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Minerals Technologies Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Jeff Zekauskas - JPMorgan.

Jeff Zekauskas – JPMorgan

Through the first three quarters your operating cash flow is about \$80 million versus 120 last year and I think the largest depressing factor is working capital which if I heard correctly what John said I think was negative \$50 million. Do you expect that to reverse in the fourth quarter and with your volumes coming down, I suspect you'll need less working capital. Can you sort of talk to where all of that stands and what your outlook is for working capital.

Joe Muscari

I would say in terms of thinking about the fourth quarter, as we look at operating cash flow and then focused on free cash flow; we should be at a commensurate level to the third quarter based on what we're seeing right now Jeff, plus or minus.

The inventories in magnesium oxide some will be worked off in the fourth quarter, but its really working it off in a longer period of time into first and second quarter of next year. So it's not something that is all going to come out at once. It will be worked out over time. John, you have anything you want to add to that?

John Sorel

No, from the perspective with the unprecedented changes in material costs coming out of China, in many respects we made decisions in terms of looking at increasing our inventories because of the long supply chain that we have from China, so in many respects we built our inventories to make sure that we are able to provide uninterrupted supply to our customers, which in many respects was obviously the right thing to do.

Certainly the impact it's had on our working capital was negative, but I think in the long-term, that particular decision will serve us well and as Joe had mentioned, clearly from a timing perspective, we have inventories at levels which we will work down over time, and that is not only a combination of passage of time, but it also speaks to some of the activities that we're getting involved in, in our manufacturing operations in terms of improving our processes.

Jeff Zekauskas – JPMorgan

Secondly, in your script you talked about concessions that you've needed to make in paper PCC. Can you elaborate on that price concession you spoke of?

Joe Muscari

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