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MTX.N - Q4 2020 Minerals Technologies Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 05, 2021 / 4:00PM GMT

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PRESENTATION

Operator

Good day, everyone, and welcome to the Fourth Quarter 2020 Minerals Technologies Earnings Call. Today's call is being recorded.

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

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

Thank you, Sierra. Good morning, everyone, and welcome to our fourth quarter 2020 earnings conference call. Today's call will be led by Chief Executive Officer, Doug Dietrich; and Chief Financial Officer, Matt Garth. Following Doug and Matt's prepared remarks, we will open it up to questions.

I'd like to remind you that beginning on Page 14 of our 2019 10-K, we list the various risk factors and conditions that may affect our future results. And I'll also point out the safe harbor disclaimer on this slide. Statements related to future performance by members of our team are subject to these limitations, cautionary remarks and conditions.

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

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

Thanks, Erik, and good morning, everyone. I appreciate you taking the time to join our call, and I hope you're all staying safe and healthy.

I'll start by providing my perspective on what we achieved in 2020 from a strategic and operational standpoint and the various dynamics we successfully managed through. I'll then discuss some of the highlights of our performance in the fourth quarter. Matt will provide a more detailed look at our financial results, and I'll conclude the prepared remarks with insight into how we see 2021 shaping up, touching on our key priorities, growth initiatives and market trends.

As you saw from the release last night, we finished 2020 with a strong fourth quarter. Before I go through the quarter, however, I want to take some time to provide my perspective on the full year, which will put this quarter into context.

To characterize the year, managing through this pandemic has challenged us on every front, and I'm very proud of all of our employees for their unwavering commitment, agility and execution focus, all key qualities that define our culture and our company.

Our performance reflected the strength of our diverse mix of businesses and high-value product portfolio, which enabled us to expand our positions with existing customers and capture opportunities with new ones. Proactive operational measures to reduce costs and increased pricing led to an improved margin profile.

In addition, we successfully implemented virtual tools, evolved our processes to help improve efficiency, connectivity with our employees and customers.

Protecting the health and safety of our employees is one of our core values. Since the onset of the pandemic, we put in place a robust series of protocols to protect our employees while ensuring the safe and efficient operations of our facilities.

While implementing these new work practices, our employees stayed focused on improving our safety performance, which resulting in 2020 having the lowest recordable injury rate in MTI's history, a testament to the strength of our people, capabilities and processes that we were able to swiftly adapt, retool and embrace the change and drive our safety culture forward.

Now let me take you through how the year unfolded from an operational and commercial perspective. Agility is the word that comes to mind, as we managed through significant demand changes in our end markets on certain customer order patterns and production curtailments. The global pandemic, which continues to affect demand in our industrial end markets, had the most notable impact in the second and third quarters.

During this time, we focused on making several operational adjustments at our plants, including maintenance activities and manufacturing process improvements. And when markets recovered in the last 4 months of the year, we were well positioned to take advantage of the higher volumes.

Our consumer-oriented businesses in both Performance Materials and Specialty Minerals remained consistently strong throughout 2020. Much of this performance was driven by our global Pet care Business, which grew by 7%, but also through solid increases in Personal Care, edible oil purification and other food and pharmaceutical applications.

After experiencing large volume drops in our minerals business in the second quarter, many of our end markets including automotive, residential construction and steel steadily improved throughout the back half of the year. In contrast, some of our other end markets such as paper and large environmental and building projects are still recovering.

While the demand environment was volatile this past year, our team's disciplined execution and aggressive cost control put our company in a good position to leverage improving sales into income.

These efforts resulted in higher overall operating and EBITDA margins compared to 2019. We've taken measures to enhance our operational efficiency including variable cost adjustments and structural overhead savings as well as through continued pricing increases, productivity improvements and higher sales of new products.

Generating sustained cash flow and creating flexibility around our capital structure have been top priorities. During 2020, we delivered strong free cash flow of $175 million, slightly higher than last year. We used the cash generated to reduce net debt by $122 million and returned $48 million to our shareholders through share repurchases and dividend.

We speak often about our culture of continuous improvement, but I wanted to describe how this deeply ingrained operating model is a key reason why we quickly adapted to a dynamic environment to deliver these results. People and their engagement in the company are what drive this mindset and is the unique recipe for MTI to be agile.

We conducted 8,600 problem-solving kaizen events and received nearly 65,000 suggestions from our employees throughout 2020, keeping at a similar pace to last year. To put this in context, each day, on average, nearly 24 kaizen events are being held and we're receiving 178 suggestions from our employees across MTI on how to improve our daily processes. This is a significant level of involvement in our continuous improvement culture, especially as many of these activities occurred virtually this past year.

There are countless examples of how we've transformed our processes and capabilities to drive efficiencies, improve collaboration and further demonstrate our value proposition to our customers in a virtual existence. We successfully implemented tools that allow us to remotely commission a new PCC satellite or that can support trialing and commercializing new products and applications. We can now perform specialized maintenance assessments remotely without our engineers having to be physically present at the plant. And we've developed a webinar series that allows our technical teams to virtually engage with a broader group of customers and more quickly provide them with our value-added solutions.

These tools are becoming a significant competitive advantage to our company and will remain a permanent part of how we work in the future.

We also advanced our strategic growth initiatives during the year. We remain the leader in greensand bond systems for the global foundry market. There are significant opportunities to leverage our deep technical expertise and value proposition with customers in large foundry markets such as China and India. This year, we both expanded our customer base and further extended our penetration into China as sales of our pre-blended products increased by 17%.

We're the world's largest PCC producer with the most advanced portfolio of technologies, including high-filler, consumer packaging and paper waste recycling. Our objective is to increase PCC volumes globally through base filler contracts in under-penetrated regions by capitalizing on growing opportunities in adjacent markets where we can deploy these latest solutions. In 2020, we commissioned 3 new satellites, which total over 200,000 tons of new capacity. And our growth continued on a strong track in China where PCC sales increased by 13% over last year.

We've invested in strengthening our capabilities, resources and new technologies for our consumer-oriented products, which is delivering results as these more resilient products comprise 25% of our total portfolio. While our pet care business has contributed to much of this strength as we grow our global portfolio of premium products and enter new channels such as e-commerce, we are also growing other specialty applications, including edible oil purification, Personal Care and Fabric Care.

Our new product development efforts progressed well in 2020 as we continued to accelerate the pace of commercialization and drive new revenue prospects. We commercialized 44 value-added products and incorporated sustainability indicators as part of the new product development process to ensure we are meeting both our own environmental goals as well as our customers.

The last pillar of our growth strategy is M&A where we maintain an active pipeline of potential mine-to-market opportunities. We made a small acquisition of a hauling and mining company, which further strengthened our vertically integrated position at our bentonite mines in Wyoming. And we pursued an acquisition of Elementis, who we feel is a strong strategic fit with our company. Through this process, we demonstrated our commitment to remaining disciplined in our approach to deploying capital for inorganic opportunities.

The results we achieved in 2020 under challenging conditions underscore the power of our operating culture, the resilience of our global market-leading positions and the strength of our financial foundation. We finished with momentum across many of our businesses, and we are exiting 2020 in a stronger position than when we entered it.

With that backdrop, let me go through the takeaways for the fourth quarter. As discussed on our last call, we expected that demand trends in many of our major end markets would continue to strengthen through the final months of the year, and that's largely how things played out, with some of the markets we serve, especially transportation and industrial, improving more than we expected. These dynamics helped drive sales of $432 million, an 11% sequential improvement.

Financially, we generated $61 million of operating income and earnings per share of $1.08, both sequential and year-over-year improvements. Despite the lower year-over-year sales, overall operating margin improved 90 basis points sequentially and 220 basis points compared to last year. In addition, our EBITDA margin was up 170 basis points.

Cash flows remained robust through the fourth quarter, capping off a strong cash flow year. Operating cash flow for the quarter was $92 million, up 16% compared to last year. Free cash flow was $72 million, up 8%. We made progress to lower our debt levels by paying down $80 million. We also returned $17 million to shareholders through dividends and repurchases.

I'll take a moment to briefly highlight the progress we made with our growth initiatives in the quarter. Our Metalcasting business performed well. We saw strong demand from North American foundries, and our growth momentum in China accelerated with sales increasing by 29% over last year. Demand for our portfolio of consumer products remained strong, and sales in our household, personal care and specialty product line were up 6% over last year.

Our Ground Calcium Carbonate and Talc businesses had a solid quarter, supported by significantly improved demand for our applications that go into the automotive and residential construction markets.

On the PCC front, we ramped up production at our new facility in India. Our 150,000-ton satellite in China came online at the end of the quarter. And we resumed production at our satellite in Wickliffe, Kentucky. Specialty PCC -- in Specialty PCC, sales were up 23% over last year as our new capacity expansions supported the increased demand for our latest sealant products.

In Refractories, we signed 3 additional 5-year contracts, building on the 2 contracts from last quarter, to supply our refractory and metallurgical wire products in the U.S. Contracts combined represent $14 million of incremental revenue on an annualized basis. I shared some of these specific highlights as they help round out a solid operational, financial and strategic quarter for MTI and lay the foundation for growth in 2021.

With that, I'll turn it over to Matt to walk you through our financial results in more detail. Matt?

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

Thanks, Doug. I will review our financial results, the performance of our 4 segments as well as our outlook for the first quarter. I'll then turn it back over to Doug for additional perspective on the year ahead.

And now let's review the fourth quarter results. Sales in the fourth quarter were 11% higher sequentially and 2% below the prior year. Gross margin, operating margin and EBITDA margin improved versus the prior year as our actions on pricing, productivity and cost control have resulted in higher levels of profitability. Our effective tax rate for the quarter was 18.6% versus 17.6% in the prior year and 19.8% in the third quarter. And we expect our effective tax rate to be approximately 20% going forward.

Earnings per share, excluding special items, was $1.08, and reported earnings was $0.91 per share. Special charges included acquisition-related expenses, costs associated with the cybersecurity incident and a noncash pension settlement charge.

Now moving to the bridges on the right side of this slide. You can see that lower volume had a $12 million impact on sales versus the prior year, which was partially offset by favorable pricing. Operating income was $8 million higher than the prior year, as the impact from lower volume was entirely offset by pricing and cost actions as well as the favorable mix of earnings. Operating margin improved by 220 basis points versus the prior year.

And now let's turn to the full year highlights. Full year sales were 11% lower than 2019. We experienced the most profound impacts of the COVID-19 pandemic on our end markets in the second and third quarters of 2020. Demand improved gradually across several end markets in the third quarter and accelerated in the fourth quarter.

Despite the challenging market environment, we improved our margins versus the prior year through the actions we took on pricing and cost over the last 18 months and the efficiencies we realized in 2020, including reducing SG&A by $13 million or 6% versus 2019. Earnings per share, excluding special items, was $3.99, and reported earnings was $3.29 per share.

The sales bridge on the top right of this slide shows that we faced nearly $200 million of top line impact from lower volume in 2020, which translated to a $51 million operating income impact. We offset more than half of this impact through favorable pricing and cost actions, and operating margin improved by 30 basis points versus the prior year. The company is positioned very well for profitable growth and further margin improvement as volumes returned with continued end market recovery.

And now let's review the segments in more detail, starting with Performance Materials. Fourth quarter sales for Performance Materials were slightly above the prior year and 6% higher sequentially. Metalcasting sales grew 6% versus the prior year and 17% sequentially as foundry production improved in North America and demand remained strong in China. Household, Personal Care & Specialty Products sales were also strong, up 6% versus the prior year on continued strong demand for consumer-oriented products.

Pet Care, Personal Care and edible oil purification all realized double-digit year-over-year growth in the quarter. Environmental Products and Building Materials experienced typical seasonal volume reductions in the fourth quarter as well as continued delays for new commercial construction projects, which resulted in lower sales sequentially and versus the prior year.

Operating income for the segment was $30.3 million, up 31% versus the prior year. Operating margin was 15% of sales versus 14.8% in the third quarter and 11.5% in the prior year. Continued pricing actions, variable cost control and expense reductions resulted in significant margin expansion for the segment. And we expect continued strength for most product lines in this segment through the first quarter. We expect some leveling off from the acceleration in demand that we saw in the fourth quarter. And we also expect the project-oriented businesses to remain at lower levels in the first quarter. So overall, we expect first quarter sales to be similar to the fourth quarter.

And now let's move to Specialty Minerals. Specialty Minerals sales were $138.9 million in the fourth quarter, 2% below the prior year and 11% higher sequentially. Paper PCC sales increased 12% sequentially as paper mill operating rates gradually improved and we ramped up a new satellite in India. We also restarted our satellite in Wickliffe, Kentucky. And we brought online our 150,000-ton satellite in China, the company's largest PCC satellite to date.

Specialty PCC sales were strong, up 23% versus the prior year and up 13% sequentially on robust demand from consumer-oriented markets, residential construction and automotive end markets. Processed Minerals sales increased 10% versus the prior year and 8% sequentially on strong residential construction and automotive demand.

Operating income excluding special items was $21.9 million, up 13% versus the prior year despite the lower sales. Operating margin was 15.8% of sales compared to 14.3% in the third quarter and 13.7% in the prior year. And looking ahead, we expect continued strength in Specialty PCC and Processed Minerals and sequential growth in Paper PCC as our new satellites ramp up. And overall, for the segment, we expect first quarter sales to be modestly higher sequentially.

Now let's review the Refractories segment. Refractories segment sales were $73.9 million in the fourth quarter, up 1% versus the prior year and 25% higher sequentially, as steel mill utilization rates continued to gradually improve in North America and Europe. Operating income increased 7% versus the prior year and 52% sequentially to $11.1 million and represented 15% of sales compared with 12.3% in the third quarter and 14.2% in the prior year.

Steel utilization rates are currently hovering around 75% in North America and 70% in Europe, up from a low point of around 50% in the second quarter of 2020. Further improvement in steel mill utilization will depend upon the strength of demand from construction, automotive and infrastructure end markets going forward.

Now at this point, we expect the first quarter to be similar to the fourth quarter from a market perspective, although note that our laser equipment sales are typically weighted more heavily toward the second half of the year.

Now let's move to Energy Services. The Energy Services business continued to experience customer project delays in the fourth quarter. Sales were $16.8 million, and operating income was $600,000. Activity increased sequentially in the deepwater basins where we operate, however, it remains below prior year levels. Now looking to the first quarter, we expect similar levels of activity to the fourth quarter.

Now let's move to our cash flow and liquidity highlights. Fourth quarter cash from operations was $92 million versus $80 million in the prior year, and free cash flow was $72 million versus $67 million in the prior year. We deployed $20 million of capital during the quarter to grow the business, to develop our mines and improve our operations. We paid $80 million of term loan debt in the fourth quarter, bringing our net debt to $562 million and our net leverage ratio to 1.8x EBITDA. We also repurchased $15 million of shares in the fourth quarter, bringing the 2020 total to $41 million.

Despite the end market challenges we experienced in 2020, we generated higher cash flow than the prior year, increased liquidity by $229 million and reduced net debt by $122 million, all of which has further strengthened the company's balance sheet. This balance sheet strength provides us with significant flexibility for how we deploy capital to the most attractive opportunities.

Now let me summarize our outlook for the first quarter. We expect similar market conditions in the first quarter to what we experienced in the fourth quarter. I'd like to note that we experienced relatively favorable operating conditions in the fourth quarter. We typically experience higher mining and energy costs while operating in the colder months, which could lead to temporarily higher costs in the first quarter.

In Performance Materials, we expect continued strength in consumer-oriented markets, with some leveling off from the acceleration we saw in the fourth quarter. And we also expect continued strength in Metalcasting. In Specialty Minerals, our Paper PCC business is positioned for growth, with 150,000 tons of capacity ramping up in China. We expect continued solid demand for Specialty PCC and Processed Minerals, driven by residential construction and consumer-oriented products.

In our services businesses, we expect stable Refractories demand to be partially offset by fewer laser equipment sales in the first quarter, and we expect demand for our deepwater filtration and well testing services to remain at similar levels, and we expect to see activity increasing in the second quarter. Overall, we expect first quarter sales at around the same level as the fourth quarter.

With that, let me turn it back over to Doug to provide some perspective on the year ahead. Doug?

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

Thanks, Matt. We'll now provide some perspective on our markets and touch on some high-level operational and strategic themes for the year.

As we look ahead, this will be another dynamic year. And with the momentum across many of our businesses, 2021 is shaping up to be a solid year for MTI. We expect our consumer-oriented businesses to maintain their strength from last year and continue their solid growth trajectory. Our Metalcasting, Specialty PCC, Ground Calcium Carbonate and Talc businesses primarily serve transportation and residential construction sectors are recovering nicely, and in some cases, exceeding pre-COVID demand levels.

The Refractories business is benefiting from gradually improving steel utilization rates, and current indications point to continued strength in steel end markets. In our paper business, base demand in North America and Europe should improve during the year, and Asia will remain on its strong track. We'll also see a full year of volume growth from the new satellites that started up in late 2020. And we have 2 additional satellites totaling approximately 70,000 tons that will come online in the middle of this year.

Finally, it will be a slower start to the year for our Energy Services, Building Materials and Environmental Products businesses, but we anticipate project activity picking up in the second quarter. Across the portfolio, we have a number of attractive projects in hand that will accrue to volume growth in 2021. We'll be focused on accelerating our geographic expansion in our core product lines.

New product development remains a key priority for us. We've made significant progress to improve the speed of execution, increase the number of products we commercialize and enhance the impact of our latest solutions. Over the past 5 years, we've cut the time from development to market in half and, at the same time, increased our sales from new products by more than 50%. These metrics should continue to strengthen in 2021.

Some notable technologies to highlight include water remediation solutions to address PFAS, PCC for packaging and tissue applications, advanced formulations for edible oil purification and our 100% carbon-neutral head care product. Many of these new products are helping us penetrate more consumer-oriented applications and adjacencies with customers.

Our solid financial footing, we have the resources to execute on the initiatives I just mentioned. In addition, our strong balance sheet, with debt at targeted levels, gives us the flexibility to also deploy capital to shareholders through dividends and share repurchases as well as toward acquisitions. Continuous improvement at the core of how we operate, we will develop new innovative ways to adapt and enhance our virtual tools to drive more value by improving our connections with customers, speed with which we solve problems and further enabling internal collaboration.

Lastly, sustainability and ESG leadership has been a focus of ours for a long time. Over the past several years, we've taken meaningful steps to embrace these activities -- I'm sorry, embed these activities deeper into our company. A few items to highlight: we're on track to meet or exceed our environmental reduction targets in 6 focus areas. More than half of our new product pipeline is now geared towards sustainable solutions. We'll continue to advance and strengthen our broad range of ESG initiatives this year and look forward to publishing our 13th annual report in July.

In closing, I want to thank our global team. Our company's strengths have been showcased during these times of adversity. I'm proud how we've responded with agility and perseverance. Heading into 2021, our team is engaged, focused on operating safely and efficiently and aligned behind our culture. With positive momentum that we generated at the end of last year, we're well positioned to execute on the attractive opportunities in front of us.

With that, let's open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We'll take the first question from Daniel Moore with CJS Securities.

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

I wanted to start with a little bit of a crystal ball on maybe some of the -- a couple of the businesses that are still being impacted. And if we look specifically at Performance Materials, Environmental and Building Materials, still at a pretty low base, $110 million, $115 million combined revenue or so in 2020. If we look out 2 to 3 years, not looking for the cadence of recovery, but where do you see those businesses getting back to in a sort of post-COVID world? And what kind of incrementals should we be thinking about?

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

Yes, I'm not going to go that far out, Dan. But I think they'll get back to where they were for sure. A couple of things to consider. There's a mix of influences here, and I'll pass it over to Jon Hastings to give a little more color. There are still some acute kind of impacts from COVID and sites being closed and limited activity going on at current kind of waterproofing sites around the world. That's primarily in Europe at the moment, at the same time, like in our building products.

Same thing with Environmental Products in big landfill remediations and some of our higher-end Resistex-type industrial landfill, complex landfill environment, same thing is happening. In Energy Services, we still have a solid pipeline this year of projects. We've had a couple of them demobilized in December due to COVID outbreaks. Being rescheduled, we'd look probably toward the beginning of the second quarter. So things are still shifting around for some of those COVID-related issues.

The challenge is, some of that is -- we're not in the building envelope above ground. We're in the below ground, so when you're digging new holes and waterproofing new holes. And we still have a solid pipeline of those projects, but they haven't broken ground yet. We expect them to. We're also in our kind of slow period in the winter for these businesses and building construction starts to ramp up in the second. We see that rate that we are at in 2019 coming back this year, but it's going to be that rate more in the second and third quarter. And I guess, I gave a little bit more detail. Jon, do you have anything to add to that, at least in environmental and building?

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

This is Jon. Thanks, Doug. Yes. A couple of things just to highlight. As Doug said, COVID certainly threw a curveball at us. It induced a lot of delays, delays with manpower, delays in funding a new project. Think about environmental with all the landfills, it's dependent on municipal budgets. We are starting to see that change. We're getting an increasing number of submittals and project proposals. So we're looking at Q2, Q3 as to ramping back up. And this is one of the last sectors within Performance Materials to recover from the COVID-induced downturn.

Keep in mind, like Doug said, with building, we're in more than just the big building projects that you see with office buildings and office complexes. We're also in infrastructure. So we are involved in tunneling projects, metro stations, other types of business. And it's all of that together that we're watching, and we see the uptick.

So yes, we've had some challenges over the past couple of quarters, but we're not straying from our long-term strategy. Environmental, we've got products that really do a really good job of preventing groundwater contamination from hazardous waste. And we also have great waterproofing new technologies. We're recognized as the world leader. We are efficient in manufacturing them and distribute them to the projects when they do go. We've got a healthy pipeline. And so we think this will continue to rebound as we go into the Q2 and Q3. Hope that helps.

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

No doubt, no doubt. Yes, just kind of thinking about it from a longer-term perspective. Shifting gears, Metalcasting returned to nice growth and clearly seeing -- you've got some easy comps coming up. From sort of Q4 revenue as a base, how incremental revenue is still ahead in terms of recovery? And then how do you see the -- beyond that longer-term growth expectations once we've fully recovered? And just kind of remind us of the ramp and the opportunity that's ahead of you in China in particular.

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

Yes. I think there's a couple of things. Let's start with North America, and I think we're seeing some demand shift. I'll tell you, we've been keeping really close tabs on our order books in North America, and we're seeing strong demand. And from indications that we have from our customers, their pipelines and back orders, their pipelines are thin and they've got long list of back orders. And so we see that continued strong pull certainly out through the first half of this year at a minimum. So North America is looking very strong across all automotive, truck and industrial casting applications.

We noted that in China, we grew almost 30% just in the fourth quarter, and that is driven by -- and on top of that, the year, we increased our blended products by 17% over last year. That's coming from a couple of places. That's coming from not only just strong demand -- base demand for auto build rates, heavy truck and industrial applications in China, also coming from new customers. And so we're starting to expand that addressable market to a broader base and moving the kind of core base into that blended system.

So the strategy we've had in place for the past decade is continuing, and it's going to continue to accelerate. I'll also note that the difference between -- I keep reminding the difference between the penetration rate of a blended product in North America, which is 90%, 90-plus percent of the foundries use a blended product, that's still only around 25% maybe in China. And so that market 4x bigger than the United States. And with the underpenetrated customers that don't use the blended product, whether ours or another's, there's a long way to go. And that -- we see that continue at that rate, maybe not 30% every quarter, but we've averaged 10% to 12% every year for the past 5 years. And that could accelerate a little bit, but we see that continuing for sure through 2020, if not a little faster.

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

Very helpful. Okay. Maybe one more and shifting back to the more near term. What was overall revenue growth in January? It was relatively flat in line with your guide. And then just trying to -- making sure I triangulate the commentary, for fiscal Q1, we're thinking revenue relatively flat sequentially with maybe slightly lower adjusted EBIT margins, given some of those input costs. Is that the right way to think about it?

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

Yes, Dan, that's what the guidance would tell you, looking very much similar to the fourth quarter overall from a sales perspective. And we did note a few of those cost items that we called out on the -- really the mining cost on a quarter-over-quarter basis, given the cold weather factors that may take place.

Operator

(Operator Instructions) We'll take the next question from Stephen O'Hara with Sidoti.

Stephen Michael O'Hara - *Sidoti & Company, LLC - Research Analyst*

Just looking at the margins, maybe following up on the last question. I mean pretty, I would say, very solid performance in the fourth quarter, kind of given the pandemic, et cetera. I mean -- and I know you noted cost increases in some areas. But I mean, was there anything in there that you don't feel sustainable in terms of margin performance where you think you've got a benefit, either maybe a competitor wasn't operating or something like that kind of due to the pandemic? Or are these increases, other than what you noted so far, kind of building back towards where you want to be?

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

No, there's nothing to note. I think that's -- I think it really is the performance and all of the things that have come together that we've been working on for a while. It's been really securing cost control in all senses, both good performance and our productivities. We generate a 4% productivity this year over last year. That's pretty average to what we do. We've done 5% before, 6% in some years. So with the lower volumes, that's a pretty good result for the company given what we went through. So a normal productivity improvement year, some good variable cost control.

We've made some changes, as Matt mentioned, in our overheads that we think are permanent. We've seen good volume environment in many of our -- a good mix of that volume as well, which we think will continue forward and strong pricing. We've done a lot of making sure that our products' pricing reflects the value that we drive, and that's not something that just happened in the fourth quarter.

We've been working through, making sure that our products are priced appropriately and moving and demonstrating that value proposition. And I think we do that. We've done that very effectively over the past couple of years, so I think that's just kind of come together. And I think, as I mentioned, we took the time in the second and third quarter to really hunker down and make some changes. And we had all of our employees doing really valuable work in the plants to improve processes. A lot of those Kaizen events I mentioned occurred over the summer months to retool some things to perform maintenance and because we knew the volumes would come back, and when they did, I think we're in a good position to have it come through.

So I think this is a sustainable kind of level. I think we're at a different level than we were last year. That's why I mentioned, I think we're exiting this year stronger than we went into it. That said, we still have some other product lines that haven't recovered yet. And so as we see the growth in not only Paper volumes with new volumes coming on and those accruing to us, as Building and Environmental and those Energy Services projects come back, there's more volume to be had on this cost base. And so that's why we're confident that the mix will move around a little bit as we go through the year. And that will change, and we'll have some short-term energy costs probably in the first quarter. But I think we're at a different level, and I think we're focused on continuing to sustain this and maybe move it further.

Stephen Michael O'Hara - *Sidoti & Company, LLC - Research Analyst*

Okay. That's helpful. And maybe just jumping to the building products, and I know this is mainly used in -- or Building Materials, I guess, mainly used in res -- non-res construction, and I'm just maybe less familiar with the product market. But I mean, is there a opportunity to enter the res market? Or is it just the cost basis of the products you sell is high enough where it doesn't really make sense on the res side? Or is there kind of an established market that is not -- it's not kind of the same product mix that you guys earn?

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

Jon, do you want to take that one?

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

Sure, Doug. Talking about the diversification of Building Products, we -- like I said earlier, we're in a variety of different projects. It's the large commercial construction activities as well as infrastructure, so tunnels and metro stations and things of that nature. We do look at our Waterproofing. We do have the capability of supplying small projects. Most of the residential projects that we see, either single-family or multifamily, don't require a large subterranean water proofing. But we are looking and we continue to look at ways we can deploy our technologies, for example, in green roofs or other applications in the building envelope. So there are opportunities there for us. We do have technologies, we do market in those spaces. It's not big volume for us. And -- but we continue to try to explore and expand the way we go into those technologies as well. I hope that helps.

Operator

The next question is from Rosemarie Morbelli with G. Research.

Rosemarie Jeanne Morbelli - *G. Research, LLC - Research Analyst*

I was wondering if you could talk of the potential impact or potential benefit from any infrastructure bill that may come up.

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

I think we operate obviously in construction steel. I think short answer is, we would benefit from that, Rosemarie. So infrastructure is going to pull on a lot of building products, it's going to pull on steel. It's going to pull into, as Jon just mentioned, probably our Waterproofing [Products] (corrected by company after the call), even some of our Environmental Solutions. So I think that -- and we've talked about this several years ago when we anticipated an infrastructure bill. Yes, I think we would benefit from that across many parts of our company.

Rosemarie Jeanne Morbelli - *G. Research, LLC - Research Analyst*

Can you put a dollar amount?

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

It depends on the infrastructure bill, I think. But I think the largest -- no, I can't right now put a dollar amount on it for you, Rosemarie. I would say that there's some ins and outs to this. I think it would benefit a lot of our Refractories business in steel, that's for sure. Our Ground Calcium Carbonate businesses and our Talc businesses that go into a lot of kind of construction applications, our Building Products business, our Waterproofing, our infrastructure waterproofing would benefit from that. If it's a very targeted infrastructure program, it might be different than broad in terms of rail, help our Metalcasting business.

We do supply foundry into -- or on systems into foundry markets that go into the rail market. So I think it depends on how broad it is, but in general, if you're talking about highways, tunnels, infrastructure and cities, rail, it's going to be pretty much broad across the company. I would say at least 60% of the company could be impacted by that positively.

Rosemarie Jeanne Morbelli - *G. Research, LLC - Research Analyst*

That is very helpful, actually. And then if I look at the fourth quarter margins, they are substantially -- except for Energy, they are substantially above last year. Is that something that could be -- that over the longer-term you can reach on an annualized basis?

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

Yes, I think so. We feel that the changes we've made, how we've improved some businesses that were -- we've been working at improving some of our business that were lower margin over the past couple of years through new technologies, better pricing and mix within some of those product lines. We've been deliberately growing through those -- through new technologies. Our consumer-oriented businesses, which have, in general, accretive to our margins. So we've taken the time to do short-term items that we feel are out of balance like pricing and longer-term items where we're focused on technologies and higher-margin areas of our business to grow them more quickly. And we're doing that. And it's also -- we see that there's some opportunities as we grow these -- some of these consumer-oriented products globally.

I'll note that our Pet Care business grew 7% this past year. We've improved the margin profile of that business significantly over the past few years, and we're also growing it geographically. So we talk a lot about Metalcasting and Paper PCC growing geographically, but these Specialty Products, Fabric Care Products, the Bleaching Earth and also that Pet Care business is growing. In fact, our Pet Care business grew 23%, I think it is, and it's 23% in China this past year. So we're doing a number of things to change the profile. This year, we took out some costs, some structural costs. We did some of that last year as well.

So Rosemarie, I think given the product portfolio, the pricing, the cost control and changes to our overhead structural costs, yes, I think that this number is a sustainable number. I think we can improve upon it. We are looking at -- we've got some short-term cost challenges like some transportation that's getting tight around the world that we're moving through. We've got some energy that comes around in the winter months and some -- affects our mining costs, but we think those are short term, and we'll manage through them to be able to sustain this type of margin.

Rosemarie Jeanne Morbelli - *G. Research, LLC - Research Analyst*

So if you look at those consumable product lines, what would be the geographic split currently?

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

Well, our Pet Care business right now, let's just start there, is largely North America, Europe, continental Europe-focused; however, we've been growing that business over the past year in the U.K. We've also been growing that business, as I just mentioned, in Asia and China being one of the larger markets. Our Specialties business in terms of animal health is Europe-focused, but we also see opportunities with our customer base in Asia. Bleaching Earth, similarly. And our Fabric Care business is really -- is very global. We operate, if you recall, I think I've mentioned before in a lot of dry laundry detergent, both in softeners and surfactant granules. And that's largely outside the United States.

It's much more in areas of India, Southeast Asia, China, where dry laundry detergent is still used. So we're growing those, and those are some rapidly growing markets for laundry detergents. And so in that consumer-oriented group, we're growing those areas. And that's in Performance Materials. In the Specialty Minerals Group, our PCC, our Specialty PCC, goes into not only automotive sealants, but it also goes into pharmaceuticals and food applications. And we've recently expanded our 2 facilities, one in the U.S. and one in the U.K., and so we're growing in those kind of consumer applications in both areas. But we've had some real notable growth in Europe in some of those consumer products, Specialty PCC. So it's kind of around. It's all of our -- it's all of those product lines, and it really is kind of around the world where we see that growth occur.

Rosemarie Jeanne Morbelli - *G. Research, LLC - Research Analyst*

That is very, very helpful. And just one last question, if I may. Have you given up on Elementis?

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

I can't comment on that right now, Rosemarie. What I can tell you is that you saw through the releases, the offers that we made. We thought Elementis is a strong strategic fit. We felt we've made a very strong offer for both their shareholders and our shareholders, and we look to get some engagement. Unfortunately, that didn't happen. And that's where we are now. So I'm going to leave it at that.

Operator

The next question is from Mike Harrison with Seaport Global Securities.

Michael Joseph Harrison - *Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst*

Maybe just to kind of -- I don't want to ask specifically about Elementis, but maybe just comment on the M&A pipeline. Kind of assuming Elementis is in the past, any possibility of some activity in 2021 on the M&A front?

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

Mike, I will say that we have -- we've got a portfolio of things that we think fit well with the company. I'll give you if they are -- they're mine-to-market. We think we've got capability in the company as we take unique reserves around the world and turning them into specialized functional additives. That's what we do. That's why we bought AMCOL. It's very similar. When MTI bought AMCOL, similar strategy. We like -- there's portfolios of similar minerals that we operate in, and there's also new minerals that are in markets that we currently serve.

And so we -- but I think in general, we feel we need to know the element, the mineral. It has to fit into our capabilities from a technology standpoint. And there are other small and larger companies out there, pieces of companies that we have our eyes on, and we think that they can become actionable at some time. We're patient in many cases, and we're also very diligent in what we think they're worth. And so I think you saw that demonstrated what I just said. I think that kind of rounds out how we viewed Elementis.

We have small things in our pipeline that fit to help us support our reserves and growth around the world. When we're growing in regions like China and elsewhere, and we look to make sure that we can sustain that growth. And so that's part of the pipeline. And we think that there's some other smaller pieces to bolt on to our core markets to not just organically grow in those groups. We think we can accelerate that inorganically along that same core product line. So it's a mix of things, both small, some larger, but they all fit that kind of framework of mine-to-market, the technology that we have and adapting minerals to make them specialty. It could be our same mineral, could be different, but it's something that combines into that market, those markets that we serve. Hopefully, that helps.

Michael Joseph Harrison - *Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst*

Yes, that's helpful. And then I wanted to ask, as we're thinking about the margin progression next year, I know you mentioned that about 2/3 of the cost reduction in 2020 would be permanent. That suggests that 1/3 of it comes back at some point and presumably, there's some kind of incentive comp reset. But just how much of a headwind should we think about those factors being on an operating income basis in 2021 versus '20?

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

Matt, do you want to take that?

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

Sure. Remember, Mike, so what we said was we had about $13 million of reduction. Included in that $13 million reduction were some costs related to the cyber event. So really, on a year-over-year basis, you're looking more in like the $15 million range, just from an overall expense perspective. So that 2/3 ends up being about $9 million to $10 million, which we would think is sustainable. Now as you're looking at 2021, that is a combination of some T&E coming back, some positions that we held off on being filled, but that will all be dependent on the growth coming back, right?

So as Doug said, we're very disciplined, very prudent with how we spend. And we're looking at the growth as it's coming back, and we'll assign expense levels commensurately with those volumes. So 2/3 being permanent, and that other piece will merit out as sales come back.

Michael Joseph Harrison - *Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst*

All right. And then the last question I had is on the kind of the raw material front. With your mine-to-market strategy, I feel like you have some inflation from a lot of raw material dynamics, but I'm also sure that there are other areas where you're probably going to have to manage through some inflation in '21. What are the segments or product lines where you maybe have some concerns or you're most focused on raw material inflation? And maybe how much of a price lag headwind should we be thinking about for the first half of '21?

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

Maybe I'll start with that, Matt. I think you're right, we do have -- we're vertically-graded in the majority of our minerals businesses. And so those -- the inflation that would affect those would be much more on the energy side, so diesel fuels, natural gas, et cetera. We have a program in place. We look to buy that energy. We think there's some short term, as Matt mentioned, in the winter months, that's a normal occurrence for us, and that's why mining costs tend to go up and some of our drying costs for that mineral will go up in the winter.

The things we buy, we buy precursor to our PCC around the world. However, all of that is formulaic. If we absorb higher costs, we pass that through in pricing. And there's a lag, there's some delay in some of our contracts anywhere from 1 month to 6 months. And so that automatically gets pushed through, and I think you saw that in 2018, '19 happens, so that's kind of protected in those contracts.

In our Refractories business, we do buy magnesium oxide, and that has over history moved around in terms of pricing based on demand. We've made a lot of structural changes and some in the past year or 2 to improve our vertical integration in that product. And so we've maximized the use. We can make our own centered magnesium oxide, which magnifies and you put it in a kiln and you make it into what we use in our plants in Turkey. And so we've been maximizing the use for probably 25% integrated, probably 50% of our total European business is vertically-integrated. And we've also built strategic relationships and taken some longer-term positions with -- buying positions with those supply chains.

So we feel, through 2021, we're in a very good position with the actions we took in 2020 from a raw material cost position. So I think the things that give us a little concern going into this year, maybe a little bit of energy short-term. Transportation is, as I think you're seeing, kind of around the world, is becoming tight, both in truck and ship. And we don't move things between countries very often. We're very localized. We buy and sell and manufacture in the country, so we don't import export a lot. But truck freight is one of the areas we're keeping our eye on, but we generally are very able to pass that through in terms of our pricing and make sure on a delivered basis recover.

Operator

The next question is from David Silver with CL King.

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

I kind of feel like the movie, Back to School. I have 1 PCC-oriented question, but it has about 17 parts here. But no, I was wondering if DJ could maybe just -- to start off, if we could just talk a little bit about the large-scale project in China that came on. And in particular, I guess I was hoping you might shed some light on maybe a typical ramp up for that large scale project. And I guess I would just say, where do you think it is now? And over what period of time? Does it take 12 months to ramp up to the nameplate capacity or a different time period, the cadence there?

And then secondly, also on PCC, I'm looking at my new project list, and I was just wondering if you could maybe highlight -- I think I have 2 or possibly 3 projects, 1 in Europe and 1 or 2 in India that are scheduled to come on either kind of right about now or later on, let's say, the first half of 2021, so just to highlight on the cadence of additional new projects.

And then finally, I was just wondering, in the fourth quarter, there was a nice recovery there sequentially. But if you could peg kind of a utilization rate on the PCC side, that would be helpful.

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

DJ, you want to take that?

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

Sure. So let me start with utilization rates. So I'm going to try and work back to where you began. So on utilization rates around the world, right now, we're, as projected, as we thought we would see going into the fourth quarter, Europe was probably in the 70% sort of operating rates and looks like they're a little slow coming up to 75%. North America is back into the mid-80s and they'll probably be up to 90% by the second half of 2021. That's how they look. That's over a lower base with the shutdowns that went on, so those markets where -- those operating rates influence our sales are -- have got a pretty solid trajectory going on. And of course, Asia is less driven by operating rates and more by our penetration rate, so let me try and address kind of the 200,000 tons which Doug was referring that basically came on.

In India, that plant that we have was some 45,000 tons, and that's probably, by the end of the first quarter, will be probably 80%, 90% in terms of its utilization. That is dependent on the customer's pull based on the market, but the PCC plant itself and our process of penetrating into their grades and making the smooth transition should be finished -- pretty much finished early in the second quarter. The China satellite that started up really just in December is really just getting going. It's reasonable to think that it's at about a 50% sort of utilization right now.

That will come up over the second quarter and probably be in the neighborhood of 60% plus, maybe 70% at the end of the second quarter, but that will be up full speed by probably the beginning of the fourth quarter. It would be the normal sort of trajectory. We've got some customers in China that move very fast, so it will be somewhat dependent on their customer needs.

And then you mentioned 2 other satellites that will be coming on in 2021. One is in India, and that -- we thought we'd be starting that in Q2. The pandemic has slowed that one down. So both that one and the one in Europe will be ramping up more in the third quarter, and that European one will be supporting penetration into packaging. So I would say that by the end of the year, based on those grade mixes that we ought to be seeing running at a rate that's pretty close to design. I hope that helps.

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

Sorry, one of the perspectives I'd give you is just to put all that kind of in a broader time period, we're kind of -- we're looking right now, given all that happened in 2020 and what we're bringing, what we've -- some of the shutdowns that we saw in 2020 and all that we brought on and will be bringing on, as DJ just mentioned. If you go back to our full year 2019 volumes, we see 2021, the ins and outs of all that, we see 2021 being a higher volume than '19. So I know it's the ramp-ups and the timings and the signings and the buildings and all that takes some time, but when you step back, you say, from 2019, all of the market changes that have happened and some of the shutdowns we experienced last year plus everything that we're bringing online and will be bringing online in the first half or by the middle of this year, we see that being a volume positive over where we left 2019.

And in addition, we still see a lot of business development activity happening. We have a nice pipeline of base filler contracts that we'll continue to work through. I think our portfolio of potential packaging opportunities has expanded from where we were in the middle of last year. And I mentioned a couple of new technologies further out that we think move us into other markets than packaging as well, other fiber markets and some maybe tissue. So want to present that to you from a broader perspective, longer-term perspective of the next year or 2.

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

Okay. I know we're in -- we're past the top of the hour, but just briefly, I was hoping, Doug might be able to add a little strategic context to the broad-based price increase that was announced a few weeks ago. So 3% across the board, with certain product lines as high as 10%. So when I see an announcement like that, I kind of scratch my head and I say, is this because -- Doug, is this because you're going on offense? Or is this because you feel that this is necessary to -- for defensive purposes, I guess, cost increases or logistics issues that you raised earlier?

And then I also kind of scratch my head and I say, well, why is Talc meriting a 10% increase, whereas many of your other bigger or more popular product lines are skewing to the lower proposed price increase? So I guess I was wondering if you could put that in a little perspective. Sorry.

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

Sure. Well, I don't want to -- yes, it sounds weird but I don't think it's either. I don't think it's offensive or defensive. I think I kind of, in my mind, in many cases, pricing costs have nothing to do with each other. And we price the products on the value that we feel that they bring in the marketplace and we feel that in many cases, our products have tremendous value and then the applications we're putting them into. And then on the other side of it, we work to make sure that we are the lowest cost, most competitive supplier we can be. And so we work every day at lowering and securing our input costs and productivities and variable cost control to make sure, no matter what, we are the lowest cost provider of the highest value products.

And so I think what that is, as I mentioned, we make sure we look at what our products do and how they create value and that they're priced accordingly. Now we have to take, obviously, the market and other substitutions that they may have or other product choices they have into account. And when we do all of that, we feel that these are the appropriate changes to make. So I think it's maybe either neither or some of both, David, I guess is what, I guess, I answered your question, offensive and defensive.

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

Yes. The answer is frequently, it depends, right? Last question, just real quick for Matt. Most of the industrial companies that had reported that I track have noted currency tailwinds this quarter, weaker U.S. dollar. And I may have missed it, I didn't hear it in the -- I didn't see it in the presentation slide, I didn't see it in the press release last night. So wasn't there a meaningful currency tailwind translation or otherwise that is included in the results that maybe you could tease out or call out for us?

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

Yes. Certainly, David. Not much. It is on the bridge. And as you can see there, it is not significant. That being said, the businesses which have the biggest translation opportunities for us from an economic perspective are the PCC business and also on the Refractory side, and that's where you're seeing it this quarter. But in the fourth quarter, it wasn't significant.

Operator

And the next question is from Silke Kueck with JPMorgan.

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

Just a few questions. International Paper said they may intend to spin-off their printing paper business. And that's probably a business that consumes some PCC, does it matter at all to MTX or it doesn't?

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

I'll start and I'll give it to DJ. I don't think it doesn't change anything currently with our contracts. It doesn't change anything with how we operate with them. I do think it changes things from a conversation and a focus standpoint. Actually, I think it could be a good thing or a much bigger piece of that new entity. And I think the technology that we have and the money that we feel we can save through those technologies and enhance their products would be a very good conversation that we'll be having. DJ, anything to add to that?

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

I do, Doug. So Silke, the way I'm looking at it, just to build on what Doug said, contractually, everything is fine, and so the base businesses will remain. But if I look at where International Paper, the part that is staying as International Paper is, they focus more on packaging and our ability to come to them with some higher value-added products as they keep working that strategy is enhanced, as demonstrated by what we're doing with them and their new product that they're launching out of Selma. The flip side on this new company that it will be focused on uncoated free sheet, no question that, that helps us position some of the newer products that we have, both for high filler technologies and some of these environmental issues where that group is likely more empowered to really take advantage of these, and we think we can help them pretty substantially in improving their performance.

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

And similarly, pulp prices have really moved. In that I've seen that maybe they were like $650 a ton in September, and now they're close to like $1,000 a ton. Do those -- does that assist Minerals Technologies in accelerating PCC usage? Or was MTX agnostic to higher pulp prices?

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

I'll go. Is it okay if I take that?

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

Yes. Go ahead, DJ.

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

So Silke, it absolutely helps us on this business development program. So for those customers in our existing satellites or contracts remain in place and they're built to go through the ups and -- the peaks and the valleys of any pulp pricing. But our business development pipeline is very robust. I can't say that we've had increased calls because the phone lines have been pretty busy, but especially our Asian customers or potential customers have, I would say, a heightened sense of interest and a heightened sense of pace in looking at standard PCC, in printing and writing grades, and I do think that, that's attributed to what they see as the long-term prospects for pulp pricing. So it does help our value equation tremendously, and it does further differentiate us from any other mineral alternatives. So pulp pricing, in general, helps us with these new projects.

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

And if I can ask like a last question, just on that same subject. How long does it take for a new customer to phase in the product? My memory has said in the old days, it used to take several months because you have to like take one line off-line and try the product and try it at various stages. And like does it take 1 year to win a new customer? Or can you do it in a couple of months? Or like, how long does the process take?

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

So 2 different ways of looking at our technologies. For the base PCC, from the time it takes when we sign the deal, it's reasonable to think that 9 months to 1 year before we get the plants up and running and then a few months to transition into our product. For some of our high-filler technologies where we can promote something to an existing customer, getting through those grade structures probably takes 6 months plus, but that's a sort of pace for those 2 items.

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

Okay. And my last question is for Matt. In terms of -- I was wondering if you can share your thoughts about CapEx for 2021 and any operating cash flow or free cash flow targets you may want to share?

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

Yes. No, sure. Thanks, Silke. And as you saw in 2020, it was a strong repeat of what we did in 2019 with free cash flow in that $175 million area, with CapEx in the mid $60 million area. So as you look at 2021, we are expecting CapEx to rise to around $80 million. We will be investing in additional growth areas for the company. Sustaining CapEx will largely remain similar to what you saw in 2020, so that additional CapEx that we're spending is coming from return-seeking opportunities. From an overall free cash flow perspective, look, what we've told you over the past several years is that we expect the company to be able to produce above $150 million of free cash flow. And as we look at 2021, that's obviously what the team will be working to do. We'll continue to update you on that as we move through the year.

Operator

All right. At this time, I'd like to turn the call back to Mr. Dietrich for any closing remarks.

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

Well, thanks, everybody. I appreciate you joining the call today and for your patience as we made it through all of the questions. Hope everyone stays safe and healthy, and we'll speak to you again in a few months. Thanks, again.
