



# CABOT EARNINGS TELECONFERENCE

SECOND QUARTER – FISCAL 2022



# Forward Looking Statements

This presentation contains forward-looking statements. All statements that address expectations or projections about the future, including with respect to our expectations for our performance in fiscal year 2022, including our expectations for adjusted earnings per share and the strength of demand for our products, the factors that we expect will impact our results of operations, including pricing, our expected fiscal 2022 EBITDA for our battery materials growth vector, when we expect additional capacity to be available for our battery materials growth vector and the capital we expect to spend over the next three years for such capacity, our growth expectations for our battery materials growth vector through 2024, our expected operating tax rate for fiscal 2022, our expected capital expenditures for fiscal 2022 are forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, potentially inaccurate assumptions, and other factors, some of which are beyond our control and difficult to predict. If known or unknown risks materialize, or should underlying assumptions prove inaccurate, our actual results could differ materially from past results and from those expressed or implied by forward-looking statements. Important factors that could cause our results to differ materially from those expressed or implied in the forward-looking statements include, but are not limited to, disruption to our operations from the COVID-19 pandemic, competition from other specialty chemical companies; safety, health and environmental requirements or liabilities; volatility in the price of energy and raw materials; a significant adverse change in a customer relationship; failure to achieve growth expectations from new products, new applications and technology developments; unanticipated delays in, or increased cost of site development projects; negative or uncertain worldwide or regional economic conditions and market opportunities, including from trade relations or global health matters; and fluctuations in foreign currency exchange and interest rates. These factors are discussed more fully in the reports we file with the Securities and Exchange Commission (“SEC”), particularly under the heading “Risk Factors” in our annual report on Form 10-K for our fiscal year ended September 30, 2021, filed with the SEC at [www.sec.gov](http://www.sec.gov). We assume no obligation to provide revisions to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws.

# Creating for Tomorrow | Q2 2022 Highlights



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Record segment EBIT results for the fiscal quarter in both Reinforcement Materials and Performance Chemicals driving a 22% increase in Adjusted EPS year-over-year

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Key win in Battery Materials with sales of conductive carbon additive blends to a top five battery producer

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Completed the divestiture of the Purification Solutions business

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Returned \$36 million in the quarter to shareholders through dividends and share repurchases

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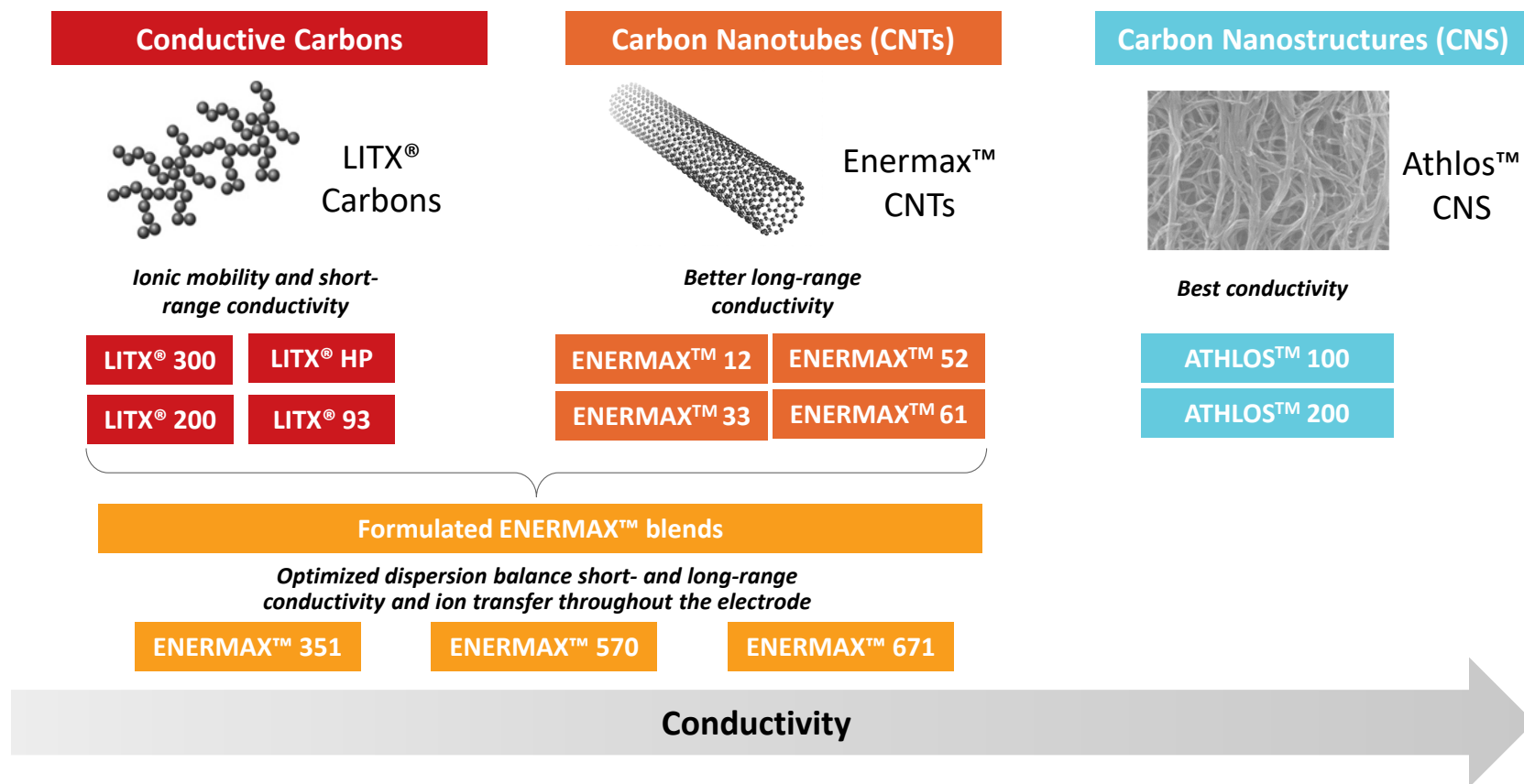
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Achieved the highest EcoVadis rating of platinum for our ESG performance for the second consecutive year

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1. Non-GAAP measure – See Appendix

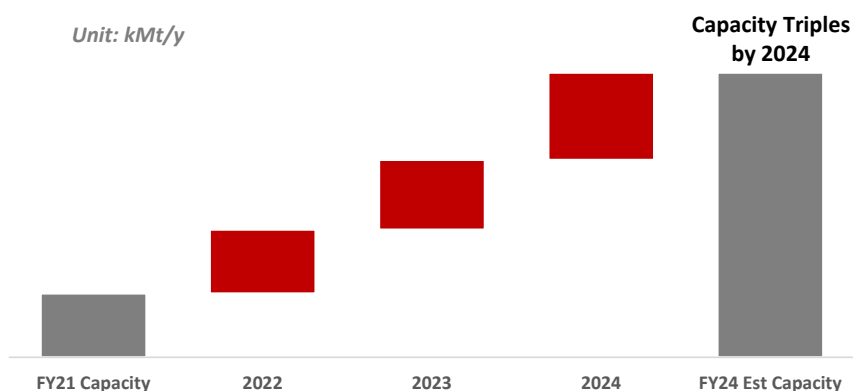
# Our Broad Range of Conductive Carbon Additives for Lithium-Ion Batteries



# Tripling Capacity to Meet Accelerating Battery Materials Demand

## Cabot Conductive Carbon Additives Capacity

Unit: kMt/y



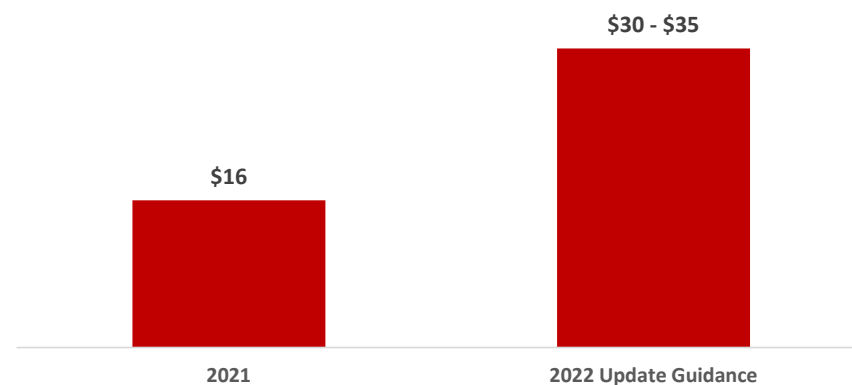
## Strategy Progress and Highlights

- ♦ YTD volume growth up ~50%
- ♦ YTD EBITDA up ~80%
- ♦ Updated 2022 EBITDA forecast of \$30-\$35 million
- ♦ Key win for conductive carbon additive blend (conductive carbons and CNT) from a top 5 battery manufacturer

## Capacity Investments to Support Growing Demand

- ♦ Xuzhou, China plant started-up in April, freeing additional Battery Materials capacity in the existing network
- ♦ Debottleneck of CNT plant in Zhuhai, China expected to be on-line in Q3 FY22
- ♦ Completed acquisition of Tianjin, China plant in February 2022; the first conversion expected on-line in FY24

## 2022 EBITDA (\$M)



# Advancing our ESG Priorities: EcoVadis Platinum



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Achieved EcoVadis' highest rating of Platinum for the second consecutive year

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EcoVadis is the world's largest and most trusted provider of business sustainability ratings, with more than 90,000 rated companies<sup>1</sup>

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Cabot ranked in the top 1% of companies rated by EcoVadis in the manufacturing of basic chemicals group\*

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Demonstrates our commitment to transparency and provides customers a better understanding of our sustainability performance

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1. Source: Ecovadis.com

\*EcoVadis Basic Chemicals Sector includes the manufacture of basic chemicals, fertilizers and nitrogen compounds, plastics and synthetic rubber in primary forms.

# Q2 2022 Financial Highlights



## Adjusted EPS<sup>1</sup>

**\$1.69**

Up 22% year-over-year  
Up 31% sequentially

## Discretionary Free Cash Flow<sup>1</sup>

**\$96 million**

## Cash

**\$215 million**

## Capex

**\$41 million**

Fiscal '22 expected to be ~\$250M

## Liquidity

**\$1.2 billion**

Net Debt to EBITDA of 1.8x

## Operating Tax Rate<sup>1</sup>

**27% YTD**

FY'22 forecast of 26% - 27%

1. Non-GAAP measure – See Appendix DFCF = Operating CF less changes in NWC less Sustaining & Compliance Capex

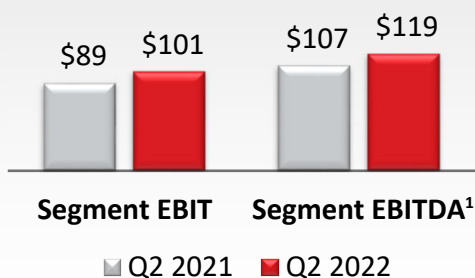


# Reinforcement Materials Segment

## Operating Performance

### Q2 2022 EBIT RESULTS

- ◆ Margins improved on 2022 contract pricing
- ◆ Global volumes up 3% year-over-year driven by growth across all regions
- ◆ Higher fixed costs due to utilities and maintenance spend



### Q3 2022 OUTLOOK

- ◆ Expect strong volume levels to continue with seasonally stronger sequential growth
- ◆ Unit margins expected to be maintained at healthy levels and prices adjusting for changing input costs



### GROWTH HIGHLIGHTS

- ◆ Volume growth of 3% year-over-year and 4% sequentially
- ◆ Continued benefits in Q2 from tight supply across all regions



1. Non-GAAP measure – See Appendix

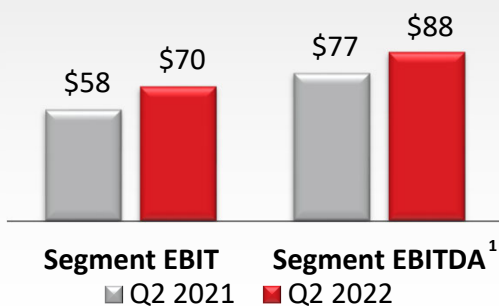


# Performance Chemicals Segment

## Operating Performance

### Q2 2022 EBIT RESULTS

- ◆ Higher margins due to improved pricing and product mix in specialty carbons and fumed metal oxides product lines
- ◆ Strong demand growth for battery materials applications
- ◆ Fixed costs increased to support growth vectors



### Q3 2022 OUTLOOK

- ◆ Expect sequential volume growth led by battery materials applications and specialty compounds plant fully back on-line
- ◆ Unit margins remain solid; price increases ahead of raw materials not expected to repeat sequentially
- ◆ Fixed cost expected to increase due to plant start-ups and higher utilities



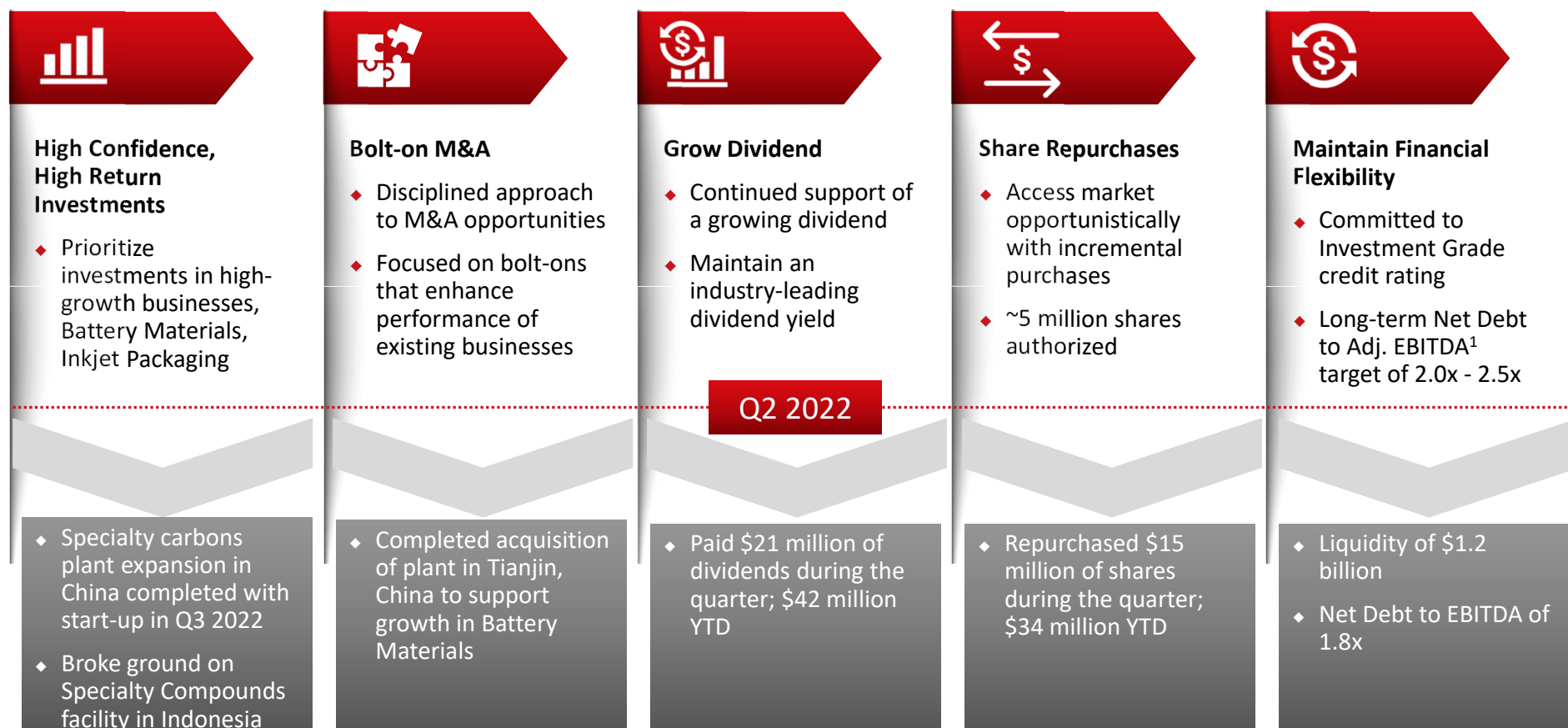
### GROWTH HIGHLIGHTS

- ◆ Specialty carbons Xuzhou, China expansion completed with start-up in Q3 2022
- ◆ Completed acquisition of Tianjin, China plant to support Battery Materials growth; capacity conversion underway



1. Non-GAAP measure – See Appendix

# Capital Allocation Supports Strategy



1. Non-GAAP measure – See Appendix

# 2022 Outlook

- 1 > Increase in adjusted EPS<sup>1</sup> guidance**  
\$5.80 - \$6.20 adjusted EPS expected for FY 2022; an increase of \$0.30 at midpoint from previous guidance
- 2 > Strong underlying demand across segments**  
Managing geo-political uncertainties and pandemic-related restrictions
- 3 > Unit margins robust**  
Continued benefit from CY'22 Reinforcement Materials customer agreements; Pricing in Performance Chemicals remains strong across the segment
- 4 > Battery Materials realizing strong growth**  
On track for 50%+ EBIT growth CAGR through fiscal 2024



Executing on Our Commitments and Driving Growth

1. Non-GAAP measure – See Appendix



# Q&A







# APPENDIX



# Use of Non-GAAP Financial Measures

This presentation includes references to adjusted earnings per share (EPS), total segment EBIT, segment EBITDA, adjusted EBITDA, discretionary free cash flow, and operating tax rate, which are non-GAAP measures. Reconciliations of Adjusted EPS to net income (loss) per share attributable to Cabot Corporation, the most directly comparable GAAP financial measure, Total Segment EBIT, Total Segment EBITDA, and Adjusted EBITDA to income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies, the most directly comparable GAAP financial measure of each such non-GAAP measure, operating tax rate to effective tax rate, the most directly comparable GAAP financial measure and Free Cash Flow and Discretionary Free Cash Flow to Cash flow from operating activities, the most directly comparable GAAP financial measure, are provided in the tables included in our Second quarter earnings release and filed on our Current Report on Form 8-K dated May 2, 2022. Reconciliations for Total Segment EBIT and segment EBITDA for each segment are included in the following slides.

Cabot does not provide an expected GAAP EPS range or reconciliation of the Adjusted EPS range with an expected GAAP EPS range because, without unreasonable effort, we are unable to predict with reasonable certainty the matters we would allocate to “certain items,” including unusual gains and losses, costs associated with future restructurings, acquisition-related expenses and litigation outcomes. These items are uncertain, depend on various factors, and could have a material impact on GAAP EPS in future periods.

This presentation also includes our forecast of the range of our “operating tax rate” which represents the tax rate on our recurring operating results. This rate excludes discrete tax items, which are included in the effective tax rate. Discrete tax items are comprised of (i) unusual or infrequent items, (ii) items related to uncertain tax positions, and (iii) other tax items, such as the impact from the timing of losses in certain jurisdictions and cumulative tax rate adjustments. The operating tax rate also excludes the impact of the items of expense and income we identify as certain items on both our operating income and the tax provision. Management believes that the operating tax rate is useful supplemental information because it helps our investors compare our tax rate year to year on a consistent basis and to understand what our tax rate on current operations would be without the impact of these items.

Cabot does not provide a forward-looking reconciliation of the operating tax rate range with an effective tax rate range because, without unreasonable effort, we are unable to predict with reasonable certainty the matters we would allocate to “certain items,” including unusual gains and losses, costs associated with future restructurings, acquisition-related expenses and litigation outcomes. These items are uncertain, depend on various factors, and could have a material impact on the effective tax rate in future periods.

To calculate “Discretionary Free Cash Flow” we deduct sustaining and compliance capital expenditures and changes in Net Working Capital from cash flow from operating activities. To calculate “Free Cash Flow” we deduct capital expenditures as disclosed in the consolidated statement of cash flows (as Additions to property, plant and equipment) from cash flow from operating activities.

## Explanation of Terms Used

**Product Mix.** The term “product mix” refers to the mix of types and grade of products sold or the mix of geographic regions where products are sold, and the positive or negative impact this has on the revenue or profitability of the business or segment.

**Net Working Capital.** The term “net working capital” includes accounts receivable, inventory and accounts payable and accrued liabilities.

# Non-GAAP Financial Measures

## Total Segment EBIT and Adjusted EBITDA

Our Chief Operating Decision Maker uses segment income (loss) from continuing operations before interest and taxes (which we refer to as segment “EBIT”) to evaluate the operating results of each segment and to allocate resources to the segments. We believe Total segment EBIT, which reflects the sum of EBIT from our 2 reportable segments, provides useful supplemental information for our investors as it is an important indicator of the Company’s operational strength and performance, allows investors to see our results through the eyes of management, and provides context for our discussion of individual business segment performance. Total segment EBIT is a non-GAAP financial measure and should not be considered an alternative for Income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies, which is the most directly comparable GAAP financial measure. In calculating Total segment EBIT, we exclude from our income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies: (i) items of expense and income that management does not consider representative of our fundamental on-going segment results, which we refer to as “certain items”, and (ii) items that, because they are not controlled by the business segments and primarily benefit corporate objectives, are not allocated to our business segments, such as interest expense and other corporate costs, which include unallocated corporate overhead expenses such as certain corporate salaries and headquarter expenses, plus costs related to special projects and initiatives, which we refer to as “other unallocated items”. Management believes excluding the items identified as certain items facilitates operating performance comparisons from period to period by eliminating the differences caused by the existence and timing of certain expenses and income items that would not otherwise be apparent on a GAAP basis. Investors should consider the limitations associated with this non-GAAP measure, including the potential lack of comparability of this measure from one company to another. A reconciliation of Total segment EBIT to Income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies is below.

<i>Dollars in millions</i>	Q2 FY2022	Q2 FY2021	YTD 2022	YTD 2021
<b>Income (loss) before income taxes and equity in earnings of affiliated companies</b>	<b>\$ 147</b>	<b>\$ 118</b>	<b>\$ 54</b>	<b>\$ 217</b>
Less: Certain items	7	(1)	(197)	(12)
Less: Other Unallocated items	(31)	(30)	(57)	(60)
<b>Total Segment EBIT</b>	<b>\$ 171</b>	<b>\$ 149</b>	<b>\$ 308</b>	<b>\$ 289</b>
Plus: Total Depreciation & Amortization	36	38	75	77
Plus: Adjustments to Depreciation	-	2	-	2
Less: Unallocated Corporate Costs	16	16	30	29
<b>Adjusted EBITDA</b>	<b>\$ 191</b>	<b>\$ 173</b>	<b>\$ 353</b>	<b>\$ 339</b>



# Non-GAAP Financial Measures

## Segment EBITDA

Segment EBITDA is comprised of Segment EBIT plus depreciation and amortization. Management believes that Segment EBITDA is useful supplemental information because it provides investors with a view of the cash generated by each of the Company's segments, which is available to fund operating needs such as working capital and capital expenditures as well as the cost of financing the Company's capital needs and returning cash to shareholders.

<i>Dollars in millions</i>	<b>Q2 FY2022</b>	<b>Q2 FY2021</b>	<b>YTD 2022</b>	<b>YTD 2021</b>
Reinforcement Materials EBIT	\$ 101	\$ 89	\$ 186	\$ 177
Plus: Depreciation and amortization	18	18	36	35
<b>Reinforcement Materials EBITDA</b>	<b>\$ 119</b>	<b>\$ 107</b>	<b>\$ 222</b>	<b>\$ 212</b>
	<b>Q2 FY2022</b>	<b>Q2 FY2021</b>	<b>YTD 2022</b>	<b>YTD 2021</b>
Performance Chemicals EBIT	\$ 70	\$ 58	\$ 122	\$ 112
Plus: Depreciation and amortization	18	19	36	37
<b>Performance Chemicals EBITDA</b>	<b>\$ 88</b>	<b>\$ 77</b>	<b>\$ 158</b>	<b>\$ 149</b>

# Non-GAAP Financial Measures

## Free cash flow (FCF) & Discretionary free cash flow (DFCF)

To calculate “Discretionary Free Cash Flow” we deduct sustaining and compliance capital expenditures and changes in Net Working Capital from cash flow from operating activities.

<i>Dollars in millions</i>	<b>Q2 FY2022</b>	<b>Q2 FY2021</b>	<b>YTD 2022</b>	<b>YTD 2021</b>
Cash flow from operating activities <sup>(A)</sup>	\$ 10	\$ 65	\$ (39)	\$ 86
Less: Additions to property, plant and equipment	41	40	71	69
<b>Free cash flow</b>	<b>\$ (31)</b>	<b>\$ 25</b>	<b>\$ (110)</b>	<b>\$ 17</b>
Plus: Additions to property, plant and equipment	41	40	71	69
Less: Changes in net working capital <sup>(B)</sup>	(111)	(80)	(254)	(179)
Less: Sustaining and compliance capital expenditures	25	27	47	48
<b>Discretionary free cash flow</b>	<b>\$ 96</b>	<b>\$ 118</b>	<b>\$ 168</b>	<b>\$ 217</b>

(A) As provided in the Condensed Consolidated Statement of Cash Flows.

(B) Defined as changes in accounts receivable, inventory and accounts payable and accrued liabilities as presented on the Condensed Consolidated Statement of Cash Flows.

# Non-GAAP Financial Measures

## Adjusted EPS

	Fiscal 2022 <sup>(A)</sup>				
	Dec. Q	Mar. Q	June Q	Sept. Q	FY 2022
<b>Reconciliation of Adjusted EPS to GAAP EPS</b>					
Net income (loss) per share attributable to Cabot Corporation	\$ (1.57)	\$ 1.84	\$ —	\$ —	\$ 0.30
Less: Certain items after tax per share	(2.86)	0.15	—	—	(2.70)
<b>Adjusted earnings (loss) per share</b>	<b>\$ 1.29</b>	<b>\$ 1.69</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3.00</b>
	Fiscal 2021 <sup>(A)</sup>				
	Dec. Q	Mar. Q	June Q	Sept. Q	FY 2021
<b>Reconciliation of Adjusted EPS to GAAP EPS</b>					
Net income (loss) per share attributable to Cabot Corporation	\$ 1.06	\$ 1.30	\$ 1.48	\$ 0.50	\$ 4.34
Less: Certain items after tax per share	(0.12)	(0.08)	0.13	(0.61)	(0.68)
<b>Adjusted earnings (loss) per share</b>	<b>\$ 1.18</b>	<b>\$ 1.38</b>	<b>\$ 1.35</b>	<b>\$ 1.11</b>	<b>\$ 5.02</b>
<sup>(A)</sup> Per share amounts are calculated after tax.					