



# EARNINGS TELECONFERENCE

FOURTH QUARTER - FISCAL 2019



## FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements based on management's current expectations, estimates and projections. All statements that address expectations or projections about the future, including our statements addressing the factors we expect to impact earnings in the first quarter of fiscal 2020 in each segment, our expectations for adjusted EPS for fiscal 2020 and our broad assumptions supporting these expectations, anticipated demand for our products; and our expected uses of cash, including for capital expenditures in 2020, the range of our anticipated operating tax rate in fiscal 2020 and the expected timing of additional special black capacity we expect from our conversion of the NSCC carbon black plant we recently acquired 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 in the forward-looking statement. Important factors that could cause our results to differ materially from those expressed in the forward-looking statements include, but are not limited to lower than expected demand for our products; the loss of one or more of our important customers; our failure to develop new products or to keep pace with technological developments; unanticipated disruptions or delays in plant operations or development projects; patent rights of others; the timely commercialization of products under development (which may be disrupted or delayed by technical difficulties, market acceptance, competitors' new products, as well as difficulties in moving from the experimental stage to the production stage); changes in raw material costs; demand for our customers' products; competitors' reactions to market conditions; delays in the successful integration of structural changes, including acquisitions or joint ventures; the laws, regulations, policies and economic conditions, including inflation, interest and foreign currency exchange rates, of countries where we do business; enforcement of environmental regulations; global trade policies; and severe weather events that cause business interruptions, including plant and power outages or disruptions in supplier or customer operations. These factors are discussed more fully in the reports we file with the Securities and Exchange Commission, particularly our annual report on Form 10-K for the fiscal year ended September 30, 2018.

# 2019 HIGHLIGHTS

- ♦ *Strong fourth quarter fiscal 2019 results*
- ♦ *Completed divestiture of Specialty Fluids business*
- ♦ *Delivered solid results in fiscal 2019 despite challenging end markets; Adjusted EPS<sup>1</sup> down (3%)*
  - *Strong Reinforcement Materials commercial execution*
  - *Improved performance of Purification Solutions EBIT*
  - *Benefit from cost management efforts*
- ♦ *Generated robust cash flow*
  - *Operating Cash Flow of \$361M and free cash flow<sup>1</sup> of \$137M*
- ♦ *Continued commitment to return cash to shareholders*
  - *Returned \$253M in dividends and share repurchases; Increased the quarterly dividend by 6%*
- ♦ *Maintained strong balance sheet*
  - *Net Debt/Adjusted EBITDA<sup>1</sup> of 1.6x, \$1B+ of liquidity*

1. Non-GAAP measure – See Appendix

	YoY		
	FY 2019	FY 2018	Change
<i>(in millions, except per share amounts)</i>			
<b>Diluted EPS</b>	\$ 2.63	\$ (1.85)	N/A
<b>Adjusted EPS<sup>1</sup></b>	\$ 3.91	\$ 4.03	(3%)
<b>Revenue</b>	\$ 3,337	\$ 3,242	3%
<b>Total Segment EBIT<sup>1</sup></b>	\$ 444	\$ 480	(8%)
<b>Cash Flows from Operations</b>	\$ 361	\$ 298	21%



# 2019 STRATEGIC UPDATE

1

## Investing for Growth in Core Businesses

- ◆ Investments support long-term growth in core businesses
  - Completed new China fumed silica plant
  - Upgrade of new China carbon black plant to specialty carbons over the next 12-18 months

2

## Driving Application Innovation with Customers

- ◆ Energy Materials supporting growing EV battery market
  - Broad range of advanced carbon additives and fumed metal oxides
  - Qualified at 7 out of top 10 battery makers

3

## Generating Strong Cash Flows Through Efficiency and Optimization

- ◆ Strong cash flow discipline and aggressive cost management
  - Cost reductions of approximately \$30M in 2019, including PS transformation plan

# FOURTH QUARTER 2019 HIGHLIGHTS

- ◆ *Adjusted EPS<sup>1</sup> up 5% year over year to \$1.05; driven by improved results in all business segments*
- ◆ *Reinforcement Materials up \$7M; positive impact from 2019 customer contracts and lower costs partially offset by challenging business environment in Asia*
- ◆ *Performance Chemicals EBIT up \$1M year over year; largely due to benefit from new China fumed silica plant*
- ◆ *Transformation plan drives improvement in Purification Solution; up \$4M compared to Q4 2018*
- ◆ *Operating Cash flow of \$195M; returned \$49M to shareholders through dividends and share repurchases*

			YoY
	Q4 2019	Q4 2018	Change
<i>(in millions, except per share amounts)</i>			
<b>Diluted EPS</b>	\$ 0.55	\$ 1.51	(64%)
<b>Adjusted EPS<sup>1</sup></b>	\$ 1.05	\$ 1.00	5%
<b>Revenue</b>	\$ 827	\$ 850	(3%)
<b>Total Segment EBIT<sup>1</sup></b>	\$ 115	\$ 113	2%
<b>Cash Flows from Operations</b>	\$ 195	\$ 162	20%



1. Non-GAAP measure – See Appendix

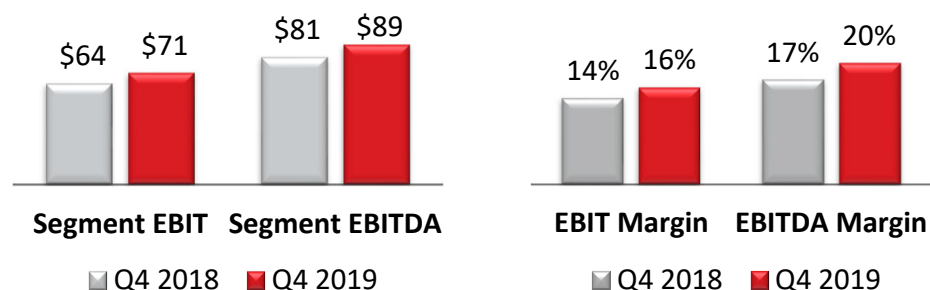


# REINFORCEMENT MATERIALS SEGMENT OPERATING PERFORMANCE

## Q4 FY 2019 HIGHLIGHTS

- ◆ Improved pricing and product mix from 2019 customer agreements
- ◆ Margins impacted by competitive pricing in China
- ◆ Lower fixed costs

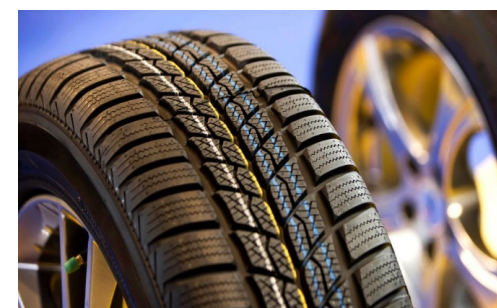
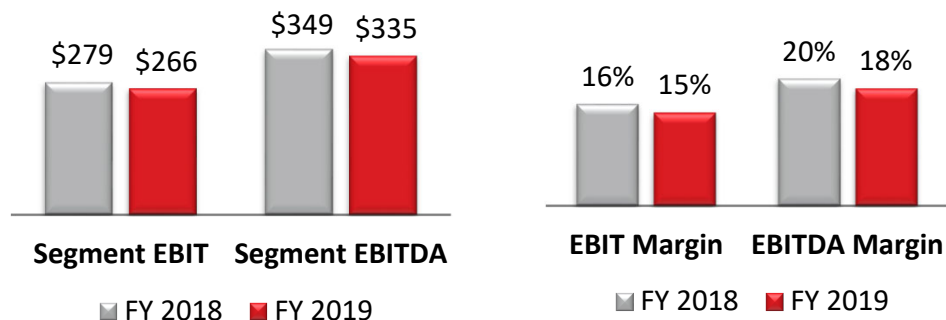
## FOURTH QUARTER METRICS (\$ MILLIONS)



## Q1 OUTLOOK

- ◆ Seasonally lower sequential volumes
- ◆ Softer customer demand as customers manage working capital
- ◆ Higher level of maintenance and turnarounds

## FULL YEAR METRICS (\$ MILLIONS)



# PERFORMANCE CHEMICALS SEGMENT

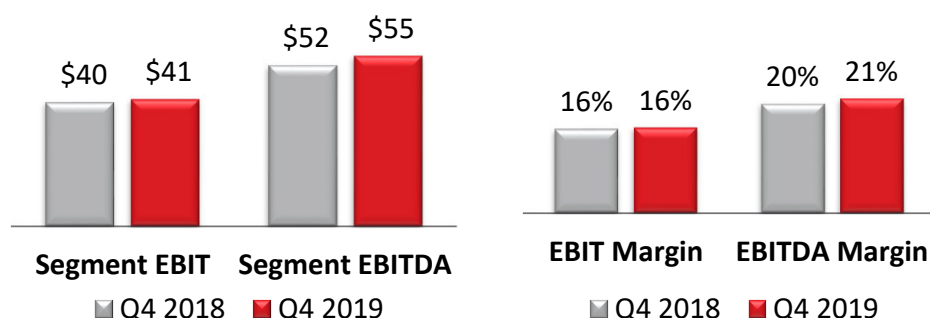
## OPERATING PERFORMANCE

### Q4 FY 2019 HIGHLIGHTS

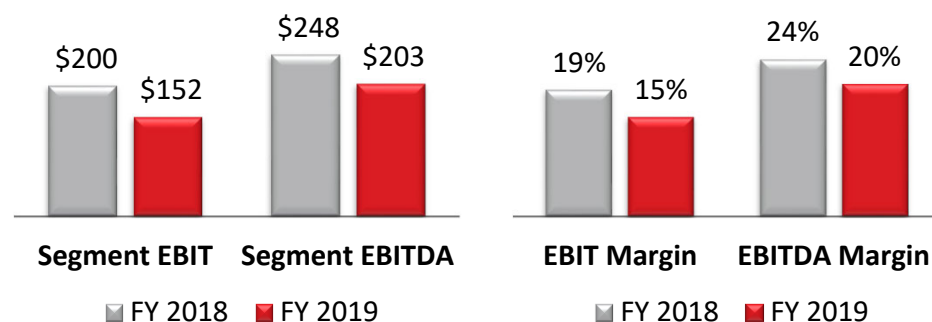
- ◆ Positive impact from new China fumed silica plant
- ◆ Margins impacted by less favorable product mix, primarily in the specialty carbons product line
- ◆ 14% volume growth in Formulated Solutions



### FOURTH QUARTER METRICS (\$ MILLIONS)

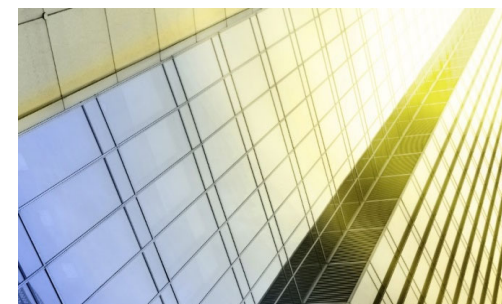


### FULL YEAR METRICS (\$ MILLIONS)



### Q1 OUTLOOK

- ◆ Lower sequential volumes from a seasonal decline and as customers manage year end inventory levels
- ◆ Less favorable product mix continues
- ◆ Pricing actions taken to offset higher feedstock costs



# PURIFICATION SOLUTIONS SEGMENT OPERATING PERFORMANCE

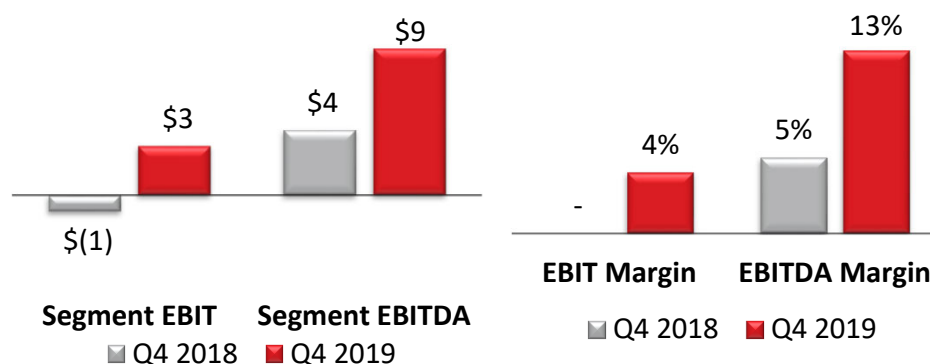
## Q4 FY 2019 HIGHLIGHTS

- ♦ Margin benefit from improved pricing and product mix in specialty applications
- ♦ Lower fixed costs driven by savings from the transformation plan

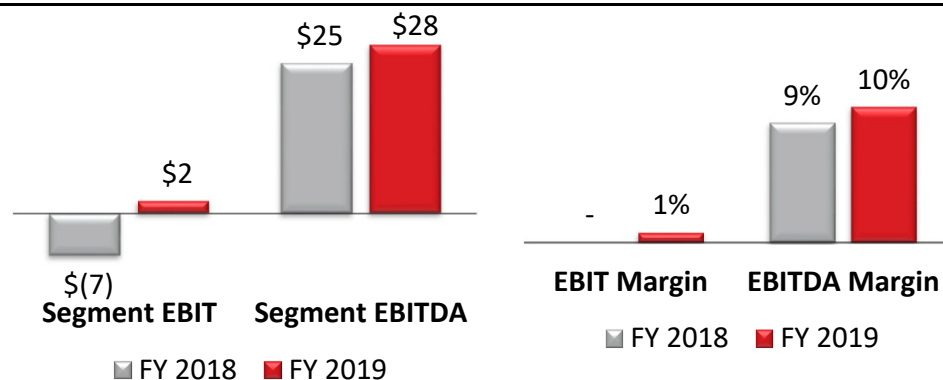


CABOT CORPORATION

## FOURTH QUARTER METRICS (\$ MILLIONS)



## FULL YEAR METRICS (\$ MILLIONS)



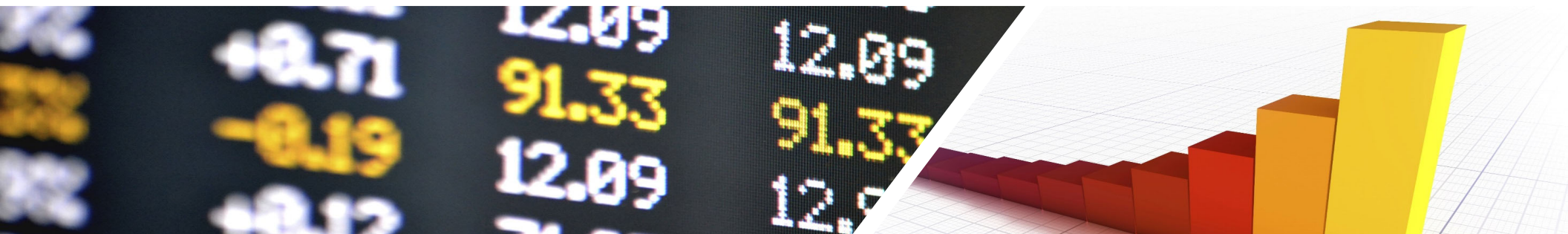
## Q1 OUTLOOK

- ♦ Seasonal sequential decline expected in volumes
- ♦ Margin improvement from price increases and product mix
- ♦ Continued growth in specialty applications





# FY 2019 CORPORATE FINANCIAL ITEMS<sup>1</sup>



## Q4 2019

- ✓ **Cash from Operations:** \$195 million
- ✓ **Net working capital:** decrease of \$98 million
- ✓ **Capital expenditures:** \$69 million
- ✓ **Dividend:** \$20 million
- ✓ **Share repurchases:** \$29 million

## Fiscal 2019

- ✓ **Cash from Operations:** \$361 million
- ✓ **Net working capital:** decrease of \$25 million
- ✓ **Capital expenditures:** \$224 million
- ✓ **Dividend:** \$80 million    **Share repurchases:** \$173 million
- ✓ **2019 operating tax rate<sup>2</sup>:** 24%
- ✓ **2020:** Capex: approximately \$250M; Operating tax rate<sup>2</sup>: 24-25%

1. All amounts are for the fourth quarter fiscal 2019 or as of September 30, 2019, unless otherwise specified  
2. Non-GAAP Measure. Refer to Reconciliation of Non-GAAP Measures in Appendix  
CABOT CORPORATION

# 2020 OUTLOOK

*Adjusted EPS of \$3.60 - \$4.10 expected in fiscal 2020*

## Key Assumptions

- ◆ Similar business environment anticipated in fiscal 2020
- ◆ Q1 2020 expected to see softer customer demand as customers manage working capital
- ◆ Favorable outlook for 2020 Reinforcement Materials customer agreements starting in Q2 2020
- ◆ Benefit from full year of new China fumed silica plant
- ◆ No contribution from Specialty Fluids after divestiture (\$24M EBIT, \$0.31 per share<sup>1</sup> in FY 2019)
- ◆ Strong free cash flow to fund dividends and share repurchases



<sup>1</sup> Non-GAAP measure – See Appendix



# Q&A



# USE OF NON-GAAP FINANCIAL MEASURES

## Use of Non-GAAP Financial Measures

This presentation includes references to adjusted earnings per share (EPS), adjusted EPS excluding the Specialty Fluids segment total segment EBIT, segment EBITDA, adjusted EBITDA, discretionary free cash flow, 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 fourth quarter earnings release and filed on our Current Report on Form 8-K dated November 4, 2019.

Reconciliations for Total Segment EBIT and segment EBITDA for each segment are included in the following slides.

This presentation also includes our forecast of adjusted EPS range for fiscal 2020. We do not provide a forecast for GAAP EPS or reconcile either our forecast of adjusted EPS to GAAP EPS or our expected adjusted EPS growth rate range with a GAAP EPS growth 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 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 unusual or infrequent items that are excluded from the estimated annual effective tax rate and other tax items, including the impact of the timing of losses in certain jurisdictions, cumulative tax rate adjustments and 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. We do not provide a forecast for effective tax rate or reconcile our forecast of operating tax rate to effective tax rate 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)

## 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 4 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.

	Q4 2019	Q4 2018	FY 2019	FY 2018
<b>Income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies</b>	<b>\$ 67</b>	<b>\$ 101</b>	<b>\$ 255</b>	<b>\$ 117</b>
Less: Certain items	(26)	12	(87)	(248)
Less: Other unallocated items	(22)	(24)	(102)	(115)
<b>Total Segment EBIT</b>	<b>\$ 115</b>	<b>\$ 113</b>	<b>\$ 444</b>	<b>\$ 480</b>
Plus: Total Depreciation & Amortization	38	32	148	149
Plus: Adjustments to Depreciation	-	3	(1)	3
Less: Unallocated Corporate Costs	11	16	50	61
<b>Adjusted EBITDA</b>	<b>\$ 142</b>	<b>\$ 132</b>	<b>\$ 541</b>	<b>\$ 571</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.

	Q4 2019	Q4 2018	FY 2019	FY 2018
Reinforcement Materials EBIT	\$ 71	\$ 64	\$ 266	\$ 279
Plus: Depreciation & Amortization	18	17	69	70
<b>Reinforcement Materials EBITDA</b>	<b>\$ 89</b>	<b>\$ 81</b>	<b>\$ 335</b>	<b>\$ 349</b>
	Q4 2019	Q4 2018	FY 2019	FY 2018
Performance Chemicals EBIT	\$ 41	\$ 40	\$ 152	\$ 200
Plus: Depreciation & Amortization	14	12	51	48
<b>Performance Chemicals EBITDA</b>	<b>\$ 55</b>	<b>\$ 52</b>	<b>\$ 203</b>	<b>\$ 248</b>
	Q4 2019	Q4 2018	FY 2019	FY 2018
Purification Solutions EBIT	\$ 3	\$ (1)	\$ 2	\$ (7)
Plus: Depreciation & Amortization	6	5	26	32
<b>Purification Solutions EBITDA</b>	<b>\$ 9</b>	<b>\$ 4</b>	<b>\$ 28</b>	<b>\$ 25</b>
	Q4 2019	Q4 2018	FY 2019	FY 2018
Specialty Fluids EBIT	\$ -	\$ 10	\$ 24	\$ 8
Plus: Depreciation & Amortization	-	-	1	2
<b>Specialty Fluids EBITDA</b>	<b>\$ -</b>	<b>\$ 10</b>	<b>\$ 25</b>	<b>\$ 10</b>

# NON-GAAP FINANCIAL MEASURES

## FREE CASH FLOW AND DISCRETIONARY FREE CASH FLOW

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>	Fiscal 2019				
<u>Reconciliation of Free Cash Flow and Discretionary Free Cash Flow to Cash</u>					
<u>Flow from Operating Activities</u>	Dec. Q	Mar. Q	June Q	Sept. Q	FY 2019
Cash flow from operating activities <sup>(A)</sup>	\$ (39)	\$ 90	\$ 115	\$ 195	\$ 361
Less: Additions to property, plant and equipment	54	43	58	69	224
<b>Free cash flow</b>	<b>\$ (93)</b>	<b>\$ 47</b>	<b>\$ 57</b>	<b>\$ 126</b>	<b>\$ 137</b>
Plus: Additions to property, plant and equipment	54	43	58	69	224
Less: Changes in net working capital <sup>(B)</sup>	(111)	22	16	98	25
Less: Sustaining and compliance capital expenditures	27	21	28	38	114
<b>Discretionary free cash flow</b>	<b>\$ 45</b>	<b>\$ 47</b>	<b>\$ 71</b>	<b>\$ 59</b>	<b>\$ 222</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 EXCLUDING SPECIALTY FLUIDS & NET DEBT TO EBITDA

	FY 2019 <sup>(A)</sup>
<b>Reconciliation of Adjusted EPS to GAAP EPS</b>	
Net income (loss) per share attributable to Cabot Corporation	\$ 2.63
Less: Certain items after tax per share	(1.28)
<b>Adjusted earnings per share</b>	<b>\$ 3.91</b>
Less: Specialty Fluids Adjusted earnings per share <sup>(B)</sup>	0.31
<b>Adjusted earnings per share excluding Specialty Fluids</b>	<b>\$ 3.60</b>
<sup>(A)</sup> Per share amounts are calculated after tax and, where applicable, noncontrolling interest, net of tax.	
<sup>(B)</sup> Specialty Fluids Adjusted EPS is calculated as follows (in millions except for per share amounts):	
Specialty Fluids EBIT	\$ 24
Less: Specialty Fluids taxes <sup>(C)</sup>	6
Specialty Fluids profit after tax	18
Divided by: Cabot Corporation diluted weighted average common shares outstanding	58.8
<b>Specialty Fluids Adjusted EPS</b>	<b>\$ 0.31</b>
<sup>(C)</sup> Specialty Fluids taxes calculated by applying Cabot's Operating tax rate of 24% to Specialty Fluids EBIT. Cabot's operating tax rate is reconciled in the Certain Items and Reconciliation of Adjusted EPS and Operating Tax Rate table.	

Dollars in Millions/Fiscal Year	FY 2019
Current portion of long-term debt	\$ 7
Long-term debt	1,024
Total Debt	1,031
Less: Cash	169
Net Debt	862
Adjusted EBITDA	541
<b>Net Debt to Adjusted EBITDA</b>	<b>1.6</b>