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PRESENTATION

Operator

Good morning, and welcome to the Minerals Technologies fourth-quarter 2025 earnings conference call. Please note, this event is being recorded.

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

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

Thank you, Gary. Good morning, everyone, and welcome to our fourth-quarter 2025 earnings conference call. Today's call will be led by Chairman and Chief Executive Officer, Doug Dietrich, and Chief Financial Officer, Erik Aldag. Following Doug and Erik's prepared remarks, we'll open it up to questions.

As a reminder, some of the statements made during this call may constitute forward-looking statements within the meaning of the federal securities laws. Please note, the cautionary language about forward-looking statements contained in our earnings release and on the slides. Our SEC filings disclose certain risks and uncertainties, which may cause our actual results to differ materially from the forward-looking statements.

Please also note that some of our comments today refer to non-GAAP financial measures. A reconciliation to GAAP financial measures can be found in our earnings release and in the appendix of this presentation, which are posted on our website.

Now I'll turn it over to Doug. Doug?

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

Thanks, Lydia. Good morning, everyone, and thanks for joining today. I'll start today's call by giving you a high-level overview of our performance for 2025, and then Erik will walk you through our fourth-quarter and full year financial summary and as well as give you a first-quarter outlook. I'll then take a couple of moments toward the end to give you an overview of how we see 2026 shaping up in terms of our end markets and the sales growth we expect to see over the year in each product line. After that, we'll open it up to questions.

2025 was a more challenging year for us, especially compared to the record year we had in 2024. Like other companies, we experienced the impact of a dynamic and at times volatile operating environment, including geopolitical uncertainty, changing tariffs and softer market demand. The ability to make the ongoing adjustments to these changing conditions, while at the same time, remaining focused on delivering the key drivers of our long-term strategy is a testament to the strength of our team.

I'd first like to highlight that in 2025, the employees at MTI achieved a world-class safety performance and one that was the best ever in MTI's history. The health and safety of our people, partners and communities are our top priorities. And though we continue to reduce the number of injuries that occur at MTI, we still haven't reached our goal of eliminating them altogether. But the progress we made as a team this year is a positive step towards that achievement.

Moving to our financial results. Full year sales came in at $2.1 billion, a similar level to last year. Full year operating income was $287 million and earnings per share was $5.52. Many of our key end markets either remained flat or weakened throughout the year. Our teams moved quickly to adjust to these conditions in our facilities by maintaining control of costs and managing inventories, while at the same time, navigating changing tariffs and remaining focused on quality, customers and safety.

We also took proactive steps to improve our cost structure, including a company-wide cost savings program that we announced in the first half, which we will see the full year impact from this year. Despite the market and operating distractions, we meaningfully advanced the three pillars of our organic growth strategy in both of our segments, including expanding into higher-growth consumer-oriented markets, positioning ourselves in faster-growing geographies and introducing innovative higher-margin products.

We outlined for you a few examples of the investments we've recently made to support this strategy, including upgrades to our pet litter facilities in the US, Canada and China, expanding our natural oil purification operations in Turkey, building several paper and packaging satellite plants in Asia and expanding our production of Fluoro-Sorb. Each of these investments has led to significant new sales growth in 2026, and I'll give you details on this later in the presentation.

It was also a strong year on the technology and new product development front. Sales of our newest products accounted for 19% of our total sales, which is the highest level we've achieved and points to both the strength of our innovation engine and ability to continue to bring new value to our customers through the application of our core technologies.

Further, we remain strong stewards of our capital, returning $73 million to our investors through dividends and share repurchases while also maintaining a strong balance sheet that is well positioned to support both our organic and inorganic growth initiatives.

With that, let me have Erik take you through our financials in more detail.

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

Thanks, Doug, and good morning, everyone. I'll start by providing a summary of our fourth-quarter and full year 2025 results, followed by a review of our segments, and I'll wrap up with our outlook for the first-quarter. Following my remarks, I'll turn the call back over to Doug for additional perspective on 2026.

Now let's turn to review our results. The fourth-quarter played out largely as we expected. Sales, operating income, and EPS were all roughly in the middle of the ranges we provided on our third-quarter earnings call. Sales were $520 million, up slightly from prior year as 2% growth in Engineered Solutions offset a 2% decline in Consumer & Specialties.

Operating income was $67 million and operating margin was 12.8% of sales. Operating margin for the quarter was impacted by lower residential construction and foundry volumes in the US as well as lower productivity and fixed cost absorption at our plants serving those markets.

Turning to the full year. Sales were $2.1 billion and operating income was $287 million. You can see in the sales bridge on the upper right that sales were 2% lower than prior year, driven by $74 million of unfavorable volume and mix impacts, which was partly offset with $21 million of selling price increases and an $8 million benefit from foreign exchange. You can see in the bridge on the bottom right that unfavorable volume and mix impacted operating income by approximately $27 million from the prior year.

Our selling price increases completely offset inflationary impacts, including the impact from tariffs. However, we also experienced unfavorable productivity and fixed cost absorption, primarily due to volume challenges in the first and fourth quarters. And as we mentioned, we had some temporarily higher logistics costs associated with our cat litter plant upgrades.

Operating margin was 13.9% of sales versus 14.9% in the prior year. Lower volume was the biggest driver of the change and was worth about 80 basis points. We see this margin reverting back towards 15% as volume improves, and we won't have these one-time cost impacts I just mentioned. Earnings per share, excluding special items, was $1.27 in the fourth-quarter and $5.52 for the full year. Now let's turn to a review of our segments, beginning with Consumer & Specialties.

Fourth-quarter sales in the Consumer & Specialties segment were $274 million. Sales in our Household and Personal Care product line increased 2% sequentially to $133 million and were 1% below prior year. Momentum continued to build for our cat litter business with sales up 8% sequentially and up slightly from prior year. We also saw continued growth in edible oil and renewable fuel purification as well as animal feed additives.

However, this growth was offset by lower Fabric Care sales as customers reduced their inventories in the fourth-quarter. In our Specialty Additives product line, sales of $142 million were 2% below prior year as higher sales to paper and packaging customers were offset by a pronounced slowdown in residential construction, which resulted in several customers taking unusually long downtime in December. These customers resumed ordering in January, but we are not expecting this market to improve significantly from the fourth-quarter to the first-quarter.

Operating income for the quarter was $29 million, $9 million lower than prior year, driven by unfavorable volume and the associated impact on fixed cost absorption at our plants, particularly those serving residential construction.

Turning to the full year. Consumer & Specialty sales were $1.1 billion. Household and Personal Care sales of $513 million were down 3% from prior year overall but improved by 5% in the second half of the year compared with the first half. The improvement in the second half was driven by a positive trend in cat litter sales, which were 7% higher in the second half as we worked with our retail partners to drive higher volumes.

We also continue to make solid progress on some of our key growth initiatives with full year sales into edible oil and renewable fuel purification up 17% and sales of animal feed additives up 12%. Sales in Specialty Additives were $585 million, 4% below prior year.

As I mentioned, one of the bigger macro challenges we faced in 2025 was a slowdown in residential construction, which impacted sales for this product line in both the third and fourth-quarters. Overall volumes to paper and packaging customers were also lower than the prior year as our new satellites in Asia were offset by declines in North America and Europe, including two paper machine shutdowns that occurred over the past year in the US.

Despite these market challenges, our sales to paper and packaging customers picked up in the second half of this year, increasing by 3% compared with the first half of the year as some of our newest satellites continue to ramp up and volumes in Europe and Latin America also ticked higher.

As I mentioned, overall sales to paper and packaging customers returned to year-over-year growth in the fourth-quarter. And with the capacity that has come out of the market in North America, operating rates at our customers are very healthy in the 90% range, which is positive for our volumes. Full year operating income for the segment was $134 million compared to $166 million last year, driven by unfavorable volume and mix and the associated unfavorable cost productivity as well as temporary cost increases related to our facility upgrades.

Now let's turn to a review of our Engineered Solutions segment. Fourth-quarter sales in the Engineered Solutions segment grew 2% from prior year to $245 million. Sales in High Temperature Technologies of $178 million were up 1% from the prior year as higher sales to steel customers offset lower foundry sales in North America. As we expected, foundry customers in North America took extended seasonal outages toward the end of the fourth-quarter. In the Environmental & Infrastructure product line, sales of $67 million were 7% higher than prior year.

Sales growth was driven by infrastructure drilling, offshore services, and environmental lining systems. This growth was partially offset by lower sales of waterproofing materials for the commercial construction market. Fourth-quarter operating income was $40 million, representing another strong performance by the segment despite mixed market conditions. Turning to the full year, segment sales were $975 million. Sales in High-Temperature Technologies were $705 million, representing a 1% decrease from prior year.

We continue to see growth in our Asia foundry business, which helped to offset slower demand from foundries serving the agricultural equipment and heavy truck markets in North America. Sales to steel customers were relatively flat overall as growth in North America was offset by softness in Europe.

Full year sales in the Environmental & Infrastructure product line were $270 million, up 2% from prior year, primarily driven by higher demand for infrastructure drilling products, environmental lining systems, and offshore water treatment. The segment navigated mixed market conditions and tariff impacts to deliver record operating income of $163 million and record operating margin of 16.7% of sales.

Now let me turn to a summary of our balance sheet and cash flow highlights. Fourth-quarter cash from operations was $64 million, bringing the full year total to $194 million. We deployed $107 million of capital expenditure, which was a bit higher than the prior year, driven by the higher number of growth investments we've made. Overall free cash flow was $87 million for the year. After a slow start to the year, our free cash flow averaged 7% of sales from Q2 to Q4.

And for 2026, we're expecting full year free cash flow in this more typical range of 6% to 7% of sales. We returned a total of $73 million to shareholders last year in keeping with our balanced approach to capital deployment. Our balance sheet remains solid, finishing the year with more than $700 million in liquidity and a net leverage ratio of 1.7 times EBITDA.

Now I'll summarize our outlook for the first-quarter. Overall, we expect first-quarter sales and operating income to be similar to the fourth-quarter, which would represent approximately 5% growth over the prior year. In the Consumer & Specialties segment, we expect sales to be up mid-single digits versus prior year.

In Household and Personal Care, we're building on the momentum we've generated in cat litter and other consumer-oriented products, and we expect this product line to be up mid- to high single digits year-over-year in the first-quarter. We've also seen an uptick in Fabric Care orders after a slow fourth-quarter.

In Specialty Additives, we're expecting growth in Paper and Packaging to offset continued softness in residential construction. In Engineered Solutions, we're also expecting mid-single-digit growth in the first- quarter. In High-Temperature Technologies, we see continued growth in Asia foundry and continued strong sales to steel customers in North America, which we expect to offset the softness we are seeing in North America foundry.

Our North America foundry customers continue to be impacted by sluggish agricultural equipment and heavy truck volumes and a few permanent foundry closures have been announced for the first-quarter. We expect most of the volume from these foundries to be absorbed by other foundries in the US. However, it will take some time for that volume to transition.

In Environmental & Infrastructure, we're expecting continued growth in infrastructure drilling products as well as offshore water treatment. For the total company, we're facing $2 million to $3 million higher energy and mining costs in the first-quarter versus the fourth-quarter, which will have a temporary impact on our margins. We expect to offset these higher costs through pricing and improved productivity as we move through the quarter, and the margin impact should be limited to the first-quarter.

We expect overall sales and margins to improve as we move through the year, particularly as some exciting new growth opportunities begin to ramp up in the second-quarter. With that, let me turn the call back over to Doug for some additional detail on these opportunities and some perspective on the year ahead.

Doug?

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

Thanks, Erik. Every first-quarter, I like to give you a general perspective on our end market conditions for the year. And as Eric just mentioned, we're not currently seeing any significant changes in our end markets and expect them to largely remain stable at current levels through the first half. Several factors could change this outlook, such as lower interest rates, increased consumer confidence in home buying and remodeling and improvements in on- and off-highway vehicle builds.

These factors could take hold this year, but the timing of the resulting inflections is hard to determine at this point. But independent of exactly how our markets play out, the growth investments we made last year were well timed, and we have captured significant sales growth for 2026 as a result. Let me take you through each product line and give you some examples.

In Household and Personal Care, we're set up for what we expect to be a strong year. The result of the investments we made into our US, Canadian and Chinese cat litter facilities is that we've secured significant new business this year with major retailers, which will begin to ramp up at the beginning of the second-quarter. We're also completing the expansion of our Bleaching Earth facility in Turkey to support the rapid growth of our edible oil and renewable fuel purification business.

Regulatory changes driving increased use of sustainable aviation fuels worldwide are creating significant demand for our best-in-class bleaching earth products. We've also recently qualified our products at a large refinery in Asia, which opens this large market to us. Over the past five years, this business has grown at an average of 15% per year and this year, we expect that growth rate to accelerate further.

Lastly, we're expanding capacity for our animal health and fabric care products with new partnerships and products in development, and we expect to share more on these initiatives over the next two quarters. In Specialty Additives, we have three new paper and packaging satellite plants coming online this year in Asia, which will drive solid volume growth. We've recently shared details in a press release about our multiyear expansion in the region, which continues to provide a solid pipeline of opportunities for us and that will yield additional contracts and volume growth going forward.

The main uncertainty this year in this product line is the residential construction market and the question of when it will begin to strengthen from its current condition. When it does, this will have a positive impact on our GCC and Specialty PCC volumes.

Moving to the Engineered Solutions segment, our High-Temperature Technologies product line is positioned for a solid year. Steel production in the US remains stable, and we've seen some recent improvement in Europe. We're commissioning six additional Minscan units this year and continue to see strong pull for our latest high-performance refractory formulations. Foundry output in the US, however, remains relatively slow due to flat auto builds and weaker heavy truck and agricultural equipment demand.

Asia presents a large addressable market for us, and we continue to see opportunities to expand our business there. The China foundry market proved to be resilient last year, and we expect to see continued strong volume growth there again this year.

In the Environmental & Infrastructure product line, our commercial construction and large environmental lining markets are beginning to trend in a positive direction. Fluoro-Sorb continues its qualification track with hundreds of trials taking place at water utilities across the US and in Europe. We have 10 new Fluoro-Sorb water utility installations scheduled for this year, which will more than double our current footprint. We're also seeing continued strong demand for our infrastructure drilling products and expect this strength to continue throughout the year.

In summary, the specific actions we took last year in support of our long-term strategy have put us in a position to deliver a strong 2026. With relatively stable markets, we see growth returning to the mid-single-digit range. Should the US construction and foundry end markets improve this year, 2026 will turn out to be an even stronger year for MTI. Before I wrap up, I also want to let you know that we're planning another investor event this year, where we will highlight many of our newest technologies and update you on our progress against our five-year targets.

We also have some exciting new projects in our innovation pipeline that we hope to share with you. These projects are targeted at opportunities created by the regulatory and tariff-related policy changes around the world that are driving the increased importance of and demand for local mineral supply. We feel we are uniquely positioned with some of our technologies to turn these opportunities into significant new revenue streams for MTI. More to come on this, so stay tuned for details. Again, thank you for joining today, and thank you to everyone at MTI for your ongoing focus on safety.

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

QUESTIONS AND ANSWERS

Operator

Our first question today is from Mike Harrison with Seaport Research Partners.

Michael J Harrison - *Seaport Research Partners - Analyst*

I wanted to start out with the Consumer & Specialties segment. The operating margin performance there was the worst you've had in a few years. And I know you went through some of the fixed cost absorption issues there as well as maybe some of the inefficiencies associated with some of the work you're doing in pet care. But I was just curious, was the performance there worse than you expected or was it in line?

And I guess maybe as we start to think about what margin could look like in that segment for 2026. Can you maybe give us some guidelines or puts and takes in terms of how we should think about that margin performance next year -- this year, I guess?

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

Yes. Mike, this is Erik. Thanks for the question. So as far as -- and I'm assuming you're talking about the fourth-quarter margins, so I'll start there. As far as that, I would say it was in line with what we were expecting apart from the softness. The softer-than-expected residential construction demand that we saw later in the quarter. And that had kind of a twofold impact on the margins in that segment.

First, the residential construction products that we sell are relatively high contribution margin products. So there's an unfavorable mix impact that happens when that volume falls off. And then secondly, as I mentioned, the fixed cost absorption impact of a sharp drop off in volumes at these facilities. It's just hard to pull out the fixed and semi-variable costs from those facilities when you see a volume shift like that. So those were the main impacts in the fourth-quarter.

You mentioned the temporary impacts associated with the plant upgrades that we did. Most of that, I would say, was in the second and the third-quarter, although we did -- we were starting to ramp up this facility that we just upgraded in the fourth-quarter. So we didn't really see the full benefit of that upgrade yet in the fourth-quarter. I would say going forward, the biggest thing that's going to drive margins up in that segment is volume.

I showed you the MTI operating bridge and volume and mix is the biggest driver of the change in margin that we saw from 2024 to 2025 and a lot of that was in the Consumer & Specialties segment. I can say we've got -- we're feeling confident about the volume growth that we've got ahead for Consumer & Specialties, and that's going to drive the majority of the margin improvement in addition to not having those kind of onetime costs that we had last year.

Michael J Harrison - *Seaport Research Partners - Analyst*

All right. Very helpful. And then I wanted to just dig in a little bit on the press release you put out recently talking about your paper PCC business, some of the new satellites that have come on and are still to come on during 2026. I was hoping you could just give a little more color on how you're seeing the market. Presumably, North America still is maybe a little bit soft, but you would expect to see some growth in Asia. Maybe also talk about the pipeline of opportunities for future satellites as you see it right now.

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

Yes. Thanks, Mike. This is Doug. I'll start and then maybe I'll pass it to DJ to give you a little bit more color. We see that Asia presents and continues to present a good growth opportunity for us. It's a large market. Paper production relatively stable there. But what we're seeing is more -- we've always talked about what we call penetration. So PCC is the pigment being used in that market. That's -- we're probably about only 50% penetrated.

We're in Europe and North America; it's pretty much 100% penetrated with the use of PCC in paper and packaging or paper in particular. And so we see a large opportunity to continue to drive our base PCC business in Asia. And that's going to occur through consolidation of smaller paper mills into larger mills and newer machines. And when you're doing that, you're going to continue. That's been going on now for a decade. So we see that continuing.

But more so, it presents a great pipeline for us in other opportunities. And those opportunities, like our new technologies like NewYield, where we're repurposing some waste streams and movement into packaging, okay? So large - and the packaging market is growing. It's growing in Asia. And so as we adapt our technologies and our products from kind of base printing and writing paper into packaging and into these new technologies, it presents an even bigger opportunity for us. So maybe I'll let DJ talk about that and then back to North America and what it looks like this year.

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

Glad to. Thanks, Mike. So let's just expand on to what Doug was referring. So the announcements that we had, we talked about the four that came online in 2025. And then Doug in this presentation was highlighting three more that are coming on in '26.

All Asia growth, a couple of those -- one of those, in particular, was an expansion in growth. So that's mostly China and India, and we see that continuing. And the pull that we're getting, so I'm going to shift a little bit to the pipeline. The pull that we're getting is we've got a little less than two dozen opportunities in the pipeline that I would call are very real. They are mostly in Asia, although there's a couple of other spots in what I'll consider the further developed regions. Big pull for NewYield that has taken -- has a lot of traction.

And NewYield has evolved since we first chatted about it. It started off as a very singular product with a conversion of a waste stream. And now there's -- it's really more of a platform. There's quite a lot of adaptions we can do for the specific application, which is opening up further packaging applications for us. So before we were targeting printing and writing grades, and now we're finding opportunities to go in recycled packaging in Asia, in particular.

And then augmenting that, we're also offering satellite ground calcium carbonate that has gotten a lot of pull from some packaging customers as well. So we see the pipeline remaining strong. I would say if I were hedging where the next two or three in addition to what Doug had highlighted, they are probably broader Southeast Asia opportunities, and that continues strong.

On the base market, Eric highlighted really good operating rates. So we don't see much degradation. This is a rough year as some big volume came out. North America operating at 90% seems pretty sustainable for the future. Europe is slightly less than that, and the European market is dealing with penetration from Asia. But the customers that we are dealing with are pretty well situated within that market. So they're leaders in that area, in that region. And so I think that they'll be fine for the foreseeable future as well.

So overall, bullish on continued expansion of the paper group with particular emphasis on growth in Asia, and that's primarily due to market penetration.

Michael J Harrison - *Seaport Research Partners - Analyst*

All right. Last question I had is just kind of on capital deployment going forward. The balance sheet is still very strong. You guys have a good track record of free cash flow generation, and it sounds like maybe some further recovery in free cash flow in '26. Can you just talk about how you're thinking about spending cash during 2026 as you look at your M&A pipeline as well as I forget what you have left on the share repurchase authorization. But what should investors be expecting this year?

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

Yes, Mike, I think we have -- we continue to call it kind of our balanced deployment of capital where we -- at these debt levels, we like to steer 50% of our free cash flow back to shareholders and keep some on the balance sheet for further opportunities. And that's after we support our organic growth. I think we have about $140 million left on our share repurchase program. So we intend to continue that at pace this year. And there's no timeline on that. So we can -- we'll look for opportunities to make sure we maximize the use of that cash.

But we do keep about 50% of that cash on the balance sheet for inorganic opportunities, and we think that there's a nice pipeline of things that we would be targeting and that we think that could help accelerate our growth strategy. They could be things that kind of are bolt-ons in different geographies to help move more into consumer products. And there could be some larger things out there that we feel we should own that could give the company some scale. So I think we've got the balance sheet in good spot. I think we continue to watch the market and make sure we're prepared for if something comes our way. I think we have the team in place that's able to do it, and we're just patient with it.

So we'll see what happens. Hard to time some of these things, but we're going to continue to be active and look out there to see if there's some things that we should pick up. But short of that, we're going to continue with our balanced approach, and that's going to continue with that share repurchase and dividend structure, again, keeping with that kind of 50% of our free cash flow.

Operator

The next question is from Daniel Moore with CJS Securities.

Dan Moore - *CJS Securities Inc - Analyst*

So just maybe clarification or drill down on a couple of specific products or end markets. Fabric Care, you called out customers managing inventories late in the year, not a shock. But is that largely behind you and talk about your visibility into Q1?

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

Yes, we think so. I mean we've had -- it's been kind of a lumpy year from Fabric Care. Some of our larger customers has happened in the first-quarter. They moved some orders from the first to the second. A little bit hard to forecast some of this. And then that happened late in the fourth-quarter as well where they've kind of moved some things around from the fourth and we think the first.

So as Erik mentioned, those orders have picked up. We think that, that volume is still there, but it does shift around from quarter-to-quarter some times. But more to the point, we think we have some good volumes ahead of us. I mentioned that we have some new technologies, some new things that we're working on. We hope to shed some light on that through the rest of this year that we think could be some new products that get developed and out there in the marketplace that can drive our Fabric Care business bigger.

So I don't think there's really anything behind it other than some moving orders, at least in our current Fabric Care business, but we've got some things in our pipeline that we're hoping to get out this year that could grow that a little bit faster.

Dan Moore - *CJS Securities Inc - Analyst*

Got it. And then shifting to Pet Care. You gave the outlook. Just maybe take a step back. Obviously, early '25 was challenging in terms of market dynamics of discounting by branded players. How would you describe market conditions, both U.S. and Europe as we enter '26 and kind of underpinning that growth expectation?

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

Yes. This year was a bit of a -- let's just start with the overall market. The markets were relatively flat this year for pet litter. I think they grew maybe 1% to 2% in total. And yes, we did see that discounting activity this year that we had to make some adjustments with our customers to deal with.

We did that. We made those through the second-quarter. And that's why I think Eric highlighted, we worked with them on promotions on making sure the value that private label brings on the shelf was seen and in kind of comparison to that discounted price from the branded customers.

We made those adjustments, and we saw those volumes return. I think our -- as Erik mentioned, our second half kind of sales in pet care were -- pet litter were 7% higher than the first half. So we think those took hold. I do think that, that discounting is going to continue, but I think we've made those this year, that discounting is going to continue, but I think we've made those this year, and that's really a North America type phenomenon. But I think we've made those adjustments, and I think we're going to continue to see that base volume growth.

I think on top of that, we've secured some significant business. We took some time. We took some cost, as you noted, this year to upgrade those facilities and start one up in China. Those are largely running right now and running as expected, and we did that to increase the capacity and the capability of those plants. So not only, the throughput variable cost structure improvements, but also the type of products they can make and the type of packaging configurations that they can deliver, and that has enabled us to secure some significant business.

I think on our last call we told you those are around $25 million to $30 million of business, and that's part of what Erik was talking about in terms of - or what I was talking about in terms of return to high single-digit growth in that business. So that should start up in the second-quarter. It looks good. We've gained some new business with retailers, and that should flow through this year, bringing that business back up to that high single-digit kind of growth rate.

So we think it's a very strong year ahead for pet litter. We made the adjustments last year. That volume has returned to us and now we've got some new business to start driving the growth rates back up.

Dan Moore - *CJS Securities Inc - Analyst*

Great. Very helpful. One or two more, I'll turn it over. Q1, 5% revenue growth, quite healthy. And I know you called out the higher mining and energy costs. So that's a chunk of it but just wondering why we wouldn't expect to see maybe a little more operating leverage on that type of top line growth.

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

Yes, Dan, this is Erik. Just -- so a couple of other things going on there. You mentioned the higher energy and mining costs. That's about $2 million to $3 million on a sequential basis. The mix impact that I mentioned in response to Mike's question, the softer residential construction that we're seeing in the first-quarter versus last year, in particular, is having an impact on our margins. This is a relatively high contribution margin product and the market is just softer right now.

Q4 and Q1 are usually soft for that market, but we're seeing it a little softer than last year so far at least. I'd say the only other thing affecting margins in Q1 is lower equipment sales. We've got these equipment sales in high-temperature technologies. We had some in the fourth-quarter, and we had some in the first-quarter last year, and we don't have any in the first-quarter this year. So that's affecting the margin as well.

Dan Moore - *CJS Securities Inc - Analyst*

That really helps. Last one for me. Mid-single-digit growth this year, if I listened appropriately or heard correctly, which is a very healthy outlook. Obviously, 15% operating margin has been a goal for some time. You made great progress toward it. What would it take to get there from here in terms of organic top line growth? Is that achievable in '26? And what type of time frame should we be thinking about, if not? And I appreciate the color.

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

Yes. So I think on the growth side, we do feel more confident about the growth this year. We've talked a lot about these growth investments that we've made that support about $100 million of new revenue. Right now, we're estimating about $50 million of that will come through in 2026, that's everything we've mentioned, the cat litter, the new cat litter business, new SKUs on the shelf, new distribution centers that we haven't served before. It's the bleaching earth expansion. It's the new satellites; it's new Minscans. That's about $50 million that we think is going to come through this year.

And on top of that, we've got $20 million of pricing. So $70 million right there of things that we can tally up, and we feel very confident about. That's before we even start talking about things like the Asia foundry growth that we expect to continue, the refractory business. They've got new products. We expect those to continue to grow. Animal Health, Flouro-sorb, the whole environmental and infrastructure product line has been on a pretty good trend recently.

So look, markets could get weaker from here, but now we're not expecting markets to change very significantly. So that's why from where we sit today, we feel confident that we're going to have a strong year. If we get some help from the markets, particularly like construction, ag equipment, heavy truck, that's why we think we could have a really strong year this year.

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

And Dan, I'll just add that, look, I think the company is built around a 15% margin. I know that Erik giving you some of the temporary cost issues and some of the mix and volume declines that took about a percentage away. So last year, we were around that 14.9%, around that 15% target. This year, 80 basis points came out just from the volumes. But I think with that growth with at least the $70-plus or $100 million growth that we see coming through that single digits, it's going to take care of that absorption, that volume.

And again, some of these are higher-margin products. And so I think that reverts this company. It might not happen in the first-quarter. But on a run rate basis, I think we started getting back to that 15% this year as that revenue flows through and that volume flows through.

That said, you've got half of the company right now at 16.7% margins, albeit a record, they had a good quarter, but that still doesn't even have the foundry in there. So I think there's room to grow on that side. And I think getting the consumer, with this new higher-margin products, starting to grow faster, like bleaching, animal health, fabric care, and the pet litter business, I think that reverts back up to 14%. Then I think you start seeing us getting over 15% margins, okay?

So hard to time whether that market is going to help us this year, but I do think that this company, with what we have in the tank, with the investments we've made, is going to start pushing that margin higher, probably later this year, maybe in the next, but I think it's above 15% right now structural is a structural kind of level for us.

Dan Moore - *CJS Securities Inc - Analyst*

And certainly progress toward it this year, is what would mean.

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

That's right.

Operator

The next question is from Pete Osterland with Truist Securities.

Peter Osterland - *Truist Securities - Analyst*

First, I just wanted to ask in Specialty Additives, with sales being up year-over-year in the Paper and Packaging business during the fourth-quarter, I was just wondering if you could break out that sales growth by region and I was also wondering, is there a meaningful geographic mix impact on margins for sales into North America and Europe versus sales into Asia in that business?

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

Yes. Thanks, Pete. So definitely, the growth is coming from Asia, and that's offsetting the softer volumes in North America. We mentioned a couple of shutdowns we have to overcome. But the growth in Asia did start to overcome that in the fourth-quarter. And so that's the dynamic that you see.

As far as margins go, on an operating income basis, yes. So we're bringing on new capital with these investments in Asia, and it's got a higher depreciation load than the assets in North America and Europe. And so, on an operating income basis, there's a lower operating margin in Asia for the new satellites coming on than for some of the volume declines that we've seen in North America.

On a cash flow return basis, we look at these investments on an IRR basis. We're getting the same level of returns that we expect around the world in Asia. And so, as those assets depreciate, the operating margins will go up, but that's basically how the math works.

Peter Osterland - *Truist Securities - Analyst*

Got it. And then just a clarification, I apologize if I missed it, but you talked about plans to implement pricing and productivity offsets for some of the margin pressure you're seeing, just given the breadth of end markets and businesses you have, where within your portfolio, do you have relatively strong pricing power to implement increases?

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

Yes, I think we have strong pricing power pretty much across the portfolio, in softer markets, that becomes a little bit more of a challenge. But I think as you saw back in kind of 2023-2024 time frames, the company moved almost $250 million of price through across the board. So our ability to price is there. We work closely with our customers. We make sure that we generate the value from our products deserve from our customers, and we're also conscious of the competitive environment that they're in some time.

I think this year, there's some standard base price increases that go across the Specialty Additives in our High-Temperature Technologies. There's a lot of pricing power. We've managed to move largely last year through on tariffs had to push that through. And so I think there's -- it's going to be kind of across the board.

I think Erik mentioned about $20 million. I think it's coming -- I don't know if there's one product line more than the other, but I think it's pretty well spread across the business in terms of being able to keep up. We also note that making sure that our pricing has to more than take care of our input costs to make sure we maintain our margins. So we're conscious of that as well, Peter. So no specific area, but we do have capability push to move price as needed across the board.

Peter Osterland - *Truist Securities - Analyst*

Very helpful. And then lastly, I just wanted to ask, you called out that you're expecting to have at least 10 installations of Fluoro-Sorb later this year. I was just wondering what's the approximate revenue potential associated with those installations. And how long does that take to ramp?

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

Yeah, maybe I'll start and I'll let Brett talk a bit more about Fluoro-Sorb in general. These are probably smaller installations still. These are smaller utilities that are coming in place. They are, I guess they're called tank renewals, so we're putting in the media into tank systems that will get renewed. Maybe a couple of times, three times per year, so those change outs aren't super high revenue.

But as we get them put in place, that kind of feeds more opportunities because they get more use and they get more storytelling around their capabilities. And so it's more of an indication of more the acceleration of use of Fluoro-Sorb. I think the revenue this year will probably grow a couple of million dollars from those installations. But I think more importantly is that the number of installations and trials that's going on right now, we're talking a couple of hundred, I believe, trials across the United States and into Europe.

That really bodes well for as this accelerates towards some of the regulation changes more quickly more installations and take up the Fluoro-Sorb are over the coming years. So Brett, and you want to give any more color than that, what's going on specifically in the US?

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

Sure. Thanks Peter. Yes, when we look at Fluoro-Sorb right now, as Doug pointed out, we -- the progress continues to go pretty well for us. It's really despite the regulatory delays that we've seen. Full year growth of sales was around 20% year-over-year last year. We have eight full-scale drinking water projects underway.

And as Doug mentioned, we have a pipeline of 10 more wins that Fluoro-Sorb has been selected for the adsorbtive media this year. So interest is not only in the U.S. Doug just mentioned, Europe is really picking up interest. What we're seeing now is in Germany, Sweden and the UK are actively piloting the Fluoro-Sorb. And we're working with the German EPA to gain approval of the Fluoro-Sorb for drinking water applications.

France just recently added a full-scale drinking water pilot in Belgium and Sweden. They continue to pilot in situ PFAS remediation projects with our Flouro-sorb. So we remain really confident in our product and its performance. And really, we fully expect it to continue to commercialize the Fluoro-Sorb programs to remove the PFAS. So we're still really excited about it, and we anticipate a continual growth in this product line.

Operator

The next question is from David Silver with Freedom Capital.

David Silver - *Freedom Capital Markets - Analyst*

I'm going to follow up on a couple of areas first. But I did want to touch -- go back and just touch on your comments about pet litter. So I think for 2025 as a whole, maybe revenues were up, I don't know, low single digits. I'm guessing slanted towards the back half of the year, as you pointed out. But in there, I guess, there's a volume component and a price component.

And as I recall, earlier in 2025, you did make some adjustments to support on price to support your customers there. So I was just wondering, firstly, could you just break down the pet litter growth in terms of delta on volume versus price? And then secondly if you can make a comment about the pricing outlook for 2026. In other words, is that customer support kind of still in place or are there prospects for recouping some of those reductions?

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

Yes. The pricing was actually relatively minimal, the pricing impact. We did in some instances give on some pricing, but that would be exchanged for volumes. And so from a margin perspective, it's actually accretive to margins because getting more volume flowing through those plants can be very beneficial for us. So I would say some targeted pricing adjustments in some areas, but certainly not across the board. That's I guess the other part of the question was on volumes. Mostly Volume.

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

Yes. The challenge of the revenue this year was mostly volume, and it was due to kind of competitive -- the collapse of the delta between brands as they discounted in private label. And so we've made those adjustments. Some like Erik said, some of that was priced, but the majority of that we've regained through promotions and packaging and working with our customers. Again, they are the retailers and making their product that we supply them more valuable on the shelf.

And so mostly volume, David, a little bit of price. As we go forward, though that - what I referred to about $25 million, $30 million is pretty much all volume. That's coming through at average prices, I think, with these major retailers, but it's coming through all volume and different regions. And as Erik mentioned, hitting some new distribution centers that we hadn't had before.

So we've secured that business. And yes, the customer has to buy it still. But we're pretty confident that that volume is coming through. And that should solve some of the absorption challenges, the productivity challenges and start to fill up these plants that we just built, so we're excited about that.

David Silver - *Freedom Capital Markets - Analyst*

Okay. Great. Second topic would be on the refractory side; I did take note that your -- you had the six new Minscans to be commissioned. Just to focus on that, should I assume that that to be commissioned in 2026?

And then secondly, there was a certain size on average of the previous batch of, I think, 5 Minscan commissions, maybe $100 million of total revenue for.... Are these -- is this batch of six? Is that similarly sized? Or how should we think about that?

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

Well, let me take you through. I think the $100 million was kind of the addressable universe of what we think -- there's I don't know, Brett, there's 130 different electric arc furnaces in North America and Europe, that we're targeting. So this is a large addressable market for this. It's going to take some time, obviously, for customers to want to adopt this technology. It's largely been here in the United States and driven by safety concerns being able to put the device in the plant on the furnace, being able to remove anybody from near that furnace for safety concerns, but then being able to scan, measure and very efficiently deploy our refractory material through the machine.

So we see a large market for it. We have -- each of these come with about a five-year contract. I think we've secured over the five-year period for these, it would be about $100 million. But so you're talking about $20 - $17 million, $20 million a year from what's been installed. So it's a good business model, long-term contracts, there's a large addressable market.

It's using our higher-performing refractory products, and I'm probably taking stuff that Brett should be talking about, so I'm going to pass it to him.

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

Thanks, Doug. David, I think that covered a lot of it. But as Doug mentioned, look, the program really was designed for safety and improved operations. I mean it's really customized application technology that has really grasped the industry. And it's for the electric furnace steelmakers.

Over the past few years, we've signed 18 agreements, and the values probably, as Doug said, actual, it's $150 million over the life of the agreements. And the positive thing about this program is we're keeping the refractory business that's a daily program for five years at a minimum. So we do see a lot of runway in this technology. When you look at just Europe and the United States, which are our two largest markets, we see, at least, as Doug mentioned, probably 130 targeted projects and we have a pipeline in hand that continues. So we feel really good about it.

You asked a question about installation, yes. There are six additional units to be commissioned this year. Those units are going to go throughout the year. We have probably half of them going in the first-quarter, or first half of the year and then sometimes they move out a little bit. But yes, six will be commissioned. And one of those is in Europe. So five of those in the U.S., one in Europe. So again, our pipeline remains really strong. We feel really good about it. And we're bringing in products that adapt to it.

I had mentioned before about banks and bottoms. These materials that don't aren't a gutting product, they actually go to the bottom where it's beneath the molten steel. These products were launched last year, early first half, by the second half, our momentum really the trajectory just skyrocketed. So we doubled our growth business in the refractory group, and we expect to do that again this year. And it's because of these new products, not only in the furnaces, but also in the steel ladles which carry the molten steel to the continuous caster.

So we're really excited about this business, and it's doing very well. I hope that answers your question.

David Silver - *Freedom Capital Markets - Analyst*

Yes. No, I appreciate all the color. And while I have you, Brett, I did want to maybe ask a follow-up question on Fluoro-Sorb. Let's see. Earlier in 2025, I guess the EPA went and extended the timelines for drinking water authorities to make -- to pick a remediation plan and then another two years in effect to actually install it. And I'm just wondering how you are thinking about maybe the adoption curve in the wake of those extended timelines.

So in other words, should we just push -- I assume there would be a certain rate of adoption that would start to spike as the deadlines approached. Is that still the right way to think about it, push out the growth maybe a couple of years?

Or is this the case where you think there might be more early adopters since the number of potential customers have already been trailing it thinking that there was a shorter timeline. So in other words, should we just push out the growth curve for Fluoro-Sorb two years? Or is there a reason to think that adoption might occur a little more quickly despite the lengthier timelines that the EPA established?

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

Yes. Great question, David. Look, the current US EPA drinking water limits are set for 2029 and there has been some discussions about a reset 2031. The timing could determine an inflection point for the take-off of this product line. But to be honest with you, we've seen a lot of drinking water utilities, although they've delayed major projects, the amount of trial activity and opportunities and inquiries has significantly increased. So I think what's happening is we're starting to see extra trial activity because of the extra time. So it could be benefiting us, although we'd like to see the sales take off immediately. It is allowing us to prove this product really well.

So that's why I think we're starting to see more and more activity. But keep in mind, I mentioned earlier about the European activity and that's starting to take off and there are different regulations there. So we're working with the German EPA. We're working with all these other countries just to continue to drive this product. So we're not slowing down regardless of the regulations. Maybe a trajectory point will be determined by when it is drawn in stone, but we're going to continue to blow forward and drive the sales.

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

And I think as Brett mentioned, David, the extra -there could be an extra year delay, but that extra time is being used to really solidify Fluoro-Sorb in these facilities. And so it's been a good thing from a trial activity. We think that that's going to make a really solid solution here in the United States as that inflect. And in the meantime, we're also working like I'm just repeating Brett - other countries.

So we do think that the revenue trajectory with the breadth of the regions that we're addressing might actually be the same of what we thought two years ago. So even with the delay.

David Silver - *Freedom Capital Markets - Analyst*

Okay. Great. And then last one for me would be on free cash flow. So when I look at the fourth-quarter results there and full year 2025, I mean, I think free cash flow came in a little bit below what I was anticipating maybe early in '25 and middle of '25. I'm just -- we don't get a look at your cash flow statement just yet, but I'm just wondering if you could maybe highlight where you think compared to where you were a year ago, where you think the differences in your free cash flow generation were how maybe working capital or CapEx above earlier projections.

And should we think that there might be a little bit of drag extending into 2026 on that metric? Or will things rebound closer to your long-term targets?

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

Yes. Thanks, Dave. So I think the biggest driver of this year was just the income. If you look relative to expectations we had earlier in the year, the income was lower and that had an impact on our cash flow. Working capital was, I would say, a little bit elevated at the end of the year, a lot of that was FX driven. And so with the weakness in the U.S. dollar that we saw, especially right at the end of the year, you saw an elevated impact on our working capital balances, but we'll realize the benefit of that as we collect the cash that was on our balance sheet at the end of the year in the receivables and as we sell that inventory that was on our balance sheet at the end of the year. So going forward, as I mentioned in the presentation, expecting free cash flow in that 6% to 7% of sales range for the full year, I guess the only other thing I'd mention for the full year last year is we got off to a pretty slow start. We're expecting this Q1 to be better than last Q1 from a free cash flow perspective. But as I mentioned, Q2, Q3 and Q4 last year were all at that 7% of sales range. So company -- nothing has changed in terms of the company's ability to generate free cash flow.

Operator

The next question is a follow-up from Dan Moore with CJS Securities.

Dan Moore - *CJS Securities Inc - Analyst*

All right. Appreciate all the color and almost got away without asking -without the question coming up. But any update on talc litigation? And we still feel like the reserves we've taken thus far sufficient at this stage, really appreciated.

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

Yes, still sufficient, Dan. And look, I think we're making constructive progress. As you know, we're working toward establishing a 524G trust. And we're going to continue to work really hard at that. We're trying to work as expeditiously as possible, but -- and we're committed to the process.

But I will say that we want to make sure that what we create is a fair outcome for everybody and also that it provides finality for the company. And so we're going to continue working until we feel that those two objectives have been met. And like I said, we're committed to a process and we're working at it as fast as possible. But we're making constructive process. That's what I can give you.

Operator

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

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

I just want to say thank you for everyone joining today. I also want to again reiterate to those at MTI. Really appreciate your work in this past year. More to do, and thank you very much on the safety front. Again, more work to do, but thank you very much for the efforts and we'll talk to you in another three months. Thanks. Bye.

Operator

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