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✓ **Company Participants**

Rosemarie J. Morbelli - Gabelli Funds LLC, Portfolio Manager

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

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## **MANAGEMENT DISCUSSION SECTION**

### **Rosemarie J. Morbelli**

So it is now my pleasure to introduce the management of Minerals Technologies. We are fortunate to have Erik Aldag, the company's Chief Financial Officer since 2022. Erik joined the company in 2017 as Director of Financial Planning and Analysis. Prior to joining MTI, he served – he held several managing and financial position at Arconic, formerly Alcoa.

Also with us is Lydia Kopylova, Vice President of Investor Relations. Lydia joined the company in 2021 as Vice President of Corporate Development. Prior to joining, she was with McKinsey.

So Minerals Technologies is a resource and technology company focusing on minerals-based products and systems. Since its acquisition of AMCOL in 2014, the company serves multiple, less cyclical end markets compared with its previous main exposure to mostly paper and steel, with a focus on consumer-oriented product lines and end markets. In 2023, MTI reorganized its operating segments to better reflect management's internal focus and we can already see the positive results.

MTX has 31.9 million shares outstanding, the stock price of \$68, market cap of \$2.2 billion, net debt of \$634 million for an enterprise value of \$2.8 billion. I will now let Erik bring us up to date on the company's operations and talk about the benefits resulting from its new organization, entry into new markets, as well as the outlook for the future. Erik?

### **Erik C. Aldag**

Okay. Thanks, Rosemarie. Appreciate that introduction. Good morning, everybody. Thanks for your interest in MTX. I have a few slides to get through here and then we'll have some time for questions. So if you could just flip to the next slide, please, or I'm controlling it. Sorry. Okay, that's easier. So this is just boilerplate language. I'll be mentioning some forward-looking statements and using some non-GAAP measures here. So just take note of these cautionary remarks.

So why Minerals Technologies? This is essentially our investment thesis for you all, where we've got leading market positions across all of our four product lines. And I'll describe those in a few minutes here. We've got a balanced portfolio of consumer and industrial businesses. And as Rosemarie alluded to, this portfolio has really evolved over the last 10 years and more and accelerated over the last five years from one that has been more industrial and cyclical to one that is more balanced with more of a consumer-oriented side.

And the reason that's important is that it helps balance out and stabilize the long-term growth profile of the company. And we think that that is still an underappreciated aspect of the company. Its ability to generate long-term growth through the cycle by virtue of the fact that the portfolio has evolved over time.

We have multiple levers for organic growth and inorganic growth, and I'll touch on those. We've got a really attractive financial profile. The company has always been a strong cash flow generator. And importantly, while setting the company up for higher levels of growth, we have not sacrificed the cash flow generation profile of the company. So the company remains a very strong cash flow generator that provides a lot of optionality for us in terms of shareholder returns and also growth going forward. And we've got an experienced leadership team with a lot of industry experience.

Okay. So just high level here. We're a global specialty minerals company, \$2.1 billion in revenue, 4,000 employees. We operate around the world in 34 countries. And we're technology-focused. We've got 12 R&D centers around the world. Our products are an essential part of your lives, probably more than you realize. We're generating products that we're either putting them on the shelf and you're using them in your day to day lives, everything from personal care products to cat litter or our products are going into other – our customer's products as additives. And you're coming across them in your daily lives.

We've got a global footprint aligned with our customers and our growth opportunities. And importantly, we're vertically integrated from the mine to the market. So that provides a competitive advantage for us and insulates us from a lot of the challenges around inflation and tariffs that we're hearing about, specifically.

In terms of the regional mix, where a little over 50% North America, most of that is the US, 25% EMEA, a little less than 20% Asia and a small percentage from Latin America. So we report in two segments. As Rosemarie mentioned, we re-segmented the company in 2023 from more of a legacy mix of businesses that were really a function of what we had acquired over time to, this is a better reflection of what the company is. It's a balanced portfolio. There's a more consumer-oriented side. We call that segment Consumer & Specialties, and there's a more industrial side. We call that segment Engineered Solutions.

And we report in four major product lines. You can see listed here on the screen. I'll start on the Consumer & Specialties side of the house. In general, these are more consumer-oriented products, as I mentioned. These are either ending up on the shelf or our products are going into our customers' products that are ending up on the shelf.

Starting with the Household & Personal Care product line. This is our most consumer-oriented product. This is our mineral-to-market or even mineral-to-shelf product line. These are things like cat litter, personal care. So skin creams, Retinol, delivery devices, also natural oil purification. So edible oil purification, but also increasingly renewable fuel purification as part of this product line. And then animal health and agriculture applications as well.

The Specialty Additives product line, these are more mineral additives and they go into end markets ranging from food and pharma, residential construction and also paper and packaging.

Over on the Engineered Solutions side of the house, this segment is less about products and more about helping our customers with their processes and delivery of their projects. So we have two product lines here. One is High-Temperature Technologies. So this product line is serving the steel and the foundry industries. We're basically delivering engineered blends to the foundry industry to help them make their molds that they're making the cast products from. And for the steel industry, we're helping them maintain and extend the life of their furnaces by not only delivering the product which gets gunned on to the interior of the furnace walls, but also the application equipment.

And this has also been a growth area for us. We have automated, laser measurement and application equipment that we've been selling to steel customers to help them make their shop floor safer and their processes more efficient with this automated equipment.

And then finally, the Environmental & Infrastructure line. It is what it sounds like. It's mostly project-based, serving needs around environmental remediation and infrastructure and building materials type of projects. So we've got leading market positions across our product lines.

So where does this come from? This slide is a little bit about what makes us unique and what gives us our competitive advantage. And some of these are hard to read, but I'll just summarize at a high level. It's not only the differentiated reserves that we have and the minerals that we mine are primarily bentonite and calcium carbonate. We have deep, long lived and unique reserves in terms of not all bentonite is created equally around the world and not all calcium carbonate. So we have unique mineral reserves, but on top of that, we have these four core technologies we have listed on the screen and a deep application expertise so that we can help our customers make their products better and make their processes more efficient.

And so it's the combination of those two things, combined with our deep understanding of what our customer's needs are, the global reach of our mineral reserves and our innovation focus that results in these number one positions that you see on the right-hand side. And I won't go through all of them.

We've got multiple levers for organic growth. So, we held an Investor Day in 2023 where we came out with long-term, five-year growth targets and income targets. And we laid out the view there that the company is capable of mid-single-digit growth through the cycle and that still holds. So through the cycle, this portfolio should be growing at 4% to 7%, and that's from the expansion in the higher growth consumer-oriented markets that I've talked about, deepening our positions in our core markets and geographies and from new product development, which has been an increasing source of growth for us. And we've got growth opportunities in each of the four major product lines.

In Household & Personal Care, it's growth from cat litter. That's a good steady grower for us and we're growing above the market in cat litter. And then, we've got some other smaller, high margin, consumer-oriented products that we're growing share in.

In terms of Specialty Additives, the opportunity for growth here is really continued penetration in Asia of our products, as well as more sustainable solutions, recycling solutions for paper and packaging manufacturers, and also innovative solutions for lightweighting and bioplastics more recently.

On the High-Temperature Technologies side, the growth is coming from penetration in Asia of our blended technologies. So these are under-penetrated markets, massive market opportunity that we've been growing in for a long time, namely India and China, and also these automated solutions that we're selling into the steel market that I mentioned.

And in Environmental & Infrastructure, we've got some really interesting remediation technologies in that PFAS specifically, but other contaminants as well and demand growth from infrastructure-related technologies. So everything from hardening of the grid, that's a big demand driver, but many other sources of growth from infrastructure-related products.

So we've got products and solutions that are aligned to key secular trends. The really fascinating and amazing thing about the minerals that we use and the technologies that we can apply to them. We can do a lot of different things for our customers and we have some of these, we call them beneficial attributes and functionalities that we can help our customers with. But these minerals do a whole lot, and especially combined with the technologies that we apply to them. You can see the list of all the types of things that we can provide, but everything from odor elimination when it comes to cat litter, lightweighting, strengthening

when it comes to plastics and things like that, energy savings, recyclability, fluid filtration. And so that results in a new product development portfolio, that's two-thirds – two-thirds of the portfolio has a sustainability benefit either to MTI or to our customers.

And you can see on the right-hand side, we've got products and solutions that are targeting all of these key trends. I won't go through all of them right now.

Company's got a really strong financial profile. Balance sheet is in great shape. We've got total liquidity of around \$700 million. That consists of cash and cash equivalents of over \$300 million and availability on the revolver. As I mentioned, we've been a strong cash flow generator and that continues to be the case. We target around 7% of our sales to drop down to free cash flow on average.

The debt maturities, the debt profiles are in great shape. We just refinanced our Term Loan A last year in November into a Term Loan B due 2031. So no near-term maturities. We've got the notes due 2028, \$400 million of notes.

And in terms of capital deployment, our approach, we have a balanced approach to capital deployment. And that is, when we're at or below 2 times net leverage, like we are today, we're at 1.6 times net leverage, we look to steer about 50% of our free cash flow to shareholders. That's through our dividend and through our share repurchase program. And we keep about 50% on the balance sheet to continue to de-lever, but also for strategic M&A.

Last year, we increased the dividend by 10%. That follows the doubling of the dividend the prior year. And we also announced in November a new \$200 million share repurchase program that we're executing on and will execute on over the next several years. We had a really strong year last year.

Sales were relatively flat. We had some mixed market conditions, particularly on the industrial side of the business towards the end of last year, things started to slow down. However, we had record income, record EBITDA, record EPS. You can see these growth numbers here, pretty significant growth, 16% up on operating income, 10% up on EBITDA, 18% growth on EPS. Pretty strong financial result last year.

And this is the outlook we gave at the end of, well, beginning of this year, I should say, for our fourth quarter earnings call. We do see a stronger year of growth in 2025. There's obviously a lot of uncertainty out there right now. And we guided to a softer first quarter and it will actually be softer than last year based on what we guided to. And that's for a number of reasons. Things got off to a slow start, but we're seeing some customers shift around their order patterns, take a more cautious view towards inventories. Some of that we feel is likely tariff-related. And just because of the uncertainty out there, customers are taking a more cautious stance. Could also be related to some potential softness on the consumer side, as customers are looking to stretch their dollar a little further. But we are expecting a stronger year overall. And we've got a number of reasons to feel confident about that.

Namely, it's clear line of sight to growth in cat litter. These are account by account new business that we have line of sight to that we expect to have some growth this year versus last year. And these other high margin specialty consumer products, we expect to continue on their growth track. And we're talking double-digit growth levels for these smaller products and as they grow, become a bigger part of the portfolio, they're having a bigger impact on the overall top line of the company.

On the more industrial side of the house, as I mentioned, things slowed down a bit towards the end of last year. So we're starting a little slower there. But we have a lot of reasons to believe that things are going to pick up in the second quarter. We're hearing from customers, particularly on the steel side of things, our businesses, majority US steel, majority in the US steel market. And we're hearing pretty positive things from our customers in that market for the second quarter and as well as foundry.

Foundry was really affected last year by the agricultural equipment market. So think John Deere type equipment or castings that go into those machines, but things have pretty much leveled off there. And so the business is fairly stable and we're continuing to grow in Asia as I mentioned.

And importantly, the Environmental & Infrastructure product line last year through the first three quarters was down around 15% and that masked a lot of the growth that was happening around the rest of the company. That product line leveled off in the fourth quarter. And so we're seeing that activity level off and we're seeing more promising green shoots of potentially seeing an inflection in that product line for 2025. So a lot of reasons to believe here that we're going to see a stronger year from the top line perspective versus what we saw last year.

These are the five-year targets that we laid out at our Investor Day in 2023. Just wanted to remind folks of those. So as I mentioned, expecting the company to grow mid-single digits through the cycle. Margin improvement, our target was to go from 12% operating margin in 2022 to 15% by 2025. We hit that target a year early last year, okay? So, very strong margin improvement for the company and we're expecting to hold or improve upon that this year.

The operating income growth is just a function of the sales growth and the margin improvement. We're expecting continued strong cash flow generation and we're going to be maintaining a strong balance sheet.

So that's really all I had. We think we've got a pretty powerful combination to drive shareholder value at MTI. We do have a strong culture and it's really a foundation of operational excellence. This continuous improvement mindset is deployed from the top-down all the way to the shop floor. Our employees generate something like 60,000 suggestions every year and we implement 70% of those on average. And each one of those suggestions for improvement represents an incremental improvement that as a whole becomes very hard to copy and really helps us maintain our competitive advantage.

The MTI business system. Just a few words on that. We have a really structured way of running the company. We've got our business units that have full P&L and balance sheet accountability, but we have our resource units that provide all the support that they need to run their businesses. We have a global single instance ERP system that we run all of our transactions through. And so this kind of a fixed cost platform is very efficient. And the reason that's important is we can put in bolt-on acquisitions, we can grow organically without adding significant fixed cost. We've got a great platform for growth in terms of the MTI business system.

We've got the global mineral reserves. That's where it really all starts. And the financial strength which is grounded in the cash flow really to support all of these initiatives. And so that's pretty much all I had to share for the prepared remarks, but happy to open it up for questions.

## QUESTION AND ANSWER SECTION

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Rosemarie J. Morbelli

**Question – Rosemarie J. Morbelli:** Thank you, Erik. That was a great overview of MTX, which is not that easy a company to follow in terms of all of the different market, end markets that you serve. So if we look at pet

care, for example, which is the largest category of the Household & Personal Care segment, can you touch on its current size, the anticipated growth rate by region, and discuss the main growth categories outside of pet within the Household & Personal Care category?

**Answer – Erik C. Aldag:** Sure. So first of all, can I sit here next to you?

**Question – Rosemarie J. Morbelli:** Yeah, sure.

**Answer – Erik C. Aldag:** Okay. All right. I'm on this (00:20:11)?

**Question – Rosemarie J. Morbelli:** Yeah, yeah. It is on.

**Answer – Erik C. Aldag:** Okay. So, yes, the pet care business has grown from something like a \$70 million business when we acquired a company called AMCOL in 2014 to now, it's over a \$400 million business. And so it's our largest by a good margin sub-product line. And the growth in that business has helped to stabilize the overall growth rate of the company, as I mentioned. And we expect that to continue going forward. We have grown it inorganically and organically, but going forward, what we like about it is and we primarily play in the private label market, but the private label market for cat litter is growing at 4% to 5% on average. That's in North America and Europe.

In places like China that are underpenetrated from a bentonite-based cat litter perspective, it's growing faster than that, 7%. So, and we can grow faster than the market by introducing new technologies and just being a better partner to the retailers and even the branded cat litter providers out there because of the mineral reserves that we have, the operating footprint that we have, and the technologies that we can apply to serve our customers. So it's a great growth platform for us.

**Question – Rosemarie J. Morbelli:** You have grown that business via acquisitions and you added reserves, for example, in Turkey with a white bentonite, which I understand is a high end cat litter. And then, you have recently made acquisitions, one from Canada, for example, and one in the US, I believe. Can you touch on how they are operating and what you see going forward for that particular category in terms of more acquisitions, diversification and so on?

**Answer – Erik C. Aldag:** Sure. Thanks. So, yes, we acquired a company called Sivomatic based in the Netherlands that gets its clay from Turkey. So a Netherlands-Turkey-based company, that was in 2018. So that expanded our cat litter presence into Europe. And then we acquired a company called Normerica, a Canada-based company with a US footprint as well in 2021 and that expanded our operations footprint in North America.

So we have a really solid footprint now in terms of North America and Europe cat litter. We're growing organically in Asia in terms of building out some capacity there. So the footprint is there. Going forward, there could be a bolt-on here or there for additional reserves. It's always good to have more reserves, more clay reserves for this business. But we are – but we have the footprint established, we have over the last several years been gaining efficiencies in these businesses, bringing – these were privately held companies previously. And so we've done a lot of work on driving efficiencies, variable conversion cost per ton, productivity in terms of tons produced per hour worked. And we've made a lot of progress and improved margins significantly in that business. So a good portion of the margin improvement that you've seen from the company over the last three to four years has been coming from the cat litter business.

**Question – Rosemarie J. Morbelli:** So just one last question on that topic. You said that China is growing at about 7%. I am assuming it is expensive to ship clay. Is there – do you have reserves in that particular region or do you need to acquire some?

**Answer – Erik C. Aldag:** We have reserves in China, so we have our own mine there and we also source locally from other bentonite providers there.

**Question – Rosemarie J. Morbelli:** Any questions from the audience before I move on to the next topic? Yes, there is. If you could wait for a microphone, please. There you go.

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Unidentified speaker

**Question – Unidentified speaker:** Has President Trump's written tariffs influenced your company?

**Answer – Erik C. Aldag:** So similar to the previous company that was presenting, we do primarily source and sell locally and so that holds true for the US, China. We are a local provider where we've got, as I mentioned, mines. The supply chain is primarily local to where we're selling and we're selling locally in those countries.

We do – we buy a small percentage of our cost of goods sold, less than 5%, or, I should say, we import less than 5% of our cost of goods sold. So some of those would be subject to tariffs. We laid this out on our fourth quarter earnings call. It's a couple of million dollars in terms of the grand scheme of things as an impact. And we have ways of mitigating that. We have alternate sources, we have ways of working with our customers to mitigate that impact.

What is a little bit more uncertain is potential impact on end markets. And so that's what we're paying close attention to. We serve the automotive industry here in the US. We serve the construction market here in the US. And so, it remains to be seen if there's a significant tariff, say, with the North American countries between Canada, the US and Mexico, whether that's going to impact those end markets. But I would say, from a cost perspective, we're relatively insulated.

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Rosemarie J. Morbelli

**Question – Rosemarie J. Morbelli:** Water remediation is a hot topic and PFAS is regularly in the news. Can you update us on your FLUORO-SORB product line, the number of trials and the potential for this category? Do you need regulations or is demand actually ahead of specific requirements? And who knows what, if those regulations will be eliminated, but if they are, what do you see companies doing? I mean, I presume they are going to continue moving on in that particular – in that particular way, removing it?

**Answer – Erik C. Aldag:** We think so. So there is a lot of uncertainty right now around regulation and where that's headed. But the fact is we have a very effective product for removing PFAS from water, from the environment. And we have – we've had success with this product already. It's gaining traction. Even in the first quarter, we've had success with a large drinking water utility in New Jersey. And the thinking is we've got a good product. It's effective. It's cost effective for the utilities. We have 250 pilots running around the world and the thinking is, if a utility – if a water utility knows that they have an issue, they're not going to wait for a regulation to remediate it. There'll be enough consumer push for them to want to do it beforehand. And that's what we've seen.

The drinking water regulations that are in effect don't actually require remediation until 2029. But we've seen utilities acting before that deadline because they know they have an issue and they want to provide clean drinking water for their consumers.

Well, we have run out of time, which is unfortunate because I had a whole list of questions. But Erik will be available during the lunch, which is about to occur now. We will resume at 12:30 with the presentation with the management of Chemours. So thank you, Erik. We really appreciate you being here.

Thank you. Thanks so much.

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