed to redirect those shipments to ensure delivery to our customers.

Our team responded quickly to the changing environment, much as we did last year with tariffs, and I want to thank our employees for their agility and creativity in identifying solutions for our customers. Our biggest current challenges are higher energy prices at our facilities, increased fuel costs for our heavy equipment, and higher transportation and freight costs.

Once these impacts became apparent, we implemented price actions, some of which could be implemented quickly and others which will take effect over the next 90 days due to contractual terms. We are, of course, closely monitoring the evolving conditions and are prepared to implement further actions as needed.

We've had minimal supply disruptions as a result of the conflict. And I'd like to point out that from a broader supply chain and logistics standpoint, we benefit from the geographically diverse structure of our business and the localization of our operations. We typically produce our products within the same region or country where we sell them.

I believe that this operating structure is one of MTI's key differentiators as it limits the impact that global supply chain disruptions have on us. This structure will further demonstrate its value as the trend for locally produced minerals and mineral-based products increases.

Now let me turn to the right side of the slide to update you on our growth projects, the progress we're making, and the associated timing of the expected sales, as well as the market updates. There are a number of positive elements here, all contributing to what we see as strong sales momentum this year.

I'll start with our Consumer & Specialties segment. In our Household and Personal Care product line, we've been upgrading and expanding several of our facilities. The cat litter facility expansions that we completed late last year in North America are fully online, and we've been ramping up the new business we've secured for them from customers in the US And Canada.

In fact, this is a record sales quarter for cat litter, which grew 19% over last year. Our new cat litter facility in China also continues to ramp up and should be fully functional by the second half of the year with new business orders already secured.

Last year, we announced a capacity expansion for our natural oil purification facility. We expect to have this fully online late in the second quarter, enabling us to meet the rapidly growing demand we are seeing for renewable fuels, specifically sustainable aviation fuel. Our high-performing products are uniquely capable of meeting the challenging specifications for these applications.

In this quarter, sales of these products grew 14% over last year, and we expect this pace to accelerate once the expansion is fully operational. Elsewhere in our Specialties business, our Animal Health business is trending nicely with sales up 9% over last year and we're anticipating strong volume growth in Fabric Care starting in the second half with the introduction of a new technology.

In our Specialty Additives product line, we previously announced the ramp-up of several new satellites in our Paper & Packaging business, as well as capacity expansions at others, all of which remain on track for the second half of this year. One area where we've not seen much improvement is in the North America residential construction market, which remains relatively slow.

Turning to our Engineered Solutions segment and the High-Temperature Technologies product line, the Minscan installations we previously announced are all remain on track. We are seeing higher refractory product demand from stronger steel markets in North America, as well as from the share gains we've captured as a result of our Minscan installations.

Europe steel production on the other hand remains soft. Our Metalcasting business remains stable with no major inflections. We're seeing some strength in municipal foundry applications, and the North America heavy truck market is showing signs of potential recovery, but we continue to see slow demand from the agricultural equipment market.

Foundry markets in Asia remain stable and demand for our engineered foundry blends continues to expand, with sales growing 9% in the first quarter over last year. In Environmental and Infrastructure, we're seeing the potential beginnings of demand improvement, mainly through environmental lining project activity, which has increased of late.

We're also on track for 10 or possibly more new water utility implementations for our FLUORO-SORB PFAS remediation product in the second half and demand for our infrastructure drilling products remains robust in both North America and Europe.

Let me summarize all this for you. First, I'm pleased with how our growth investments are performing, and we're on track to deliver \$100 million of incremental sales. We're off to a strong start to the year, and we still have several new growth projects ramping up over the next two quarters. In addition, we're seeing improving trends in many of our end markets.

At the same time, we're mindful of continued macro uncertainty, particularly around energy costs. But even with that backdrop, the momentum we've established from these well-timed investments and the positions we've established in durable and growing end markets puts us on track for a solid growth year. Our current projection is for mid-single-digit sales growth in 2026, and this could inflect higher if the market strength we are currently seeing continues.

Now let me turn the call over to Erik, who can take you through our financials and provide more details. Erik?

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**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 first quarter results, followed by a review of the performance of our segments. And I'll wrap up with our outlook for the second quarter. Following my remarks, I'll turn the call over for questions.

Now let's review our first quarter results. We had a strong start to the year. Q1 sales were \$547 million, up 5% sequentially and up 11% from prior year with solid growth across all product lines. In the sequential sales bridge on the upper left, you can see that sales in the Consumer

& Specialties segment grew \$22 million from the prior quarter or 8%, driven by strong growth in both Household and Personal Care and Specialty Additives.

Sales in the Engineered Solutions segment were up \$5 million from the prior quarter, driven by high-temperature technologies. Operating income was \$68 million in the first quarter, up \$1 million from the fourth quarter, driven by higher volumes and improved productivity in the Consumer & Specialties segment.

Turning to the year-over-year bridges, you can see that sales were well above prior year in all four of our product lines. Excluding favorable foreign exchange, our sales grew 8%, driven by higher volumes in several of our businesses. We also benefited from a few extra days in the quarter relative to last year. We estimate that underlying growth, excluding FX in the few extra days, was 5% to 6%.

In Consumer & Specialties, sales in Household and Personal Care were up \$19 million or 16% and Specialty Additive sales increased \$9 million or 6% from prior year. In Engineered Solutions, sales in High Temperature Technologies grew \$14 million or 8% versus prior year and Environmental and Infrastructure sales grew \$13 million or 24%.

Operating income improved 7% from prior year with increases from the segments totaling \$8 million. Operating income and margin would have been stronger if not for the rapid shift in freight and energy costs we experienced during the quarter, as well as higher corporate expense due to the change in stock price during the quarter and the resulting mark-to-market impact on stock-based compensation.

Recall that our guidance for the first quarter assumed \$2 million to \$3 million of higher energy and mining costs. We actually incurred about \$5 million of higher costs in the quarter. While we do hedge a large portion of the energy we consume at our plants, the increases we experienced in the quarter were mostly in the form of higher freight expenses due to the increase in fuel costs.

We expect to fully offset these higher input costs through pricing and other actions as we move through the year. However, we are anticipating a timing lag of up to 90 days in some cases based on contractual pricing arrangements. All in all, it was a good start to the year with solid growth above our initial expectations.

We are managing through some new cost challenges, and we are working diligently and quickly to overcome them, just as we've done in previous inflationary periods. Despite these higher costs, our earnings per share, excluding special items, grew 21% from last year, setting us up for a strong year in 2026.

Now let's turn to a review of our segments, beginning with Consumer & Specialties. First quarter sales in the Consumer & Specialties segment were \$297 million, up 11% from prior year. In Household and Personal Care, sales of \$142 million were up 16% year-over-year. Cat litter sales continued to build on the momentum we saw in the second half of last year. The new business we secured ramped up ahead of schedule in the first quarter, which helps drive cat litter sales up 19%.

Sales of bleaching earth for edible oil and renewable fuel purification remains on a solid growth track, up 14% from prior year, and commissioning is underway with our capacity expansion for this product line to serve our expanding order book. Our capacity investments are also progressing well for Animal Health and Fabric Care, which grew 9% and 13%, respectively in the first quarter, and we expect sales from these investments to ramp up beginning in the second half.

Sales in Specialty Additives grew 6% from prior year to \$154 million. Our volume to Paper and Packaging customers in Asia was up 21%, including the ramp-up of our newest satellites there. This growth was partly offset by slower sales into residential construction. We did see an improvement in residential construction volumes from the fourth quarter as expected. However, this end market remains soft compared to prior years.

Operating income for the segment increased by 8% from last year to \$33 million. Operating margin improved by 40 basis points sequentially, despite the rapid increases in freight and energy costs we saw in the first quarter, and we expect operating margin to continue to build

throughout the year as we work with our customers to pass through these incremental costs and as we gain leverage from our growth initiatives. Looking ahead to the second quarter, we expect segment sales to be similar sequentially and up 4% to 5% from prior year.

Sales in household and personal care are expected to remain strong, up mid- to high-single-digits from prior year, driven by continued growth in cat litter and bleaching earth for renewable fuel purification. We expect sales in Specialty Additives to be similar, both sequentially and year-over-year.

We expect a seasonal uptick in residential construction, albeit below last year's level, to offset seasonal maintenance outages for Paper and Packaging customers and a paper machine conversion from paper to brown packaging in North America.

Now let's turn to the Engineered Solutions segment. First quarter sales in the Engineered Solutions segment were \$250 million, up 12% from prior year. In our high-temperature technologies product line, sales of \$183 million were 8% higher on continued strength in the steel market in the US. And despite ongoing softness in the agricultural equipment and heavy truck markets, sales to global foundry customers were flat to prior year, supported by continued growth in Asia, where sales were up 9%.

Sales in our Environmental and Infrastructure product line were \$67 million, up 24% from prior year. We continue to see strong pull for our infrastructure drilling solutions with sales up 46% over prior year. Also contributing to the growth for this product line were stronger starts for large-scale project activity and offshore water treatment relative to last year. Overall, the segment delivered another solid operating performance.

Operating income increased by 14% versus prior year to \$39 million, representing 15.7% of sales. Sequentially, margin for the segment was impacted by fewer equipment sales and seasonally higher mining costs, as we expected, in addition to the higher freight costs. Looking ahead to the second quarter, we're expecting sales for the segment to increase by high-single-digits, both sequentially and year-over-year.

In High-Temperature Technologies, we're expecting a sales increase following the Lunar New Year holiday outages in Asia in the first quarter, and demand from steel customers in North America is expected to remain strong. Sales in environmental and infrastructure are expected to increase by around 20% sequentially as we enter the seasonally stronger period for large-scale project activity. And this would equate to around a 10% growth over last year for this product line.

Now let me turn to a summary of our balance sheet and cash flow highlights. Our first quarter cash flow improved significantly versus the prior year. First quarter cash from operations was \$32 million, up \$37 million from prior year. The first quarter is typically our lowest cash flow quarter, and as usual, we expect free cash flow to build as we move through the year.

Capital expenditures in the first quarter were \$23 million, an increase of \$5 million from prior year as we continue to make investments to support our growth initiatives and our operations. We continue to expect full-year capital expenditure in the \$90 million to \$100 million range with the potential for slightly higher spending depending on the pace of certain investments.

Free cash flow also improved significantly over last year, and we continue to expect to finish the year with free cash flow in the 6% to 7% of sales range. The balance sheet remains strong with our net leverage ratio at 1.7x EBITDA.

Now I'll summarize our outlook for the second quarter. Overall, we expect second quarter sales to be approximately \$560 million, up around 6% from prior year, driven by growth in both segments. In Consumer & Specialties, our guidance reflects growth from our new cat litter business that began in the first quarter, as well as the ramp-up of our expansion for edible oil and renewable fuel purification. Overall, for the segment, we expect 4% to 5% sales growth over last year despite residential construction markets remaining soft.

In Engineered Solutions, we expect continued growth in North America refractories, Asia foundry, and improved environmental and infrastructure project activity. Overall, for the segment, we expect year-over-year growth of around 7% to 8%. Altogether, we expect operating income for the quarter of approximately \$80 million and earnings per share of between \$1.60 and \$1.65.

I want to highlight that our outlook for the second quarter includes \$12 million of higher inflationary costs on a year-over-year basis. This is up from the \$5 million we experienced in the first quarter. Given the rapid pace of these cost increases and the contractual pricing lag for certain customers, we are expecting around a \$3 million temporary impact on our operating income in the second quarter, and this is included in our guidance.

However, even with the new cost challenges we've been navigating in the first half, we're still expecting 2026 to be a strong year for us. As Doug mentioned, we're well on track for mid-single-digit growth in sales this year. We could certainly exceed this mid-single-digit growth level if our end markets remain relatively constructive, but we feel this is a balanced and appropriately cautious outlook for the year given the current macro uncertainty.

And based on our current outlook for energy costs, pricing, and end market dynamics, we're currently tracking to about a 14% operating margin for the full year. This means we're expecting margins to improve by more than 100 basis points from the first half to the second half, approaching our 15% run rate target in the second half, driven by our pricing actions and volume leverage from our growth initiatives. Of course, should energy costs moderate this year, our margin could move higher.

Before we turn to questions, I'd like to highlight that we're hosting an Investor Day on September 22 at our R&D facility in Bethlehem, Pennsylvania. The event will include a webcast program updating investors on our five-year targets, as well as an in-person R&D walk-through showcasing some of the technical and innovation capabilities that are driving our growth today and into the future. We'll be sending invitations in the coming weeks. And we look forward to seeing many of you there.

With that, I'll turn the call over for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Daniel Moore, CJS Securities.

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### Daniel Moore - CJS Securities Inc - Analyst

Appreciate all the color. Congrats on obviously a nice quarter. Impressive momentum from a top-line perspective. I think if we backed out FX and some of the extra days, 6%-plus. So well ahead of the mid-single-digits or at least tracking well. How much of that growth was price versus volume?

And I know you have a lot of different end markets, but how would you describe your growth relative to overall end market growth? Just trying to tease out the impact of some of those strategic investments and initiatives that you've been making?

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

Yeah, thanks, Dan. Thanks for the question. So pricing was relatively minimal in the first quarter. We expect that to be a little higher as we move forward as we've obviously had to implement some price increases to cover the higher cost, but around 1% pricing in the first quarter versus last year. And yeah, as far as the growth, I think when we gave the guidance at the beginning of the quarter, we expected a bit of a ramp-up as we moved through the quarter, but we had pretty broad-based improvement in the pace of sales into March.

I talked about the new cat litter business that we have coming in a little early. I think we're certainly outpacing the market growth as it pertains to the cat litter market with the new business that we've secured here in North America. These are new items that we're launching with retail partners, new stores that we're in, so certainly outpacing market growth there.

And the other sort of highlight was in the environmental and infrastructure product line. It's been great to see that product line show a few consecutive quarters of growth after a pretty long period of stagnant or subdued market for the product line.

So as we mentioned in the prepared remarks, things like infrastructure drilling, the environmental lining systems, just getting stronger pull and we're starting to see early signs of a pretty positive market for that product line.

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**Daniel Moore** - *CJS Securities Inc - Analyst*

Really helpful and actually just kind of stole the answer to my second question because certainly enviro and infrastructure has clearly turned the corner or appears to be turning it. I guess, just talk about your visibility, project-based work. So what are you seeing in terms of RFQs and opportunities looking beyond the next quarter or two in that business?

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

Yeah, Dan, let me hand that one over to Brett Argirakis, who'll give us some color on the lining market.

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

Hey, Dan, thanks for the question. Yes, as Erik said, really in the last four quarters, it showed a little bit of improvement and this quarter it was a pleasant outcome. Overall, the growth drivers in the first quarter were primarily a result of increased activity in the mining sector in both North America and Europe. The sector actually has shown global improvement versus last year and really is pointing to continued improvement in the second quarter and into the third.

We're also seeing North American municipal landfill projects improving and it's providing us additional opportunities. We are getting more RFQs, as you pointed out, and so we are feeling pretty good about the rest of this quarter into the third.

So our pipeline really has increased, and we've been specified into several projects for this year in both our North America and European production schedules are pretty healthy really into the third quarter. So we feel pretty good about the next couple of quarters.

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**Daniel Moore** - *CJS Securities Inc - Analyst*

Very good. I guess last for me, I can jump back in queue with follow-ups. But you're demonstrating, certainly, not just this year, but in the last couple of years, more speed and agility in terms of pricing reacting to the spike in energy and other input costs. Obviously, it's a little bit of a lag, so we saw some margin compression. I'm just wondering how much of the year-over-year margin contraction was kind of lags in energy input costs versus mix or any other factors?

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

Yeah. So, Dan, in the first quarter, in terms of the price cost lag, it was probably about a \$2 million impact for us on margins, mostly freight. And that picked up really in March, obviously. The other thing kind of weighing on our margins in the first quarter that I alluded to was the higher corporate cost, but that was \$2 million to \$3 million higher depending on the comparison period that you're using, and that was really just based on the change in the stock price during the quarter.

It's a mark-to-market impact on stock-based compensation. So if not for those kind of two items, the freight cost increases and the corporate costs, operating income would have been well over \$70 million. We probably would have been above last year's margin. So yes, we have some we've got to pass through the higher cost in pricing. We've got the surcharges in place. We've got pricing actions implemented. We do just have some contractual limitations that result in a lag of up to 90 days in some cases before we can pass that through.

So about a \$2 million impact from the inflationary point in the first quarter, probably about a \$3 million impact in the second quarter just because of the full load of higher freight costs and then that should taper down in the third certainly, probably closer to \$1 million in the third and then catching up in the third quarter.

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

Yeah, Dan, the only thing I'll add is that, yes, we've gotten more agile with this. But at the same time -- look, we price our products on value, not cost, right. But there are times where like, this and some unprecedented times, and if you remember in 2022, we were able to pass through over \$200 million of inflationary costs. So we do have that pricing power. We do work with our customers. We understand there's temporary fluctuations, but when we see something like this, we need to move.

And we use different methods. We use general regular pricing increases but also surcharges to make sure that we're only pricing for when these impacts happen. And so we move very quickly to put those in place. And as I mentioned in my remarks, we will make sure that we monitor the situation. If we need to take further action, we'll do that too.

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**Daniel Moore** - CJS Securities Inc - Analyst

That's helpful. And then I think you said, Erik, 14% kind of trending to 14% operating margin for the year. If we did level set or sort of circle those charges already probably closer to 15%. So if I have any follow-ups, I will circle back. Thank you very much for the color.

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**Operator**

Mike Harrison, Seaport Research Partners.

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**Mike Harrison** - Seaport Research Partners - Analyst

Congrats on a nice start to the year. I wanted to just clarify, you mentioned the 1% price mix. Can you break out what the FX contribution was that was part of that 11% growth? And did I hear you correctly that you had a number of extra days that contributed to the strong revenue number?

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

Yeah, that's right, Mike. So the FX impact was about 3% on a year-over-year basis. That's going to come down as we move through the year. It's just based on where the dollar/euro basically was this year versus last year, and that sort of levels out as we move through the year. So on a full-year basis, probably looking at where currency rates stand today, probably looking at more of a 1% to 2% FX impact, but for the first quarter, it was about a 3% impact.

And yes, so we did have a couple of extra days in the quarter just based on how our fiscal quarter fell. The extra days went into the Easter holiday. So we estimate that the extra days contributed to about 2% to 3% of the growth on a year-over-year basis.

**Mike Harrison** - *Seaport Research Partners - Analyst*

All right, very helpful. And then I just wanted to kind of revisit just the margin performance. Understand that there was some headwind related to the freight costs you mentioned, as well as the higher corporate expense. But I'm just a little bit surprised that with an 11% revenue growth number that we didn't see more leverage to the bottom line. So maybe just talk a little bit more about price mix or any other costs or efficiency issues that may have impacted your margins?

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

Yes. We started off the year. I'm going to hand this back over to Erik, but just to kind of chime in on your commentary of disappointed to not see it follow the bottom line. Look, we were set up for a great quarter. I think things were starting to trend north. We had new products coming in, margin contributions were right on target where we wanted.

Look higher stock price, the mark-to-market is something where it's going to happen, but we're set up for a good quarter. So yes, we do think that this will ultimately fall to the bottom line. But then when the energy prices hit, we had to take that on. You know we have some lag in pricing.

So that was unexpected in the corner. But we do think that as this moves through and as our pricing actions fall in, that margin is going to come back. So this is a temporary thing, Mike, but it really had to do with energy and freight. So Erik, do you want to -- I think we bridged this one.

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

I would just add maybe a couple of things from a mix perspective, Mike. We talked about residential construction being soft. So Q1 is a seasonally soft period for residential construction and the market is relatively soft. And I think we've mentioned before that those are relatively high contribution margin products. So that does generally have an unfavorable mix impact.

And I would also say that for the cost impacts that we are experiencing, probably two-thirds of that cost impact is impacting the Consumer & Specialties segment. And that's where we have some contractual limitations as well in terms of the timing of passing things through. And so we do expect those margins, in particular in that segment to improve as we move through the year.

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**Mike Harrison** - *Seaport Research Partners - Analyst*

All right. Thank you for that clarification. Then I just wanted to talk a little bit about this \$3 million price cost lag that you expect in Q2. Any thoughts on what could drive that to be better or worse in terms of things you can control and your ability to get higher pricing or find some improved procurement or things like that.

Obviously, if the war ended today, that would probably be favorable. But then the other piece of this question is, do we expect that \$3 million price cost lag to be neutral by the time we get to Q3 and then at a certain point, is your expectation that, that would turn favorable to earnings or margin contribution?

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

Go ahead, Erik.

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

Yes. So it's going to depend a lot on energy costs generally. And our energy spend isn't directly linked to oil prices but there's a correlation there into freight, some of the energy-linked raw material packaging that we buy, the energy spend that we have on the plant.

I would say, yes, we're planning to be caught up on that in the third quarter. We may have about \$1 million of lingering impact in the third quarter. But as we move through this as long as energy costs stabilize, we plan to more than offset and maintain our margins, at least. I think Doug mentioned the prior inflationary time period. I would say that between 2022 and 2024, we took on over \$200 million in costs. And over that same time frame, we also improved our margins.

And so I think we've shown historically that we can pass things through. I think we've gotten faster over time as an organization. We're seeing \$3 million in the second quarter that's going to come down to something closer to \$1 million in the third, assuming energy costs stay relatively close to where they are today.

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

Yes. I mean things that can improve it, Mike. Obviously, energy costs dropped rapidly and stay there for a while. I don't think we're projecting that right now. I think we're looking at this probably being through the year at higher energy costs. It's going to take a while given what's going on, I think, to have that happen. It could change. That could be one upside for us. But again, we're going to take care of our customers.

We're going to make sure that we price appropriately for the value we deliver and pass through some of these costs with them. So yes, there are some things that can improve upon that. But we're giving you our best projection in a volatile environment right now.

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**Mike Harrison** - Seaport Research Partners - Analyst

Right. And then last question I had is just on the Metalcasting and foundry business. I guess, first of all, it sounds like you continue to pick up additional market share with the custom green sand blended product in Asia. So that's great to hear. But I was just curious, you mentioned in North America, heavy truck, I think that's a headwind now, but I think the assumption or what the forecasts are saying is that because of some regulatory changes, heavy truck could pick up as we get into the second half.

And I'm just curious if your expectation is that North America foundry should see some improvement in the second half, either just based on heavy truck or because we're kind of getting into some easier comps here?

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

Yes. Heavy truck has been kind of a headwind for a while. So is the heavy ag off-highway ag business for a couple of years. So. And that has been, at least in heavy truck due to some pending regulation that I think we're getting some clarity on. I think the comments I put in were relatively stable markets in North America, but we are seeing potentially some -- the order book for heavy trucks starting to build.

And I think, as you said, that could be towards the second half of the year. So early signs that folks are going to move forward with buying these trucks, and that will certainly flow into kind of our heavy truck business. Ag, we have not seen that yet. That's the one area that still seems to be flat. So yes, we could see some improvement, and I think we might be starting to see the beginnings of that early this year, Mike.

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**Operator**

Pete Osterland, Truist Securities.

**Peter Osterland** - *Truist Securities - Analyst*

So just wanted to start on your recent growth investments. So you noted the \$100 million aggregate sales target is still on track. Are there any of these investments specifically where you're seeing more or less traction than you originally expected? And on a related note, just in terms of the cost impact, given what appears to be a more inflationary environment, I guess any incremental costs or delays that you're expecting with fully ramping your growth investments relative to what you originally expected?

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

No, we're not seeing that right now. I think let me characterize this. First, we are seeing a little bit of stronger pull or at least earlier pool in the pet litter business, the cat litter business. We brought those facilities online late last year, two in North America, one in China, which is still ramping up, but we started up last year and have begun to fill them up with this business that we projected to be about \$25 million-plus this year, and that actually started a little bit sooner than we had expected. So that's one positive area.

We do have more investments. These investments that are coming online associated with this growth. I mentioned the bleaching earth associated with the oil purification and sustainable aviation fuel, that's going to be coming online late in the second quarter. And that's supporting very strong demand we're seeing for that product. I mentioned year-over-year first quarter, that product grew 14%. We see that accelerating potentially going through the year.

We've already booked -- almost booked out that facility through the rest of the year, just given the strong demand. So that could accelerate. We have two paper and packaging satellites coming on late in the year. We've got Minscan, we've got FLUORO-SORB installations. So there's a lot building this year that you haven't yet seen. I'm also going to highlight that the markets I just mentioned to you are kind of what we're going to call, not immune, but a bit more durable to what's going on with energy.

As I mentioned, the cat litter is pulling, and the sustainable aviation fuel is not necessarily driven by cost, driven by regulation. And so as the regulations have changed, for the amount of sustainable aviation fuel, that's what's driving this demand, and we see that being very durable this year. Same with the Minscan installations, those are contracted. Those will be installed, and we'll start to see the pull in the revenue from those as they get installed. And the paper PCC satellites are contracted. And as they ramp up, we'll start to see the pull there.

So I don't see outside of that, there could be some market demand fluctuation. We're seeing the strength. Energy costs could change those markets a little bit this year. But the investments we've made, we see are being put into durable and growing markets that we think just alone, that's going to drive at least the mid-single digits growth. And as I mentioned, if these markets hold in like they are, could be better this year. I hope that helps.

**Peter Osterland** - *Truist Securities - Analyst*

Yes, very helpful. And you kind of touched on what my follow-up was going to be. So I guess just thinking about the disruptions in global energy prices and logistics related to the Middle East situation. Where within your core portfolio, do you see the greatest potential for derivative impacts on demand here?

I guess, where regionally or by end market is demand potentially most vulnerable for you? Are there any markets that could benefit? I guess what are the potential demand impacts that you're focused on right now if the situation has prolonged?

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

Yes. Look, I don't want to ignore the fact that higher energy prices may not have settled in fully to the global economy, and we'll have to see where they go and how long they are elevated. I think our concerns are most outside the United States in terms of Asia and Europe. We've been seeing some improvement in some of our European products and that could be an area.

I think in Asia, parts of Asia, I think most of our business, more of our businesses in China, I think that's a little bit more immune, but we could see some slower demand associated with higher energy costs that could dampen with the strength that we're currently seeing.

But that's what I'm saying, even if those kind of balance each other, I think the durability of the products and the growth investments we currently made are going to at least post on track for a floor of about mid-single digits, 5% growth this year.

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**Operator**

David Silver, Freedom Capital.

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**David Silver** - *Freedom Capital Markets - Analyst*

So I have a scatter of questions here. First one is just on pet litter, and I apologize, I probably just wished on it when you discussed it earlier. But the 19% growth. Would it be possible for you just to break that out by factor? In other words, I'm certain there's a currency benefit there, maybe but price. But I'm just wondering how much was organic volume growth and how much of that might have been related to the ramp-up in China?

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

Yes. Thanks, Dave. I mean I'm going to tell you, it was mostly volume. And we did have the favorable currency across the company of about 3% to 4%. But in terms of the vast majority of that 19% increase, it was mostly volume.

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**David Silver** - *Freedom Capital Markets - Analyst*

Okay. And then I did want to touch on the FLUORO-SORB comments you made in the opening remarks. And in particular, I wanted to hone in on the word implementation. So 10 implementations scheduled for the second half. Just a couple of questions.

When you say implementations, I mean how many of those are I guess, full commercial developments as opposed to maybe an important, I don't know, beta tests or sampling kind of thing? And then, you did mention last quarter that at least one of these newer projects was targeted for Europe. And I'm just wondering, in the 10 for the second half, how many might be outside the United States?

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

Yes. Let me start, and I'll pass it off to Brett. David, we probably have 250 -- now it's some sort of 350, Brett? 350 trials going on around the world. And so these 10 are full installations, right? I think we had 7 last year. We have 10 scheduled for this year. And as I mentioned, that could be higher. But Brett, want to give some color on kind of what the trial activity is like, where it's going on?

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

Sure. David, that's right. FLUORO-SORB is now operating in 10. These are full-scale municipal drinking water plants that are treating the PFAS impact water. And we continue to receive pilot requests in not only the US but EU, UK, Japan and now Hong Kong. So we are doing trialing activity now in all of those countries.

There's another 10 municipal systems that FLUORO-SORB has been specified for in for upcoming installations. Most of those are under construction now and expected later this year and into 2027. We're seeing a strong progression from early pilots in small ground water treatment plants to additional full-scale implementation.

So those smaller scales are now we anticipate them moving into large scale like the 10 we're doing now. But over the last six- to eight months, our request to pilot FLUORO-SORB in the large surface water facilities has doubled. That's signaling an expansion to us in more higher value segments. So this would be those like, the large project we did in the Eastern US that takes on a lot of FLUORO-SORB we're getting more of those requests.

So that's also positive. The other thing we're seeing is the in-situ remediation activity increasing. And we've secured several Department of War and aviation-related field pilots to demonstrate our PFAS absorption using our FLUORO-SORB. So some examples would be like on and off base drinking water treatment, in situ stabilization for contaminated groundwater plumes, storm water treatment, which is getting even more attention. There's a lot of activity there. And that's really due to the risk of PFAS migration into sensitive receptors.

So all in all, David, we're seeing continued interest. It feels like a slow progression, but we're moving very fast and it is global right now.

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**David Silver** - *Freedom Capital Markets - Analyst*

Okay. And I'm just going to follow up. But a couple of things. Just to clarify, so 10 implementations or I'll use installations in the second half of '26. And then, Brett, I believe you said there's another 10 that are -- the work is progressing maybe for first half of '27 or full year '27. Did I quote you correctly or?

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

Let me clarify. So yes, so there's 10 full-scale active. We anticipate 10 more that will go for the second half of the year, correct? And that some of those may trickle into early '27, but we continue to look for more. There could be more, as Doug pointed out in his comments.

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

Is that clear, David? So we have 10 installed thereabouts. We have 10 more coming this year. We expect that there will be more installations coming. We haven't announced those yet, but we expect that more installations will be coming in as this builds between '27 and '28, which is regulation will start to go in in '29. So yes, we're seeing that momentum.

We're seeing the trial activity. We're seeing the pool for trial activity. We're seeing extended trials, which means they're really working with the product. We've seen only positive results from those trials. And we're starting to see more and more conversions. So we expect this will continue as we get closer and accelerate as we get closer to the regulation deadlines.

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**David Silver** - *Freedom Capital Markets - Analyst*

And I hope you don't mind. I'm just going to follow up with one more. So out of the 10 installations, Brett, would you characterize them as using FLUORO-SORB alone, FLUORO-SORB in conjunction with granular activated carbon or just -- what is the standard? What seems to

be the approach that your customers are most interested in and when they want to incorporate FLUORO-SORB into, let's say, a drinking water project?

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

I would characterize them as some of both. I think we are seeing stand-alone FLUORO-SORB installations. We're seeing it used very effectively in conjunction with others. Could be on the front end or the back end of the other media, but we're seeing some of both, I would say. So, which I think is a good thing.

I think that allows the broad-based use of utility that's currently using a certain media to be able to add FLUORO-SORB. So that opens -- it says that all uses are being valuable. And it really depends on the utility, their type of system, and the PFAS that they have in the drinking water. So it's some of both, David. That's how we're characterized for you.

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**David Silver** - *Freedom Capital Markets - Analyst*

Okay. I'd like to swing over to PCC satellite activity. And in particular, you did discuss the three ramp-ups that are underway and adding to results. But I was wondering if DJ or whoever might be able to just characterize the next wave of projects that you might be bidding on? In other words, maybe the quantity relative to -- is it higher or in line with kind of typical like bidding activity or bidding opportunities?

And then more to the point, are we kind of at a phase in that business where there's kind of a shift maybe more than 50% of the opportunities relate to packaging as opposed to uncoated free sheet? Just what is the status of kind of the new project or the potential project funnel for PCC satellites?

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**Daniel Monagle** - *Minerals Technologies Inc - Group President - Consumer & Specialties*

David, I'll field that one. Thanks for the question. So let's -- just on clarifying those investments that are part of that \$100 million deliverable that we were speaking about to which we spoke earlier. There were four of those are paper and packaging investments. And I think the mixture of those informs how this portfolio is currently looking. So if I look at those four, two of them were packaging, two of them are printing and writing, and the mix of technologies. One was standard PCC, one GCC, and a couple of new yield.

And so as I've spoken in the past about the pipeline, I think I've been saying it's just under two dozen active pursuits and even though we've closed on these four deals, I look at the pipeline today, and it's another two dozen opportunities that we're working on.

So the pipeline remains flush full. The interest remains high. But now what we're seeing is a shift in -- you had said 50% packaging. I would say the number has been in the past 10%-plus, and now it's been migrating more towards 25%, 30% is packaging, and that's kind of holding steady. But what we're seeing in the mix of technologies, I would say 50% or so are in standard PCC and then the other 50% is new yield in GCC. And so that's the mix that's been happening for us.

The other shift that we saw is that all these new investments have been Asia, India and China. We are seeing a fair amount of pull from around the world on this. So a little bit of Europe, a little bit of America, and different parts of Southeast Asia in addition to the traditional pull from India and China. So that's how I would describe the portfolio.

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**Operator**

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

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

Well, I appreciate everyone joining today. Thank you for the questions. We look forward to chatting with you in three months. So thanks for attending.

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**Operator**

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

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