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PRESENTATION

Operator

Good day everyone, and welcome to the Fourth Quarter 2021 Minerals Technologies Earnings Call. Today's call is being recorded. At this time, I'd like to turn the call over to Erik Aldag, Head of Investor Relations for Minerals Technologies. Please go ahead, Mr. Aldag.

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

Thank you, Katie. Good morning, everyone, and welcome to our fourth quarter 2021 earnings conference call. Today's call will be led by Chairman and Chief Executive Officer, Doug Dietrich; and Chief Financial Officer, Matt Garth. Following Doug and Matt's prepared remarks, we'll open it up to questions. I'd like to remind you that beginning on Page 15 of our 2020 10-K, we list the various risk factors and conditions that may affect of 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. Now, I'll turn the call over to Doug. Doug?

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

Thanks, Erik. Good morning, everyone, and welcome to today's call. I'll walk you through our results for the fourth quarter and the full year of 2021. I'll also give you my insights on the year, focusing on our key financial and strategic highlights as well as the various dynamics we faced and successfully managed through. Matt will then discuss our financial results in more detail and outline our first quarter outlook. Following that, I'll finish up by describing how we see 2022 shaping up as a strong year for us, touching on our key priorities, growth initiatives and market conditions.

Let me start by going through the takeaways for the fourth quarter, which concluded a very strong year for MTI. Market demand continued to remain robust, and we delivered sales of $477 million, 10% higher than last year and earnings per share of $1.25, an increase of 16%. Despite the market conditions, this is by far the most difficult operating quarter of the year as we had to navigate through a variety of inflationary and logistics pressures, which became more pronounced late in the quarter.

Cash flows remained solid through the fourth quarter, capping off a strong year. Operating cash flow was $69 million and free cash flow was $46 million, and we made progress to lower our debt levels by paying down $20 million of debt.

Let me share how the quarter played out from an operational perspective and the actions we put in place to address the rapidly changing conditions. Heading into the fourth quarter, we anticipated that inflationary costs and logistics and supply chain challenges would persist, and we have positioned ourselves to recover these costs through implemented pricing actions. While much of this transpired as expected, we experienced significant additional cost escalations, notably due to rapid energy price spike in Europe.

We also saw increase -- an increase in supply chain disruptions, mainly due to truck and rail availability for shipments. This was exacerbated by COVID-related labor challenges, primarily in the last month of the quarter. The combination of these dynamics led to higher plant operating costs and delayed shipments, resulting in about $5 million of reduced income in the quarter. Despite these circumstances, our global team did a great job executing, adjusting operating schedules, securing freight logistics and taking further pricing measures.

Our order books remain robust, and the actions we've taken should more than recover the additional cost pressures we faced, setting us up for a stronger first quarter. On the growth and business development front, we had several highlights during the quarter. The integration of Normerica is progressing well, and we executed on significant opportunities in the quarter to grow our Pet Care business further in 2022. We also made a small acquisition of a specialty PCC assets in the Midwest U.S., which strengthens our logistics and manufacturing capabilities. In addition, we signed 2 new satellite contracts in Asia, one for a PCC facility in India and another with a packaging customer in China. All in all, it was a productive quarter from a growth perspective, and the operating and pricing adjustments we've already made position us well for a stronger start to 2022.

Before Matt gets into the financial details for the quarter, I'd like to review some highlights from 2021. It was a strong year for MTI, as our business recovered from the 2020 COVID demand lows to deliver record results. We accomplished this through a combination of operational execution and a focused commitment on advancing our key growth initiatives, which have meaningfully shifted our sales portfolio to be more balanced and stable. To demonstrate this transition over the past few years, revenue from our consumer-oriented businesses has doubled and today, they comprise 30% of our total sales portfolio. It is this portion of our portfolio that's positioned in higher growth non-cyclical markets.

First and foremost, we delivered record annual sales and earnings per share for our company. Sales increased 17% over last year to $1.9 billion. Operating income was up 13% to $241 million, and our earnings per share grew 26% to $5.02. Serving our customers and innovating to grow with them is what motivates our team. We continue to accomplish this, while navigating through complex and rapidly changing conditions during the year. We operated in an environment with sharply rising input costs, which required frequent operational adjustments, strong supply chain management and process improvements. Our teams work closely and transparently with our customers to manage through these dynamics, and we were successful in implementing a broad array of strategic pricing actions across our portfolio to offset the $50 million in extra costs we had to absorb.

The past year required a significant amount of agility from our employees, and I'm proud how they engage to drive improvements, efficiently run our operations and support our customers' evolving needs. Generating strong cash flow, further strengthening our balance sheet and maintaining flexibility with how we deploy our capital are priorities. Our financial position gives us significant optionality to allocate capital to shareholders, while also investing in attractive growth opportunities. We demonstrated this in 2021 by deploying $86 million to fund high-return organic projects as well as to maintain and improve the performance and safety of our facilities. We acquired Normerica and the Specialty PCC assets, while also returning $82 million to our shareholders through share repurchases and dividends. Our balance sheet remained strong, and we kept our net leverage ratio near our target level of 2x EBITDA.

Now, let me take you through how we advanced a broad range of initiatives, which sets us up nicely for continued growth in 2022. I'll start with our consumer-oriented products. Most of these businesses are in our household, personal care and specialty product lines, and they performed very well with sales growth of 21%. This growth is a result of our positions in these structurally growing and stable markets and has been bolstered by our investments in new technologies, capacity expansions and through extending the geographical reach of these businesses. Normerica acquisition is one of those investments as it further expanded our Pet Care business in North America. We've also realized significant sales increases in other specialty applications, such as edible oil purification and personal care, which grew by 48% and 80%, respectively, last year.

The next part of our growth strategy that we delivered on during the year was expanding our core product lines in faster-growing geographies. Our Metalcasting business continues to grow globally, leveraging our blended bond system value proposition with customers in large foundry markets. Metalcasting sales were up 21% in Asia as we expanded our customer base and further penetrated into China with sales of our pre-blended products increasing by 20%. We continue to demonstrate our value in other countries and specifically in India, where sales of our blended products were up nearly 40% in 2021.

Our PCC business continues to grow geographically with a 22% sales increase in Asia. We benefited from 280,000 tons of new capacity that came online over the past year. In addition, we signed 2 new satellite contracts in 2021, totaling around 70,000 tons, which will be commissioned by the end of this year. And we're growing in our core markets. Our Refractory segment is a great example of this as we've captured significant new business in the electric arc furnace market. In 2021, we signed long-term contracts worth $100 million through the deployment of our new portfolio of differentiated refractory products and high-performance laser measurement solutions.

Another area where we've successfully driven new profitable growth opportunities is by tapping into attractive adjacent markets through our broadened product offering. I'll highlight a couple of areas for you. We signed a long-term agreement in December to deploy ground calcium carbonate technology for a new coated paperboard mill in China with a premier packaging customer. And we're really excited about this one as it's MTI's first GCC satellite offering specifically tailored for packaging customers and represents a fundamental step in our ability to drive new growth opportunities in the white paperboard market. In addition, we have several trials underway with other technologies in both the white and brown packaging space.

I've talked to you about our broad capabilities in water remediation and the traction we've made with FLUORO-SORB, our proprietary solution for remediating PFAS contamination in groundwater. 2021, we completed our first major commercialization for a large-scale project, and we generated interest in several other large drinking water and soil stabilization projects. Our growth this past year in wastewater remediation was 15%, and we see this trajectory continuing in 2022.

New product development is an integral part of our growth strategy, and we've made significant strides to improve the speed of execution, increase the number of products commercialized 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 during the same time frame, we've increased the sales generated from new products by more than 60%. In addition, half of our new products are geared towards a sustainability solution for either MTI or our customers. And lastly, we strengthened our company through the acquisition of Normerica, which met all of our M&A criteria. The addition has made us one of the largest vertically integrated private label pet litter providers globally. And as the commercial and operational integration progresses, we see a clear pathway to drive higher growth rates and profits in our Pet Care business.

All told, this is a really productive year for us on all fronts. I'll come back to share my perspectives on the year ahead, but to sum up -- but [some of our growth achievements] in the past year puts us in an advantageous position for a strong 2022.

With that, I'll turn it over to Matt to take 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'll review our fourth quarter results, the performance of our segments as well as our outlook for the first quarter. We'll then turn the call back over to Doug for some additional perspectives on the year ahead. Now, let's review the fourth quarter results. Sales in the fourth quarter were 10% higher than the prior year and 1% higher sequentially. Organic growth for the company was 4% versus the prior year, and the acquisition of Normerica contributed the remainder of the growth. Operating income, excluding special items, was $54.7 million and operating margin was 11.5%. The year-over-year operating income bridge on the top right of this slide shows that we experienced $27.4 million of inflationary cost increases versus the prior year, which we offset with $18.6 million of pricing.

In addition, supply chain challenges, including trucking and labor availability, resulted in a delay of volumes from the fourth quarter, particularly in our Processed Minerals and SPCC product lines. The sequential bridge on the bottom right shows how inflation continued to accelerate from the third quarter to the fourth quarter. And heading into the quarter, we expected the pace of inflationary costs to moderate from the third quarter, and we expected to recapture some margin with our planned price increases.

As we move through the fourth quarter, inflationary costs accelerated to nearly $10 million, including higher energy costs in Europe and Turkey. We were able to mitigate the unexpected increase with additional pricing in the quarter. However, a portion of the necessary price adjustments could not be passed through contractually until January 1. In addition, logistics and labor availability challenges resulted in shipment delays, lower productivity at our facilities and ultimately, higher per unit production costs in the period. These challenges, including the delayed sales volume and the unexpected spike in energy costs, resulted in approximately $5 million lower operating income than we originally expected for the quarter.

We've already made additional price adjustments in January, and our pricing is expected to exceed inflationary pressures, expanding margins in the first quarter. We also expect to catch up on the operational challenges we faced in the fourth quarter. Meanwhile, we continue to control overhead expenses with SG&A as a percentage of sales at 10.8%, 80 basis points below the prior year.

Earnings per share, excluding special items, was $1.25 and represented 16% growth versus the prior year. Earnings per share benefited from foreign exchange gains, driven by the depreciation of the Turkish lira as well as lower interest expense and a lower share base versus the prior year as we continue to pay down debt and repurchase shares in the quarter. Full year earnings per share was $5.02, a record for the company and represented 26% growth versus the prior year.

Now, let's review the segments in more detail, starting with Performance Materials. Fourth quarter sales for Performance Materials were $256.2 million, 17% higher than the prior year and 2% higher sequentially. The acquisition of Normerica contributed 13% growth versus the prior year, and organic sales contributed an additional 4%. Household, Personal Care and Specialty Product sales were 24% above the prior year and 4% higher sequentially, driven by Normerica and continued strong demand for consumer-oriented products. Despite strong end market demand and a full order book, our global Pet Care sales came in lighter than we expected due to logistics challenges in North America and Europe.

Metalcasting sales were 9% higher than the prior year and 16% higher sequentially, driven by strong demand globally, continued penetration of green sand bond technologies in Asia and the return of volumes from the third quarter seasonal foundry maintenance outages. Environmental Product sales grew 13% versus the prior year on improved demand for environmental mining systems, remediation and wastewater treatment. Building Materials sales grew 21% versus the prior year on higher levels of project activity. Sales in both of these product lines were lower sequentially due to typical seasonality.

Operating income for the segment was $29.1 million and operating margin was 11.4% of sales. Margin was temporarily impacted this quarter by approximately $3 million of logistics challenges and inflationary cost increases that could not be passed through contractually until January 1 of this year, primarily in Pet Care and our Metalcasting business in China. The Normerica business has been navigating the same supply chain and inflationary cost challenges as the rest of our business, and we have deployed pricing and productivity actions to achieve accretion as planned in 2022. Now looking to the first quarter, we see a significant rebound in margins for this segment, driven by pricing actions that went into effect on January 1 and continued strong demand across the product lines. And overall, we expect the operating income for this segment to be approximately 20% higher sequentially.

And now let's move to Specialty Minerals. Specialty Minerals sales were $141.5 million in the fourth quarter, 2% higher than the prior year and 4% lower sequentially. PCC and Processed Mineral sales were both 2% above the prior year. This segment was the most impacted by the spike in energy in Europe as well as logistics and labor challenges we saw in the fourth quarter. Segment operating income was $14.5 million and represented 10.2% of sales. In total, operating income was impacted by $4 million in the quarter, which came from approximately $2 million of unexpected energy inflation and additional $2 million due to the sales and productivity impact resulting from logistics and labor challenges, primarily in our Northeast U.S. plants. Pricing adjustments were made in January to cover these inflationary costs and low logistics challenges continued into January, we do not foresee these challenges persisting through the quarter.

Now moving to the first quarter. We expect higher PCC volumes sequentially on the ramp-up of our new satellite in India and the restart of the satellite in the U.S., and we expect continued strength in Specialty PCC and Processed Minerals. We see margins rebounding to more normal levels based on the pricing we have implemented. We should also see improved productivity in shipment volumes, depending on to the extent to which logistics and labor constraints ease. Overall, for the segment, we expect first quarter operating income to be 20% to 25% higher than the fourth quarter.

And now, let's move to the Refractory segment. Refractory segment sales were $79.2 million in the fourth quarter, 7% higher than the prior year and 4% higher sequentially on new business volumes and continued strong steel market conditions in North America and Europe. Segment operating income remained strong at $12.4 million, 12% higher than the prior year, and operating margin was 15.7% of sales.

Turning to the first quarter. We expect another strong operating performance from this segment with operating income up 20% on incremental volumes from new business. We did see a slight moderation in steel utilization rates in North America in the fourth quarter from the mid-80% range to the low-80s. However, the demand fundamentals for this segment remains strong.

Now let's take a look at our cash flow and liquidity highlights. Full year cash flow from operations was $232.4 million. Capital expenditures were $86 million as we invested in high-return growth and productivity projects as well as sustaining our operations. Free cash flow was $146.4 million. The company used a portion of free cash flow to repurchase $75 million of shares, completing the prior year share repurchase authorization and beginning the new $75 million 1-year share repurchase program that the Board of Directors authorized in October. As of the end of the fourth quarter, total liquidity was over $500 million and our net leverage ratio was 2.1x EBITDA. Our balance sheet remains in a very strong position, which provides us with the flexibility we need to continue to invest in high-value, high-return growth opportunities, both organically and inorganically.

Looking ahead, we expect another strong year of cash flow generation with cash from operations increasing commensurately with higher income. Our capital spend will be in the range of $85 million to $95 million for 2022. We have a solid pipeline of high-return organic growth opportunities, and we plan to deploy capital spend toward these opportunities as well as sustaining and improving our operations. And overall, we expect free cash flow increasing to the $150 million to $160 million range for the full year.

So now, let me summarize our outlook for the first quarter. Overall, we see continued strong demand across our end markets and our order books reflect this. In the fourth quarter, we saw unusually high spikes in energy costs and increased challenges around logistics and labor availability. Our latest view for the first quarter is that the inflationary pressures and logistics challenges will continue. However, we have pricing actions and operational adjustments in place today to more than offset the known increases and significantly expand margins in the first quarter. Overall, for the company, we expect a strong performance in the first quarter, with operating income in the range of $63 million to $65 million, 15% to 20% higher than the fourth quarter and with earnings per share around $1.25.

With that, I'll turn it back over to Doug to provide some additional perspective on the year ahead. Doug?

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

Thanks, Matt. As we look ahead, this is going to be another dynamic year with many of the same inflationary and logistics pressures continuing. But with the momentum across our businesses and the growth projects underway and our strong operating performance, 2022 is shaping up to be another record year for MTI. Overall, I'm very excited about where we are as a company and where we're going. We've transformed MTI into a higher growth, higher margin and higher value company. We have more opportunities in front of us beyond what I've shared with you today that will further enhance this trajectory.

We're well positioned to leverage our balanced portfolio, and we have a breadth of attractive projects across our businesses that will drive our sales and earnings momentum this year. We focused on accelerating our geographic penetration in our core product lines and building our growth opportunities in adjacent markets. In addition, we'll further strengthen our R&D pipeline with a focus on increasing the percentage of revenue from new products as well as introducing solutions, which help us penetrate attractive markets.

With our solid financial footing, we have the resources to execute on all of our growth initiatives. Our strong balance sheet and cash flow generation give us the flexibility to deploy capital to shareholders, while at the same time, accelerating our growth trajectory through acquisitions, similar to what we achieved this past year. We have a targeted list of inorganic opportunities that will continue to transform our company with a focus on profitable growth. Underpinning everything we do is our culture of continuous improvement. Operational excellence is embedded in our company with our employees at its center. It's our employees and their high level of engagement around problem-solving through kaizen events, utilizing standard work practices and implementing suggestions to improve daily processes, which enables us to adapt to changing environments. It's this ingrained culture that is the foundation of MTI's unique operating capabilities.

Sustainability is the core value at MTI. And over the past several years, we've made significant progress to embed our ESG priority deeper into our company, our operating mindset and our growth strategies. In 2022, we'll be focused on promoting our safety culture of 0 injuries, achieving or exceeding our 6 environmental reduction targets, increasing our product portfolio geared towards sustainable solutions and making MTI a more diverse and inclusive place to work. We look forward to sharing more about these initiatives as we publish our 14th sustainability report in July.

To sum it all up, we have a winning formula and engaged team and a leading portfolio of businesses. With sales growth of 10% to 15% expected this year, combined with our distinct operational capabilities, we have all the elements in place to deliver a very strong performance in 2022. I'll leave you with the final takeaway. Over the past 2 years, we've demonstrated 2 key attributes of our company. 2020 is financial resilience during very challenging conditions. In this past year, it's significant growth potential. It's our more balanced portfolio, which has enabled this performance and which will continue to deliver higher levels of profitable growth going forward.

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

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions) We'll go first to Daniel Moore with CJS Securities.

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

So a couple of housekeeping things just to get out of the way. Refractories, I think you said Q1 op income up 20%. Is that sequentially as you gave with the other segments, or is that year-over-year?

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

Yes. All of our guidance is typically sequentially and that is the case for each of the segments and for the full company, so Refractories is sequential.

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

Perfect. So the -- just to clarify, the $5 million costs, labor, logistics, et cetera, do you expect to get those all back in Q1 or over the course of Q1? Just trying to see how much of the recovery is embedded in the guide?

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

Yes. So if you take a look at that $5 million, the easy way to break it out, if you listen to the prepared remarks, about $2 million of that was inflation that we said we were going to capture with pricing going into the first quarter. And then the other $3 million was largely related to the logistics and some of the labor challenges that we saw and the impact on our operations. What we've said is we're going to be able to recover that in the first quarter. So that is embedded in the move from the $54.7 million to the $63 million to $65 million range.

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

Perfect. Okay. And then just looking at the -- sorry about that, Refractories. I know you talked about this previously, with a new project that would be about $100 million incremental revenue benefit over the next 5 years. When do you expect that to start to kick in in terms of timing and ramp?

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

Sure. Let me kick it off and then I'll let Brett Argirakis, who runs the business,, give you a little bit more color, Dan. Some of those have already started to kick off probably more later in the first quarter, second quarter and throughout the year. We have other projects that are planned to kick in probably third and fourth quarter. I think there's all told, Brett, 7 contracts, 8 contracts totaling $100 million over the next 6 years. Why don't you give a little color on that if you can?

Brett Argirakis - *Minteq International Inc. - MD*

Yes, sure. There's 7 of the contracts we anticipate kicking in, in 2022, 7 of the 8. So we anticipate a couple of those starting sometime in the first quarter, and then they'll gradually expand through the year. These projects, of course, they're based on our key initiatives that are driving the new products, durable products, more efficient applications and [safer] processes. So it's really driving into the new EAF market, the expansions, a lot of growth. There's about 5 million tons of new steel coming into the market, and we're happy to say we're part of that, and we're initiating all of our segments into those growth areas. So we're pretty excited about it.

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

That help Dan?. So $100 million over 5 years, it averages out to 20, but they will ramp up a little bit later this year. So you might see an incremental $15 million from those contracts this year as they ramp up. But pretty excited about the new technologies that we've deployed in this market and should provide that growth through this year and beyond for Refractories.

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

More bigger picture, just from an M&A perspective, obviously, you've been focused on -- or you've been a little bit more vocal about the growth in your consumer-oriented businesses. Is that the primary area of focus for future M&A, or are you looking at a sort of a wider array of opportunities?

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

Yes, it's a wider array. Yes, I think we do highlight as you picked up on, in our consumer-oriented portfolio. And we think that's important because in my last comments, we do think that this provides us a bigger portion of the company that sits in structurally growing non-cyclical markets. And that balances out some of the industrial markets that we're in, and there's some cyclicality of that, as you've noted.

And so, yes,, I think we are -- we see opportunities to continue to expand in that consumer where we have vertical integration capabilities, number one, but also where we have technical capabilities to supply those types of consumer specialties. But that -- I think there's also opportunities in our core markets, core minerals around the world that we're also looking at. So I think it's balanced across all of industrial and consumer, but certainly, we are focused on continuing that balance through additions to that consumer specialty business, where we think we add a lot of value.

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

All right. Very good. I'll jump back in queue with any follow-ups.

Operator

We'll take our next question from Silke Kueck with JP Morgan.

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

I have a question on the household care business. So it looks like that if - the 24% growth in the quarter had the contribution of Normerica and maybe that was -- yeah it looks like maybe that was a 28% -- like a 28% contribution. That was like higher price of a couple of percent, maybe like 4%. So were the volumes down about 8%? And was that all related to the Pet Care business? And do you think -- and I wonder now like how fast you can get that business back? Is it all going to come out in the first quarter or will that spread out through next year? That's my first question.

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

So make sure I understand. You're looking at volumes and your question is why were volumes in Pet Care, down -- your estimate - 8%. Is that - what it is -- that's generally due to some of the logistics challenges that Matt was talking about. There's a couple of fewer days in the fourth quarter versus the third, so that played a few percent into it. But largely Silka that is -- and let me describe some of that, what some of these logistics challenges are. In the -- you touched on something that I think I want to make sure we're clear on. In the fourth quarter and largely in December, and I think you probably heard this from a number of different companies, trucking was challenging. And so was rail, and that was due to drivers and probably had some issues with COVID and what was going on with supply of labor throughout December.

And so, yes, we had things on the dock ready to go. And if a truck doesn't show up, you got to readjust it, and you got to move some stuff around and that causes productivity issues in your plant. And then, the truck that you thought was yesterday shows up tomorrow, and you got to load it up, and then some trucks just didn't show up during the past few weeks. So our order books, regardless of that are extremely strong.

In Normerica, we faced a lot of those same logistics issues. I don't think the trucking strike in Canada that happened recently helped all this whole situation. But we see that, that's probably not going to continue through the first quarter. And so, a lot of that volume declines on Pet Care was due to just getting that stuff off the dock and navigating those logistics challenges.

That said, those order books are full. We see that loosening up through the quarter, and we see getting all of that out through the first. And that's -- and so, we have a positive outlook on the first. And to Dan's last question, we're going to capture that. We've already got pricing and activities in place to more than capture that $5 million and move on with that growth that we see and dropping that to the bottom line in the first. So I hope that helped with some of where that Pet Care volume went, but it's not a demand-related issue.

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

So you should see all things being equal, and maybe that's a question for the Performance Materials business overall, given that there was acquisition benefits and positive price, but it looked like there was like no volume growth for the Performance Materials segment in the quarter. And you see like really strong volume growth in the first quarter as you expected?

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

Yes, we're expecting that. Again, we had some challenges across the business in terms of the last few weeks of the year of shipments. And so, some of that's delayed into the first. We definitely have the order book to fulfill all of it. So it's not a demand-related issue right now. It is more making sure the operations and getting that packaging. And yeah, we had to move some shifts around with perspective and I know 10% of our North America plant-based workforce was quarantined at some point through December, January.

So -- but that's what my comments were that the teams did a great job navigating shift schedules, moving things around, getting the plants to continue to produce, getting things off the dock, shifting orders. Yeah, it was a challenging quarter. But like I said, it's not a demand-related issue, we've made some -- those corrections in our plants, we see the logistics loosening up. And we've put pricing in place to more than cover the inflation that we saw acutely in the quarter.

So we'll get all of that back, order books are good and we see a much stronger first quarter coming. This is what we think is more of a fourth quarter kind of acute issue.

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

That's helpful. I didn't mean to criticize, I thought everybody had the same issues, I was just trying to figure out how much volumes might not have been shipped and what might come next year in order to better model it? That was the question.

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

I appreciate that. I just took your question as an opportunity to lay out some more clarity on what went on. That's all. So I appreciate that.

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

It's really helpful. Thank you. Are your paper businesses affected by the strike in Finland?, Your PCC Paper business or that doesn't affect you. Like it's hard to gauge what exactly is happening whether the plants are operating or not?

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

No, we did not see any impact from that.

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

Okay. In the first quarter, some of that seems to have happened like in the beginning of the year?

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

That has not affected us in any meaningful way this quarter.

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

Okay. That's helpful. And lastly, I'm like sort of trying to gauge whether there are any effects like geopolitically like what's happening between Russia and the Ukraine. Have your customers voiced any concern what might happen if they can't import pig iron? Or is there any conceptualization because the nice thing is that there's a lot of capacity that's coming on or like there is incremental production that's expected in terms of steel production in 2020. Then there's the issue whether all the raw material that you need can be gotten. Does your customer base have a view how things might play out?

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

Let me give you the impact. Certainly, that is a risk, right? So everything we've given you is forecasting relatively similar to our current geopolitical environment. So I'm not going to predict what's going to happen with Russia and Ukraine. However, I can tell you what -- where we sell and what directly would impact the company, right?

So directly, our sales into Russia are very small, below $5 million. So that -- it's not a sales issue for us. We do source some things from Russia and if that were to be interrupted, we have backups. And -- but that's also a very small portion of what we actually source. So I think the impact on us would be more tangentially on our customers and what I mean by that, I guess, another direct impact could be energy.

We've seen a lot of energy price increase in Europe. Should there be energy disruption that's something that could impact the company in certain areas and many companies by the way, I would imagine. And then the tangential impacts of what sanctions are put in place, if any and how they affect markets and demand and that ripple effect. I'm not in a position right now to tell you exactly what those would be because I don't know, but as a direct impact from MTI, our supply chains are secure and our sales are very small into Russia and Ukraine in total. So -- but we do see that as it should be as a risk to the global economy and that could have an impact on the company, obviously, as with others.

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

So the US refractory customers have not expressed the concern that they might not be able to import pig ore from -- to continue operating?

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

No, no. Our -- we're anything that would support our refractory business in North America is either self-manufactured or sourced outside of Russia. So Russia would not be or the Ukraine would not be an issue for us. We do source magnesium oxide in Turkey, we manufacture and mine our own and we also source from China and we've largely already secured those supplies throughout the year and moved them, frankly, as a matter of fact, out of China before the Olympics.So we had planned on a lot of things happening in China. So those are secure. We do manufacture our own calcium metal. We manufacture that. We're the only calcium metal manufacturer in North America, in the Western Hemisphere, frankly. And we have sourced calcium metal out of Russia, but we also have other sources for that to be able to shore up that supply chain and that goes into our calcium wire that goes into the steel industry in the US.

But right now, we've looked at those redundancies, our supply redundancies around the world and ensuring that that's not going to be a disruptive effect on any customer here in the United States or Europe for that matter.

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

That's helpful and I won't belabor. I will move on. My concern was this - that there was an issue in making the steel. Like I was less worried about you getting the magnesia. I was worried about it being an effect on like steel products in the US if you can't get pig ore?

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

Yeah, I think Russia is about 1.3 million yeah, imported in the United States. So I think there's probably capacity to be able to bring that up in the United States. We see with the new capacity coming online, the 5 million tons that Brett just mentioned, Russia imports about 1.3 million tons into the US. I think the US will be able to absorb it. And certainly, we have the capacity to be able to support that from a refractory standpoint.

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

That's great. Thank you for making it so clear. And my last question is, how big was the PCC Specialty business that you bought in November? Like, what did you pay for it and like are there - what are the sales that are coming from that business? Thanks so much.

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

Yeah, it's a small -- it's a small bolt-on, so I think the revenue it's like a $10 million type revenue business in the Midwest. So a small, yeah, relatively small purchase price for a valuable asset like that.

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

That's great. Thank you.

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

Thank you.

Operator

Thank you. We'll take our next question from Mike Harrison with Seaport Research Partners.

Michael Joseph Harrison - *Seaport Research Partners - MD & Senior Chemicals Analyst*

Hi, good morning.

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

Hi, Mike.

Michael Joseph Harrison - *Seaport Research Partners - MD & Senior Chemicals Analyst*

I wanted to go back to the Household and Pet Care segment with a couple of questions. First of all, I guess, maybe a good time to just discuss how the Normerica integration has been going, I mean, aside from the logistical issues that you saw? Are you seeing the integration and maybe some of the synergies that you anticipated there playing out? And maybe talk about kind of underlying trends around private label and premium cat litter as we get into 2022?

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

Sure. Thanks, Mike. So the integration is going well. We captured over half of the synergies already and the others are more timing related, timing related to vertically integrating the clay supply. There were some contracts in place when we bought Normerica from other clay suppliers that we look to integrate as they expire. So those are the remaining synergies to capture and that should be done through the second quarter of this year.

So largely from an operation standpoint, we couldn't be happier to have the new employees. We've gone through extensive safety training, operational excellence, training, working through their plants and upgrading them in terms of starting to upgrade them from a capability standpoint, just really wanting to bring them to we see the standard of education and operation in MTI and that's still ongoing.

So our back office already integrated, all of that going really well. The challenges we had obviously is purchases and we absorbed some inflation. So a lot of packaging inflation, logistics challenges throughout the four months that we've owned it. Many of those contracts to be able to push that pricing through as Matt mentioned, were done on January 1.

So I guess the challenge and maybe not surprise was that we had to deal with some issues through the end of the year, but largely made those corrections and we're well on our way from an operation standpoint with that integration. I'll let Jon talk a little bit more about the market where we are from a private label standpoint and what the demand outlook looks like, Jon?

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

Sure. Couple of things, just to reiterate, synergies certainly well in hand. We're working with all of our customers. The market has been very strong, demand is there. As we've been retooling our operations, we've also been retooling some of our customer relationships. We've worked with them on pricing like we do everybody else, that's been extremely successful and everything is in place.

In addition to that, like I said, demand is extremely strong. We've picked up new customers, we're adding share positions winning new contracts and that will push more volume through our plants as well. And we're retooling those plants, we're debottlenecking them and we're expanding our capacity.

So from a market demand perspective, again, very, very strong and we see that in Canada and also the US and we're well positioned to take advantage of it.

Michael Joseph Harrison - *Seaport Research Partners - MD & Senior Chemicals Analyst*

All right. Great. And then my other question on the consumer side of the business. You mentioned edible oil purification and some of the Personal Care business has grown pretty nicely during 2021. Maybe just talk about, is that an area where some of these new products and innovation are starting to contribute. Maybe talk about kind of how you're growing that organically? And are you going to get to a point where you maybe need to look at an acquisition to expand capabilities?

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

Yeah, Mike, again, this is Jon. As you know, we've had a large success with our existing business, as we've built that plant a couple of years ago, we filled it up. We've been growing with customers and new products and innovation. That team has been very energized and looking for opportunities with customers around the world, in Europe, in North America, also in Asia.

We continue to see that growth expanding as we continue into the year to come and also years going forward. We have been debottlenecking our plant there as well, expanding capacity. And at the right time, we'll make investments where needed in order to continue supplying the products and the demand that our customers are asking for. So very successful and we'll continue expanding as we can.

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

Yeah and so Mike, we've got lot of opportunities across these consumer businesses and I mentioned wastewater and the further development of our FLUORO-SORB product. In our Personal Care business, which has some bentonite-based, portions of it in polymer-based portions where we have very unique capabilities, Edible Oil, which is a bentonite-based business. So we're going to continue with the growth trajectory we're seeing, we'll probably make some investments in some -- in expanding capacity in the near future to make sure we keep pace of that growth.

But it is also an area where, as I mentioned, we'd look to acquire. So some additional positions. So yes, on both fronts, we see a good opportunity set to grow this further and these are higher-margin products. So these are part of that accretive to our margin growth going forward and our margin targets. So a good outlook for both of these businesses.

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Michael Joseph Harrison - *Seaport Research Partners - MD & Senior Chemicals Analyst*

All right. Sounds good. And then my last question is around pricing. If I do the math, it looks like you got about 4%, 5% year-on-year pricing overall for the company. Is that correct? Where do you expect that pricing number to be as we get to Q1? And maybe talk about kind of pricing contribution by segment? Are there areas where you feel better about being caught up against inflation in areas where you're kind of further behind?

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

Yeah, the number is pretty accurate, Mike. I think we pretty simply - to break down our 10% to 15% growth, last quarter I said 5% from organic volume, 5% from Normerica and we see another 5% probably in pricing. So between 10% in price and volume and how that plays out, that could be higher depending on how these markets go. And we have 5% from just the year-over-year impact from Normerica.

So we see -- even without that inorganic piece of Normerica up in that 10-plus range and with that kind of volume and the operating capabilities, it's why we're really positive about 2022. Yes, we're going to have the challenges, we're going to be navigating getting stuff off the docks, we're going to be making sure we secure trucks and we supply our customers. But we've been doing that all last year too. It's hard to predict where COVID goes, but seeing this passed us through December and January, we have a better outlook.

We think lot of our employees returning to work, moving through it, that's going to bode well for us. So we look for -- we're going to be probably above that 5% pricing in the first quarter and we're going to maintain that over our costs throughout the year. So we're going to get back the deficit that we had from last year and exceed it and that's why we're bullish on our margins as well through the year.

The place that we're probably a little bit behind, but it's not because of any actions from ours, it's more contractual. A piece of that energy increase we saw in the fourth quarter was in our paper business and that will get passed through probably second quarter this year, late second quarter. So that's just contractual timing.

So part of that is -- we're a little bit -- we have some delay as things go up in that paper business, but the rest of the business I think really happy, we're right on top of stuff. We've really changed our contracts to shorten them up. We've changed our ability to move quickly. We've increased the speed of dialogue and transparency with customers. I mentioned before, we used to raise prices maybe once a year. We've done it five, six times last year. And so that pace that agility and being able to have our contracts and dialogues in place with customers to be able to do that, that's where we are. So we continue to probably have to face that this year, but we're positioned to do so.

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

And one additional thing to add just on the mix component that you were talking about, Mike. If you take a look at the third, fourth quarter of 2021, really good performance in the Performance Materials business, yes, rising costs. We talked in the prepared remarks a little bit about some of the delays that impacted that business because of the contractual nature of getting those increases on January 1st. We will get that. But as we move into first quarter, you're going to see, as Doug said, that SMI segment start to get some more pricing. So a little bit of a change as to where you're seeing the pricing coming.

Michael Joseph Harrison - *Seaport Research Partners - MD & Senior Chemicals Analyst*

All right. Sounds good. Thanks very much.

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

Thanks, Mike.

Operator

We'll take our next question from David Silver with CL King.

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

Yeah, hi. Good morning.

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

Good morning, David.

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

Hey, I'd like to pick up I think on one of Mike's first question about Normerica. Your answer was very good in terms of discussing the qualitative progress of that acquisition and integration. But when I reviewed my notes to prepare for this call, I guess last quarter, you did set out some quantitative targets. And I was wondering if you could comment on two things. First, whether Normerica was accretive in the fourth quarter? And then secondly, for full-year 2022 -- is it still your expectation that Normerica will be 5% to 7% accretive and whether, I don't know, the middle of that range or the low end or the high end is more appropriate now from February 4th perspective? Thank you.

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

Yeah, so Normerica was accretive in the fourth quarter, but I will tell you it was less than we had originally planned and that's largely due to -- we captured the synergies that we expected through the fourth quarter, but we faced some inflationary pressures that were unexpected and some shipping delays that were unexpected.

That said, I mentioned those contracts as they've changed on January 1, that's been taken care of. And all of that cost is -- should recover that loss. So a bit of a delay there in terms of that accretion, David. But that said, where we are with those operations, with the employee base, with the order book, pricing, we see achieving that 5% to 7% -- no 5% to 7% we're going to be right on track with that 5% to 7% accretion number for 2022. So back on track.

We just needed to get through -- absorb some of that cost that we saw in the back half of the year and get on with that -- those changes in the first part of this year.

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

From a synergy perspective, which we also laid out that $5 million to $7 million on track and on pace with the synergies. Again, Doug already outlined some of the challenges from an operating income perspective that we saw in the fourth quarter. But the synergies and the integration are moving along as we thought they would.

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

I think...

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

Go ahead, David. I'll let you finish your question.

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

No, no. If you wanted to add on, please do. Thank you.

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

No, I was going to say -- yeah, thank you. I was going to mention though that despite that, we see the same -- the thesis that we had when we went into Normerica is well intact. The accretion will come in 2022 as planned. But and I think Jon mentioned this, we're seeing the reasons we bought it is because it positions us around the North America market to be able to serve a broader array of customers and with our vertically integrated position add a lot more value to those customers.

And we're seeing that play out. We're starting to see opportunities, more opportunities, new contracts, new business that I think that is that the perception of the market is that the capability we are is that kind of supplier, not just North America, but demonstrated in Europe and globally. That's being noticed. And I think that thesis of being able to grow this business and grow it profitably more significantly than prior to the acquisition, I think is all intact. So we're excited about it. Yeah, we're going to move through this inflationary period like the rest of the businesses, but the thesis of how we bought it and what it's going to deliver the company is intact.

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

Okay. Great. My next question, I was hoping to get maybe a broad, like a 360 perspective, on your Metalcasting business. So year-over-year, Metalcasting revenues were up 24%. But to me, even more interestingly, I mean, they're 10% or so above 2019. So in other words, 10% above pre-pandemic levels. And when you look at your global business, couple of questions, but how much of that growth from your perspective is "just cyclical," just the end markets recovering versus how much is maybe company specific or company-driven with your customized blends and marketing initiatives, et cetera? And maybe if you could comment on whether the recent strength is indicative. Should I be able to read through that and say, global auto builds are primed to pick up meaningfully, let's say, in the first half of 2022? Thank you.

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

Yeah, let me give you some perspective. So 24% growth in Metalcasting, I gave you -- China this year grew 20% -- Asia grew 21%, that includes China and India. North America volume growth this year was 10% and that included sales were up higher than that through pricing, probably 14%, but that included some back half of the year slowdown due to some of the automotive. And what we're seeing in terms of our customers who supply automotive that in North America and actually globally production numbers anywhere from 17% to 25% higher than this past year.

So we had a strong year last year in North America, supplemented by a consistent -- we've had 10% compound annual growth in China in Metalcasting, last year was 20%. So a bigger year last year, we see that compound annual growth outside of the United States continuing and we see that we're able to have a -- we're going into a stronger year in Metalcasting than we left in 2021 given the auto demand. We have a strong order book across the industrial, off-highway agricultural business and then with automotive coming back, we think it's shaping up to be at least as we see it today, a strong year. Jon, does that characterize that accurately is what you're seeing there?

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

Sure, Very much so. I mean looking to segments, I mean, auto is a piece of it, it's probably 35% to 40% of our business and we've talked about that. Heavy truck, ag, municipal, they are all -- demand is extremely strong. We see it in China, we see it in India. We see it in North America. We also see it in Southeast Asia. And so what we predict is going forward into 2022, strong demand continues. The demand you asked about the product portfolio, the penetration of our blended products continues.

We see the substitution especially in Asia, but also including India. That team is very innovative. As you know, we work with each of our customers and we try to ensure that we deliver the products that they need for their specific plans. So very, very well positioned and the demand is there from all the segments. Of course, we're working through the ups and downs associated with the demand profile based on the auto market.

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

So to answer your question, David, I'd say 50-50. Half of the growth this year was probably due to strong demand in North America and then the other half is just a continued penetration of our products and value in Asia. But we see that continuing again this year because we see a strong North America auto market and that continued growth in China, India, Southeast Asia.

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

Okay. I'm going to just sneak a quick one in here, but I was interested in your recent announcement about the packaging targeted PCC satellite in China. And I was wondering if you could just talk about the issues involved in accomplishing that? In other words, is the technology especially different? Are you differentiated from your other competitors globally? Is this something that they have not done yet? And then what other issues, I mean, can you follow the same model, satellite model with the basic or your legacy PCC business? Or are there meaningful differences either in technology or capital cost or other types of issues? So how might packaging PCC opportunity differ structurally from your legacy PCC satellite business? Thanks.

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

Sure. So yeah, we are excited about this one. I'll let D.J. talk more about some of the technology and etc. But this is structured, it's similar and it's different from PCC. It's structured with a long-term contract, similar to our PCC contract, satellite contracts. It's a similar level of capital investment, it's a little bit different because the volumes are 3x a PCC plant. I mean these are 350,000 tons of GCC, but it's set up more as a technology and tolling because in this instance, the customer is providing some of the limestone that we're creating in the ground calcium carbonate and delivering on a constant basis.

I think the difference is - and why we're excited about this is - because we have both the PCC and the ground calcium carbonate package that we can deploy because in many cases in these packaging opportunities, it is both. They use both ground calcium carbonate and PCC. And so we developed a solution, to be able to deliver through this contract mechanism that we have, kind of an approach that they're going to have a one-stop shop for their carbonate supply, for that whole packaging product. There's room to grow for that and we'll let D.J. talk about what the market looks like and maybe a little bit more about our technology.

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

Yeah, so David, on this particular application, as we've been describing the packaging market in the past, this is on that higher-end packaging. So it's an all-white board and you'd be familiar with it - on anything from a box that holds golf balls to ice cream packaging. So that's the market that we're in. And as Doug was talking about, the basic business model is holding true. We have got an investment. We get a good return on that investment. And what it really does for us, it allows us to bring our applications expertise into that market where we think that we got an awful lot to offer our customers. It is a satellite model.

So we can tailor the product for the specific customers' needs, plus we bring our operational excellence, where we give some level of improvement over time. In this application, that was put as white board,, it also broadens our ability to bring in PCC as well. So several of these board manufacturers will look to upgrade their product line. So we're starting off with GCC, but we already have other requests to bring in GCC and PCC.

So we feel that we've got an awful lot to offer there. Now in that $60 million ton market that is this white packaging board, this -- a lot of that market is well served with the current infrastructure. These opportunities, in particular, are pursuing the growth that is available in Asia, where this satellite model applies. So that's what we're excited about with this opportunity and we already see several other opportunities coming forward.

Just expanding a little bit further on that technology, David, we still are making great progress. I gave a snapshot when we last chatted about progress we're making in the brown boxes. Again, that's a different technology and we continue to run trials there. And so we are -- we're very excited about making progress in the brown market, as well as this top end white market. And then that last aspect of packaging that we're doing is standard PCC on this white top market as we've grown in Selma, Alabama, as we've grown in Europe as well. We're getting a couple of other opportunities for that as well. So quite a bit of activity in the packaging space. Hopefully, that helps?

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

Yeah, that's terrific color. Thank you very much.

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

Thanks, David.

Operator

We'll take our next question from Marisa Hernandez with Sidoti & Company.

Marisa Liliam Hernandez - *Sidoti & Company, LLC - Analyst*

Hi. Thank you for taking my question. Most of the questions I have -- have been asked, but I have a couple of house-keeping questions and another more general one. So on the Normerica results, can you share with us what was the contribution of Normerica to revenues in the fourth quarter?

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

Yeah, it was $28 million.

Marisa Liliam Hernandez - *Sidoti & Company, LLC - Analyst*

Thank you. Okay. Great. And then regarding the expansion of margins in the first quarter, you had previously said that you expect it to be back to margin levels on a product basis, on a dollar basis, meaning not on a percentage basis, in the first quarter of '22. Is that still the expectation?

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

Yeah, so what we said is that we were going to get on a dollar basis caught up with the inflationary costs that we have been experiencing over the past couple of quarters. And obviously, in the fourth quarter, inflation continued to rise at a rate that was higher than we expected. But we also showed you that pricing that we put into place captured about 80% of what we saw in the fourth quarter. That's going to carry through into the first quarter plus the items that we told you about in the segments where we were getting January 1st pricing taking place.

So we'll actually come net dollar ahead at the end of the first quarter for the first quarter. And overall, we're continuing to drive margin with those price increases against that inflation. If you look through the full-year from a margin perspective, we're going to come through the first half of the year, you're going to see that year-over-year inflationary impact in the financials, first quarter, second quarter because remember in 2021, inflation wasn't really as a significant factor in the first half, really a second half component.

And as we get into the second half with the pricing that we have in place, the additional actions we're taking, getting through some of the logistics and labor challenges, you're going to see that margin continue to expand significantly into the second half towards our target levels.

Marisa Liliam Hernandez - *Sidoti & Company, LLC - Analyst*

Okay. So obviously, with all the inflation that we are having, it's a lot more difficult to get to prior margin levels on a percent basis. What is the expectation regarding that? Can we get to pre-pandemic, call it, 14-plus percent operating margins in the foreseeable future?

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

So let me try and grab it this way. We have pricing actions in place, given the inflation we've experienced and expect to experience this year, that will get us back to those levels or close to those levels. We also believe that our product line growth will be accretive to those margins. So that by the end of this year, we could hit our target level.

Marisa Liliam Hernandez - *Sidoti & Company, LLC - Analyst*

And, what is that target level?

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

We expect -- that's around that 14.5%, 15% range. So as we sit today, we've got stuff -- we've got a projection that sees our growth in our higher-margin businesses and pricing in place. Now let's say, we're going to have to keep that spread. We're going to have to -- and what Matt was saying is pricing in place will catch us up with what was delayed in cost price through the first half and that margin expansion will occur towards the second half.

Now that's laid out on paper. We got to stay ahead of that inflation. We expect we're going to see more inflation, we're going to have to be nimble. We're going to have to get it off the docks, we're going to have to do a whole bunch of stuff like we did last year to deliver that. But we see we have actions in place and we do see that, through dialogue, we're able to keep that kind of pricing pace to be able to hit those kind of targets.

Now we're going into a very volatile, still, year and it could even be more volatile in the beginning of this year than last. And so we're just going to have to stay on top of it. But the mechanisms in the company and the foresight we have and some of the costs we've already locked in, we've already locked in many of these things through the year where we were shorter last year - set us up to be able to keep that spread on price cost to get ourselves back to those margins.

Marisa Liliam Hernandez - *Sidoti & Company, LLC - Analyst*

Well, thank you so much for the color. Appreciate it.

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

Yeah, hopefully, that helps.

Marisa Liliam Hernandez - *Sidoti & Company, LLC - Analyst*

Absolutely, thanks.

Operator

(Operator Instructions) We'll go next to -- we'll take a follow-up from Daniel Moore with CJS Securities.

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

Yeah, thank you. The follow-up one and two have been covered, so appreciate the color again.

Operator

Thank you. With no additional questions in queue at this time, I'd like to turn the call back over to Mr. Dietrich for any additional or closing remarks.

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

Thanks, Katie. Appreciate it. I appreciate everyone joining today. Hopefully we've answered your questions. Anything else you have, we'll certainly be willing to follow-up again. We'll talk to you I believe in late April or Matt, is that what we are at? Okay. Thank you very much. Stay safe.

Operator

That will conclude today's call. We appreciate your participation.
