



# EARNINGS TELECONFERENCE

SECOND QUARTER - FISCAL 2020



# 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 with respect to our expectations for our performance in fiscal year 2020, including how we expect the COVID-19 pandemic to impact demand for our products, our business, results of operations and cash flow , and our ability to navigate these challenges, our expectations for operating cash flow generation and capital spending, raw material prices, and the benefits we expect to receive from our acquisition of Shenzhen Sanshun Nano, 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. Importantly, as we cannot predict the duration or scope of the COVID-19 pandemic, the negative impact to our results cannot be estimated. Factors that will influence the impact on our business and operations include the duration and extent of the pandemic, the extent of imposed or recommended containment and mitigation measures, and the general economic consequences of the pandemic. Other 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, competition from other specialty chemical companies; volatility in the price of energy and raw materials; a significant adverse change in a customer relationship; safety, health and environmental requirements; unanticipated delays in 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, 2019 and in our quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2020, and subsequent SEC filings, 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.

# COVID-19 RESPONSE AND ACTIONS

## Safety First

- ◆ Halted travel, deployed remote workforce where possible, and following strict hygiene rules
- ◆ Providing the right protective equipment and procedures to protect our employees
- ◆ Supporting communities through donations of PPE and food

## Business Essentials

- ◆ The chemical and materials industry has been deemed an essential industry by most governments around the world
- ◆ Most facilities are operating at lower rate due to the temporary halting of operations by many of our key customers

## Business Continuity

- ◆ Supporting our customers during this dynamic time requires flawless execution
- ◆ Business processes, IT systems, and technical service teams, are all performing at a high level of service

## COVID-19 IMPACT TO DATE



### ASIA

- ◆ Customer facilities in China were closed, or running at low rates for most of February
- ◆ Slow improvement in March; China Q2 volumes declined 26% YOY in Reinforcement Materials
- ◆ Outside of China, we saw limited impact on operations in the second quarter
- ◆ We continue to operate our plants in the region but most at significantly reduced rates



### EUROPE



### AMERICAS

- ◆ Solid demand through Mid-March across our businesses
- ◆ Many tire and automotive customers began to stop operations over the last two weeks of March
- ◆ Weaker volumes in Reinforcement Materials
- ◆ Our facilities reduced operating rates to align with lower demand
- ◆ No material supply chain or logistics challenges to date

# CORPORATE ACTIONS TO PRESERVE CASH

## Net Working Capital

- ◆ Aggressive working capital management, including lean inventory levels and past due reductions to drive strong cash flows
- ◆ Counter-cyclical cash flow profile helps preserve solid operating cash flow

## Operating Expenses Reduced

- ◆ Reductions in discretionary spending
- ◆ Reduction in CEO compensation
- ◆ Consolidating regional service centers
- ◆ \$45 million of cost reductions planned in fiscal 2020

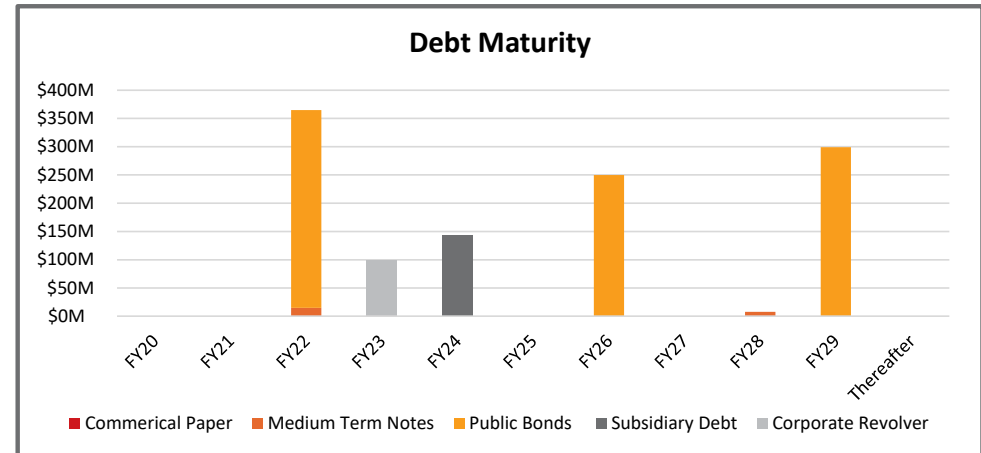
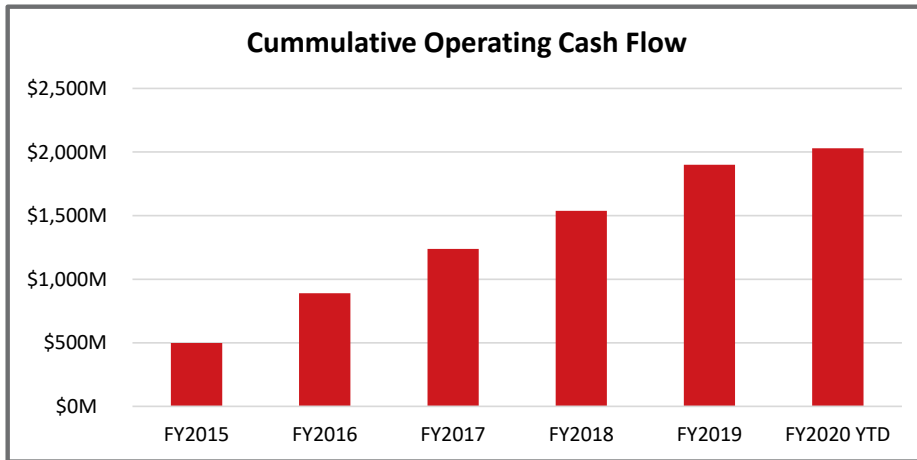
## Capital Expenditures

- ◆ Further reduction in capex of \$25 million to approximately \$200 million for fiscal 2020
- ◆ Delayed spending on certain capital growth projects given current environment

## Maintain Dividend & Halt Repurchases

- ◆ Remain committed to our dividend level
- ◆ Temporarily halted share repurchases to conserve cash

# STRONG FINANCIAL POSITION



## Cash Flow and Cash Priorities

- ◆ \$2B of cumulative operating cash flow since fiscal 2015
- ◆ Expect that Cash Flow from Operations will be sufficient to fund our current dividend and capex needs

## Debt and Liquidity

- ◆ No debt maturities until fiscal 2022
- ◆ Cash balance of \$142M as of 3/31/20
- ◆ Cash plus committed borrowing capacity of \$1.3 billion at 3/31/20
  - ◆ Covenant: 3.5x Debt/EBITDA; 2.5x at 3/31/20
- ◆ Maintaining ample liquidity to meeting funding needs of business

## Q2 2020 OVERVIEW

- ◆ *Delivered Total Segment EBIT<sup>1</sup> of \$95M*; Diluted EPS loss of \$0.01, Adjusted EPS<sup>1</sup> of \$0.77
- ◆ *Estimated impact of COVID-19 on EBIT* approximately \$21M
- ◆ *Reinforcement Materials EBIT up 30% sequentially and unchanged compared to the prior fiscal year second quarter* despite the negative impact from the COVID-19 pandemic
- ◆ *Performance Chemicals segment volumes increased 8% in Formulated Solutions and 6% in Performance Additives* from higher demand in specialty carbons and specialty compounds
- ◆ *Specialty Fluids segment* contributed \$12M EBIT in Q2 2019 and divested in Q3 2019
- ◆ *Continued commitment to return cash to shareholders* with fiscal second quarter share repurchases and dividends totaling \$30 million

<i>(in \$ millions)</i>	Q2 2020	Q2 2019
<b>Total Segment EBIT<sup>1</sup></b>	\$ 95	\$ 112
<b>Adjusted EBITDA<sup>1</sup></b>	\$ 122	\$ 136
<b>Dividends</b>	\$ 20	\$ 20
<b>Repurchases</b>	\$ 10	\$ 50



1. Non-GAAP measure – See Appendix



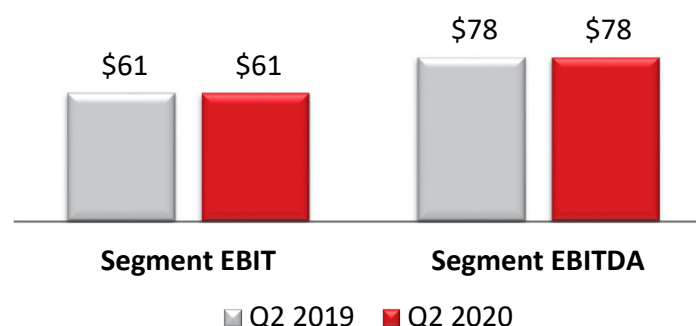
# REINFORCEMENT MATERIALS SEGMENT OPERATING PERFORMANCE

## Q2 FISCAL 2020 RESULTS

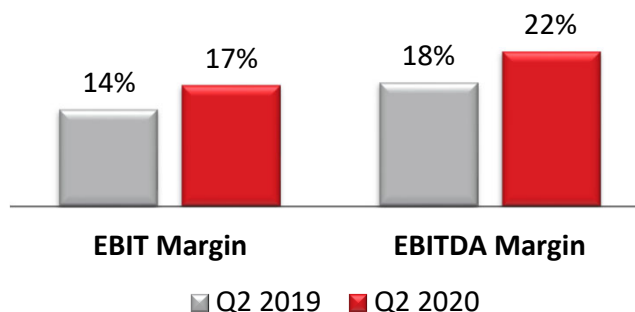
- ♦ Volumes lower in all regions due to COVID-19 impact
- ♦ Margin improvement mainly due to pricing and mix benefits in both tire and industrial products
- ♦ Feedstock protections worked as expected providing offset to Marpol related differentials



## SEGMENT EBIT AND EBITDA (\$ MILLIONS)

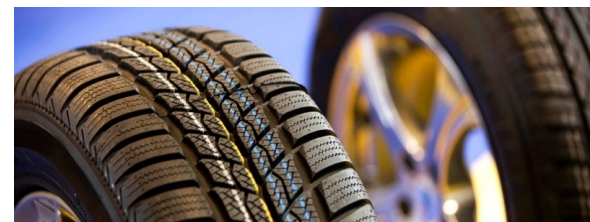


## SEGMENT EBIT AND EBITDA MARGINS



## FISCAL 2020 OUTLOOK

- ♦ Significant EBIT decline expected in the third quarter due to COVID-19 related volume decline
- ♦ Margins expected to be negatively impacted in the third quarter by rapid drop of feedstock prices resulting in lower yield and energy center benefits and temporary mismatch of pricing and inventory costs





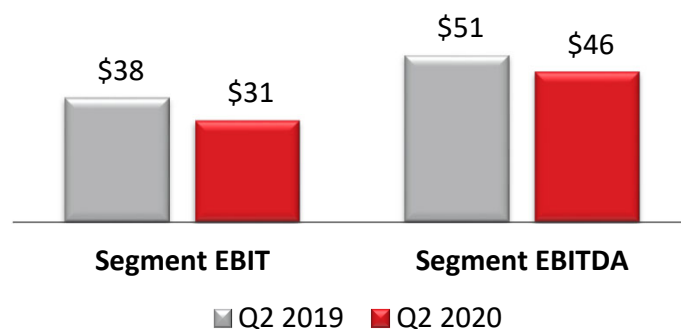
# PERFORMANCE CHEMICALS SEGMENT OPERATING PERFORMANCE

## Q2 FISCAL 2020 RESULTS

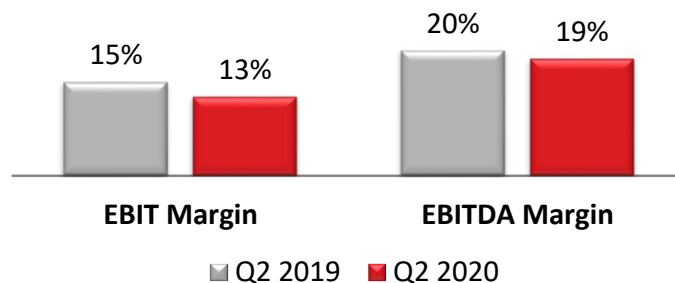
- ◆ Pricing and product mix in Metal Oxides business impacted by slowing demand in Europe and China
- ◆ Strong volume growth with 6% increase in Performance Additives and 8% increase in Formulated Solutions year-over-year



## SEGMENT EBIT AND EBITDA (\$ MILLIONS)

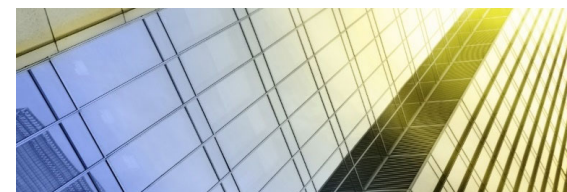


## SEGMENT EBIT AND EBITDA MARGINS



## FISCAL 2020 OUTLOOK

- ◆ COVID-19 expected to unfavorably impact volumes in Europe and Americas with weakness in demand for automotive applications
- ◆ Challenging pricing environment expected to continue for Metal Oxides business



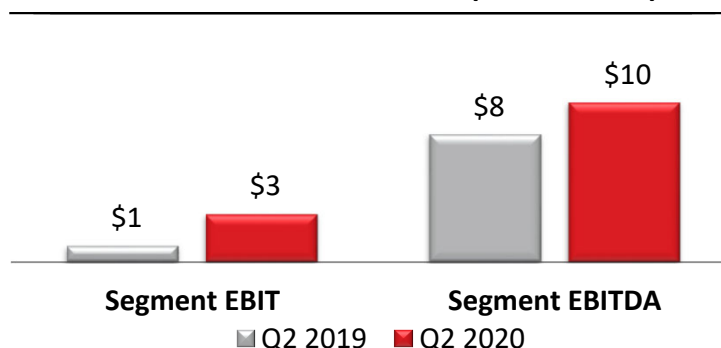
# PURIFICATION SOLUTIONS SEGMENT OPERATING PERFORMANCE

## Q2 FISCAL 2020 RESULTS

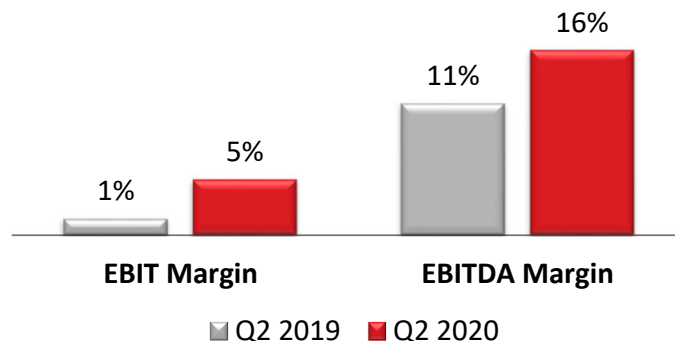
- ♦ Margin benefit from improved pricing and product mix in specialty applications
- ♦ Lower fixed costs driven by savings from the transformation plan



## SEGMENT EBIT AND EBITDA (\$ MILLIONS)



## SEGMENT EBIT AND EBITDA MARGINS



## FISCAL 2020 OUTLOOK

- ♦ Specialty volumes expected to be unfavorably impacted by COVID-19 resulting in less favorable product mix
- ♦ Lower fixed costs from asset curtailments anticipated to partially offset lower demand



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



- ✓ Cash at \$142M and liquidity in excess of \$1B
- ✓ Cash flow from operations of \$24M in Q2 2020; \$129M year-to-date
- ✓ Capital expenditures of \$51M; forecast for FY 2020 lowered to approximately \$200M
- ✓ Dividends of \$20M and share repurchases of \$10M; Share repurchases temporarily halted
- ✓ Year-to-date operating tax rate<sup>2</sup> of 29%; forecasted 29%-30%

1. All amounts are for the second quarter fiscal 2020 or as of March 31, 2020, unless otherwise specified

2. Non-GAAP Measure – See Appendix

# EXTERNAL INDICATORS

## New Auto End Market

~25% Cabot Sales

- ♦ Forecasts are calling for light vehicle production to fall sharply in the June quarter for EMEA and NA
- ♦ Production levels are expected to improve in all regions in the September quarter

## Replacement Tire End Market

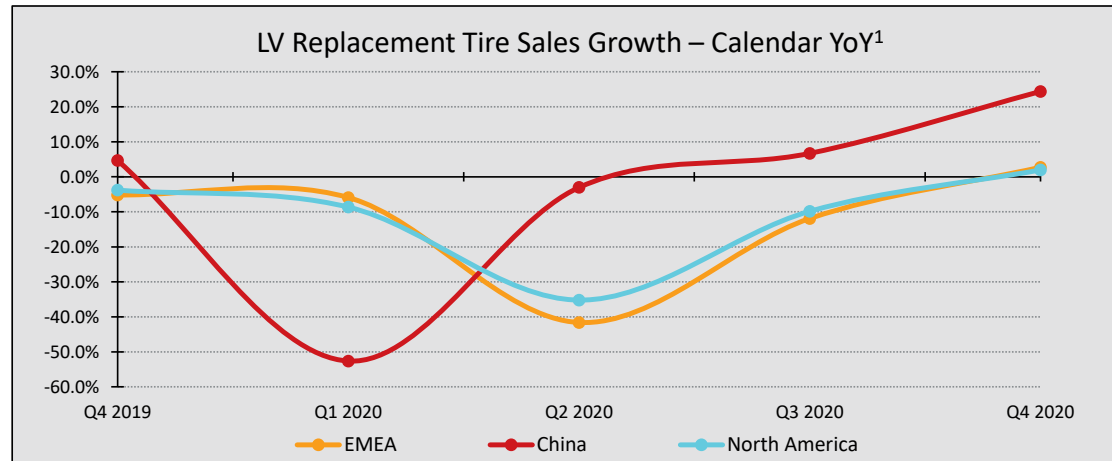
~40% Cabot Sales

- ♦ LMC forecasts show replacement tire sales will decline significantly during June quarter
- ♦ China continues to come back online. Europe and North America are expected to be down over 30% year over year in June quarter

## Consumer/Infrastructure End Markets

~35% Cabot Sales

- ♦ Consumer/Infrastructure end markets have been more resilient to date than tire and automotive demand



**Note** – Data above based on Calendar Year quarters.

<sup>1</sup> – Source: LMC May 1, 2020 Forecast Update

# 2020 OUTLOOK

- ◆ Expect a pronounced financial impact from COVID-19 in Q3 2020 from lower demand in tire and automotive applications
- ◆ Q3 volumes in Reinforcement Material will be significantly impacted by tire and automotive customer shutdowns in the Americas and Europe
- ◆ Domestic China market substantially recovered, though exports from China and Southeast Asia are impacted by weakness in western economies
- ◆ Performance Chemicals product mix to be negatively impacted by lower automotive demand globally, partially offset by packaging, agriculture and infrastructure applications
- ◆ Release of net working capital drives strong second half operating cash flow





# STRESS TEST

## Solid Cash Flow Expected Despite Volume Downturn



### 2009 LESSONS

- ◆ 25-30% volume declines
- ◆ Quick return to normal
- ◆ Counter-cyclical cash flow



### STRESS TESTS

- ◆ Volume decline scenarios up to 40%
- ◆ Significant working capital release expected
- ◆ Reduced capex



### RESULTS

- ◆ Ability to fund dividend and capex
- ◆ Maintain relatively consistent debt levels

# LONG-TERM OUTLOOK REMAINS STRONG

## GLOBAL LEADERSHIP

- ◆ Global market leader in each of our businesses
- ◆ Unparalleled global footprint
- ◆ Ability to drive scale advantage
- ◆ Deep customer and partner relationships

## TECHNOLOGY HERITAGE

- ◆ Commitment to technology in transformative applications
- ◆ Acquired Shenzhen Sanshun Nano, a leading carbon nanotube (CNT) producer in battery sector
- ◆ Launch of Engineered Elastomer Composites (E<sup>2</sup>C™)

## FINANCIAL STRENGTH

- ◆ Prudent balance sheet management
- ◆ Counter-cyclical cash flow
- ◆ Investment grade credit rating
- ◆ Disciplined capital allocation





# Q&A





# APPENDIX



# USE OF NON-GAAP FINANCIAL MEASURES

This presentation includes references to adjusted earnings per share (EPS), adjusted earnings per share (EPS) without Specialty Fluids, total segment EBIT, segment EBITDA, adjusted EBITDA, 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 11, 2020. Reconciliations for Total Segment EBIT and segment EBITDA for each segment are included in the following slides.

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) 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 3 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.

	Q2 2020	Q2 2019*
<b>Income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies</b>	<b>\$ 12</b>	<b>\$ 49</b>
Less: Certain items	(56)	(37)
Less: Other unallocated items	(27)	(26)
<b>Total Segment EBIT</b>	<b>\$ 95</b>	<b>\$ 112</b>
Plus: Total Depreciation & Amortization	39	38
Plus: Adjustments to Depreciation	-	(1)
Less: Unallocated Corporate Costs	12	13
<b>Adjusted EBITDA</b>	<b>\$ 122</b>	<b>\$ 136</b>

\* 2019 Earnings include the Specialty Fluids Segment divested in Q3 Fiscal 2019

# 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.

	Q2 2020	Q2 2019
Reinforcement Materials EBIT	\$ 61	\$ 61
Plus: Depreciation & Amortization	17	17
<b>Reinforcement Materials EBITDA</b>	<b>\$ 78</b>	<b>\$ 78</b>
	Q2 2020	Q2 2019
Performance Chemicals EBIT	\$ 31	\$ 38
Plus: Depreciation & Amortization	15	13
<b>Performance Chemicals EBITDA</b>	<b>\$ 46</b>	<b>\$ 51</b>
	Q2 2020	Q2 2019
Purification Solutions EBIT	\$ 3	\$ 1
Plus: Depreciation & Amortization	7	7
<b>Purification Solutions EBITDA</b>	<b>\$ 10</b>	<b>\$ 8</b>
	Q2 2020	Q2 2019
Specialty Fluids EBIT	\$ -	\$ 12
Plus: Depreciation & Amortization	-	-
<b>Specialty Fluids EBITDA</b>	<b>\$ -</b>	<b>\$ 12</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.

	Q2 2020	Q2 2019
Cash flow from operating activities <sup>(A)</sup>	\$ 24	\$ 90
Less: Additions to property, plant and equipment	51	43
<b>Free cash flow</b>	<b>\$ (27)</b>	<b>\$ 47</b>
Plus: Additions to property, plant and equipment	51	43
Less: Changes in net working capital <sup>(B)</sup>	2	22
Less: Sustaining and compliance capital expenditures	27	21
<b>Discretionary free cash flow</b>	<b>\$ (5)</b>	<b>\$ 47</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

	Fiscal 2019 <sup>(A)</sup>				
	Dec. Q	Mar. Q	June Q	Sept. Q	FY 2019
<b>Reconciliation of Adjusted EPS to GAAP EPS</b>					
Net income (loss) per share attributable to Cabot Corporation	\$ 1.14	\$ 0.39	\$ 0.55	\$ 0.55	\$ 2.63
Less: Certain items after tax per share	0.27	(0.60)	(0.45)	(0.50)	(1.28)
<b>Adjusted earnings per share</b>	<b>\$ 0.87</b>	<b>\$ 0.99</b>	<b>\$ 1.00</b>	<b>\$ 1.05</b>	<b>\$ 3.91</b>
Less: Specialty Fluids Adjusted earnings per share	0.14	0.15	0.02	—	0.31
<b>Adjusted earnings per share excluding Specialty Fluids</b>	<b>\$ 0.73</b>	<b>\$ 0.84</b>	<b>\$ 0.98</b>	<b>\$ 1.05</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 earnings per share is calculated as follows (in millions except for per share amounts):					
Specialty Fluids EBIT	\$ 10	\$ 12	\$ 2	\$ —	\$ 24
Less: Specialty Fluids taxes <sup>(C)</sup>	2	3	1	—	6
Specialty Fluids profit after tax	\$ 8	\$ 9	\$ 1	\$ —	\$ 18
Divided by: Cabot Corporation diluted weighted average common shares outstanding	60.1	59.3	58.4	57.6	58.8
<b>Specialty Fluids Adjusted EPS</b>	<b>\$ 0.14</b>	<b>\$ 0.15</b>	<b>\$ 0.02</b>	<b>\$ —</b>	<b>\$ 0.31</b>
<sup>(C)</sup> Specialty Fluids taxes calculated by applying Cabot's Operating tax rate for each period to Specialty Fluids EBIT. Please refer to Cabot's fiscal 2019 earnings releases for the reconciliations of the Company's operating tax rate to its effective tax rate.					