



Cabot Corp Reports Third Quarter Fiscal 2023 Results

August 7, 2023

Diluted earnings per share ("EPS") of \$1.43 and Adjusted EPS of \$1.42

BOSTON--(BUSINESS WIRE)--Aug. 7, 2023-- [Cabot Corporation](#) (NYSE: CBT) today announced results for its third quarter of fiscal year 2023.

Key Highlights

- **Third quarter Diluted EPS of \$1.43; Adjusted EPS of \$1.42**
- **Record Reinforcement Materials segment EBIT in the third fiscal quarter of \$132 million, up 17% year-over-year**
- **Strong Cash Flows from Operations of \$243 million supported return of \$38 million in the quarter to shareholders through dividends and share repurchases**
- **Liquidity remains strong at approximately \$1.3 billion; Net Debt to EBITDA of 1.7 times as of June 30, 2023**
- **Year to date effective and operating tax rate increased from 25% to 28%; third quarter impact of \$0.17 on adjusted EPS**

(In millions, except per share amounts)	Three Months Ended		Nine Months Ended	
	6/30/23	6/30/22	6/30/23	6/30/22
Net sales and other operating revenues	\$ 968	\$ 1,149	\$ 2,966	\$ 3,209
Net income (loss) attributable to Cabot Corporation	\$ 82	\$ 97	\$ 211	\$ 115
Net earnings (loss) per share attributable to Cabot Corporation	\$ 1.43	\$ 1.69	\$ 3.65	\$ 1.99
Less: Certain items after tax per share	\$ 0.01	\$ (0.04)	\$ (0.08)	\$ (2.75)
Adjusted EPS	\$ 1.42	\$ 1.73	\$ 3.73	\$ 4.74

Sean Keohane, Cabot President and Chief Executive Officer, commented on the quarter: "Despite a weak demand environment and an increase in our operating tax rate, adjusted EPS was up 7% sequentially in the third quarter. Reinforcement Materials delivered record EBIT of \$132 million driven by year-over-year improvement in pricing and product mix from our calendar year 2023 customer agreements, despite volume declines across all regions. As we communicated in June, the market environment remained challenging for Performance Chemicals during the quarter as demand across all product lines, excluding battery materials, continued to be weak and the pace of recovery in China remained slow."

Keohane continued, "During the third quarter, we delivered strong operating cash flow of \$243 million and we returned cash to our shareholders with \$23 million of dividends and \$15 million of share repurchases. Our balance sheet remains solid with Net Debt to EBITDA at 1.7x and liquidity of \$1.3 billion."

Financial Detail

For the third quarter of fiscal 2023, net income attributable to Cabot Corporation was \$82 million (\$1.43 per diluted common share). Net income reflects an after-tax per share benefit from certain items of \$0.01. Adjusted EPS for the third quarter of fiscal 2023 was \$1.42 per share.

Segment Results

Reinforcement Materials – Third quarter fiscal 2023 EBIT in Reinforcement Materials increased by \$19 million compared to the third quarter of fiscal 2022. The increase in EBIT was principally driven by improved unit margins from better pricing and product mix in our calendar year 2023 customer agreements, partially offset by lower volumes. Lower volumes were experienced across all regions driven by lower replacement tire demand.

Global and regional volume changes for Reinforcement Materials for the third quarter of fiscal 2023 as compared to the same quarter of the prior year are set forth in the table below:

	Third Quarter Year-over-Year Change
Global Reinforcement Materials Volumes	(8%)
Asia	(5%)
Europe, Middle East, Africa	(12%)
Americas	(10%)

Performance Chemicals – Third quarter fiscal 2023 EBIT in Performance Chemicals decreased by \$31 million compared to the third quarter of fiscal 2022 primarily due to a decrease in volumes and a less favorable product mix in our specialty carbons and battery materials product lines. Lower volumes were driven by continued softness in key end markets, with the most significant volume decline in our fumed metal oxides product line. While

overall segment volumes declined 9% year-over-year, we delivered 50% volume growth in products sold to battery materials applications.

Cash Performance – The Company ended the third quarter of fiscal 2023 with a cash balance of \$220 million. During the third quarter of fiscal 2023, cash flows from operating activities were a source of \$243 million. Capital expenditures for the third quarter of fiscal 2023 were \$80 million. Additional uses of cash during the third quarter included \$23 million for the payment of dividends and \$15 million for share repurchases.

Taxes – During the third quarter of fiscal 2023, the Company recorded a tax expense of \$41 million, with an effective tax rate of 32%. The operating tax rate for the third quarter of 2023 was 33%, which reflected non-GAAP tax adjustments of \$2 million, and included a catch-up of expense for the first half of the fiscal year. The effective and operating tax rate for the nine months ended June 30, 2023 was 28% and our expectation for the operating tax rate for fiscal year 2023 is now between 27% and 29%. The increase in our expected operating tax rate was driven by a change in the geographic mix of earnings anticipated for fiscal year 2023.

Outlook

Commenting on the fourth quarter and fiscal year outlook for the Company, Keohane said, “While volumes in Reinforcement Materials are expected to remain relatively consistent sequentially except for some seasonal decline in Europe, we continue to expect strong year over year EBIT growth driven by the pricing and product mix benefits in our calendar year 2023 customer agreements. In the Performance Chemicals segment, we anticipate relatively stable volumes sequentially across the larger product lines and moderate, sequential volume improvement in our battery materials and inkjet growth vectors. We anticipate pricing pressures in the EV value chain in China will impact battery materials results in the near-term and expect EBITDA results in fiscal 2023 to be below our previously communicated forecast range. Overall for the company, we expect adjusted earnings per share for the fourth fiscal quarter to be in the range of \$1.40 to \$1.55, which would bring our full year range between \$5.13 to \$5.28.”

Keohane continued, “Despite the challenges brought on by the weak macro-economic environment, we are delivering strong operating cash flow and remain focused on reducing costs and driving disciplined commercial execution. While the current economic environment is weaker than we expected at the beginning of our fiscal year, I am pleased with how the Cabot team is responding to this challenging environment and I believe the expected fourth quarter adjusted earnings per share exit rate range will set us up well as we look to fiscal 2024.”

Earnings Call

The Company will host a conference call with industry analysts at 8:00 a.m. Eastern time on Tuesday, August 8, 2023. The call can be accessed through Cabot’s investor relations website at <http://investor.cabot-corp.com>

About Cabot Corporation

Cabot Corporation (NYSE: CBT) is a global specialty chemicals and performance materials company headquartered in Boston, Massachusetts. The company is a leading provider of [reinforcing carbons](#), [specialty carbons](#), [battery materials](#), [engineered elastomer composites](#), [inkjet colorants](#), [masterbatches and conductive compounds](#), [fumed metal oxides](#) and [aerogel](#). For more information on Cabot, please visit the company’s website at cabotcorp.com. The Company regularly posts important information on its website and encourages investors and potential investors to consult the Cabot website regularly.

Forward-Looking Statements – This earnings release contains forward-looking statements. All statements that address expectations or projections about the future, including with respect to our expectations for our performance in fourth quarter of fiscal year 2023, including our expectations for adjusted earnings per share for the fiscal year 2023, our expectations for volumes across our business in the fourth quarter of fiscal year 2023, and our expected operating tax rate for fiscal 2023, 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, industry capacity utilization and competition from other specialty chemical companies; safety, health and environmental requirements and related constraints imposed on our business; regulatory and financial risks related to climate change developments; volatility in the price and availability of energy and raw materials, including with respect to the Russian invasion of Ukraine; a significant adverse change in a customer relationship or the failure of a customer to perform its obligations under agreements with us; failure to achieve growth expectations from new products, applications and technology developments; failure to realize benefits from acquisitions, alliances, or joint ventures or achieve our portfolio management objectives; 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, global health matters or geo-political conflicts; litigation or legal proceedings; tax rates and fluctuations in foreign currency exchange and interest rates; and the accuracy of the assumptions we used in establishing reserves for our share of liability for respirator claims. 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, 2022, filed with the SEC at 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.

Use of Non-GAAP Financial Measures

To supplement Cabot’s consolidated financial statements presented on a generally accepted accounting principle (“GAAP”) basis, the preceding discussion of our results and the accompanying financial tables report Adjusted EPS, Total Segment EBIT, Total Segment EBITDA, Adjusted EBITDA, our operating tax rate, Free Cash Flow and Discretionary Free Cash Flow, all of which are non-GAAP financial measures. These non-GAAP financial measures are not computed in accordance with, or as an alternative to, GAAP, and the definitions of these measures may not be comparable to those used by other companies. 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 titled “Cabot Corporation Certain Items and Reconciliation of Adjusted EPS and Operating Tax Rate” and “Cabot Corporation Reconciliation of Non-GAAP Financial Measures.”

Management believes these non-GAAP measures provide investors with greater transparency to the information used by Cabot management in its financial and operational decision-making, allow investors to see Cabot's results through the eyes of management, and better enable Cabot's investors to understand Cabot's operating performance and financial condition. In addition, adjusted EPS and Discretionary Free Cash Flow are two of the financial measures used to determine payouts under the Company's executive incentive compensation awards.

Adjusted EPS. In calculating Adjusted EPS, we exclude from our net income (loss) attributable to Cabot Corporation items of expense and income that management does not consider representative of the Company's business operations. We refer to these items as "certain items." Management believes excluding these items facilitates operating performance comparisons from period to period by eliminating differences caused by the existence and timing of certain expense and income items that would not otherwise be apparent on a GAAP basis and an evaluation of the Company's operating performance without the impact of these costs or benefits.

The items of income and expense that we exclude from our calculations of Adjusted EPS but that are included in our GAAP net income (loss) per share, as applicable in a particular reporting period, include, but are not limited to, the following:

- Asset impairment charges, which primarily include charges associated with an impairment of goodwill, other long-lived assets or assets held for sale.
- Charges related to the divestiture of our Purification Solutions business, which include accelerated costs associated with the change in control and employee incentive compensation.
- Legal and environmental reserves and matters, which consist of costs or benefits for matters typically related to former businesses or that are otherwise incurred outside of the ordinary course of business.
- Global restructuring activities, which include costs or benefits associated with cost reduction initiatives or plant closures and are primarily related to (i) employee termination costs, (ii) asset impairment charges associated with restructuring actions, (iii) costs to close facilities, including environmental costs and contract termination penalties, and (iv) gains realized on the sale of land or equipment associated with restructured plants or locations.
- Acquisition and integration-related charges, which include transaction costs, redundant costs incurred during the period of integration, and costs associated with transitioning certain management and business processes to Cabot's processes.
- Gains (losses) on sale of a business.
- Gain associated with the bargain purchase of a business.
- Gains realized on the sale of land.

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.

Total Segment EBIT. Total segment EBIT reflects the sum of EBIT from our two reportable segments. In calculating Total segment EBIT we exclude from our income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies, certain items and 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 corporate projects and initiatives.

Total Segment EBITDA. Total Segment EBITDA is equal to Total Segment EBIT (as defined above), but further adjusted for depreciation and amortization.

Adjusted EBITDA. Adjusted EBITDA reflects Total Segment EBITDA and is further adjusted for unallocated corporate costs, which include unallocated corporate overhead expenses such as certain corporate salaries and headquarter expenses, plus costs related to corporate projects and initiatives.

Free Cash Flow. To calculate "Free Cash Flow" we deduct Additions to property, plant and equipment from cash flow from operating activities.

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.

Operating Tax Rate. Our "operating tax rate" is calculated based upon management's forecast of the annual operating tax rate for the fiscal year applied to adjusted pre-tax earnings. The operating tax rate excludes income tax (expense) benefit on certain items, discrete tax items and, on a quarterly basis the timing of losses in certain jurisdictions. The income tax (expense) benefit on certain items is determined using the applicable rates in the taxing jurisdictions in which the certain items occurred and includes both current and deferred income tax (expense) benefit based on the nature of the certain items. Discrete tax items include, but are not limited to, changes in valuation allowance, uncertain tax positions, and other tax items, such as the tax impact of legislative changes. Management believes that this non-GAAP financial measure 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.

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 expenses.

Third Quarter Earnings Announcement, Fiscal 2023

CABOT CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS

Periods ended June 30	Three Months		Nine Months	
<i>Dollars in millions, except per share amounts (unaudited)</i>	2023	2022	2023	2022
Net sales and other operating revenues	\$ 968	\$1,149	\$2,966	\$3,209
Cost of sales	745	914	2,352	2,544
Gross profit	223	235	614	665
Selling and administrative expenses	58	51	184	196
Research and technical expenses	15	14	43	41
Loss on sale of business and asset impairment charge	—	2	3	206
Gain on bargain purchase of a business	—	—	—	(24)
Income (loss) from operations	150	168	384	246
Other income (expense)				
Interest and dividend income	7	—	22	7
Interest expense	(24)	(15)	(69)	(38)
Other income (expense)	(3)	(1)	(13)	(9)
Total other income (expense)	(20)	(16)	(60)	(40)
Income (loss) before income taxes and equity in earnings of affiliated companies	130	152	324	206
(Provision) benefit for income taxes	(41)	(49)	(90)	(73)
Equity in earnings of affiliated companies, net of tax	1	3	4	7
Net income (loss)	90	106	238	140
Net income (loss) attributable to noncontrolling interests	8	9	27	25
Net income (loss) attributable to Cabot Corporation	\$ 82	\$ 97	\$ 211	\$ 115

Diluted earnings (loss) per share of common stock attributable to Cabot Corporation **\$1.43** **\$ 1.69** **\$ 3.65** **\$ 1.99**

Diluted weighted average common shares outstanding **56.5** **56.8** **56.7** **56.9**

Third Quarter Earnings Announcement, Fiscal 2023

CABOT CORPORATION SUMMARY RESULTS BY SEGMENT

Periods ended June 30	Three Months		Nine Months	
<i>Dollars in millions, except per share amounts (unaudited)</i>	2023	2022	2023	2022
Sales (A)				
Reinforcement Materials	\$ 624	\$ 730	\$ 1,939	\$ 1,947
Performance Chemicals	307	376	919	1,045
Purification Solutions	—	—	—	97
Segment sales	931	1,106	2,858	3,089
Unallocated and other (B)	37	43	108	120
Net sales and other operating revenues	\$ 968	\$ 1,149	\$ 2,966	\$ 3,209
Segment Earnings Before Interest and Taxes (C)				
Reinforcement Materials	\$ 132	\$ 113	\$ 348	\$ 299
Performance Chemicals	32	63	89	185
Purification Solutions	—	—	—	—
Total Segment Earnings Before Interest and Taxes	164	176	437	484
Unallocated and Other				
Interest expense	(24)	(15)	(69)	(38)
Certain items (D)	(1)	12	(7)	(185)
Unallocated corporate costs	(11)	(15)	(42)	(45)
General unallocated income (expense) (E)	3	(3)	9	(3)

Less: Equity in earnings of affiliated companies	1	3	4	7
Income (loss) before income taxes and equity in earnings of affiliated companies	130	152	324	206
(Provision) benefit for income taxes (including tax certain items)	(41)	(49)	(90)	(73)
Equity in earnings of affiliated companies	1	3	4	7
Net income (loss)	90	106	238	140
Net income (loss) attributable to noncontrolling interests	8	9	27	25
Net income (loss) attributable to Cabot Corporation	\$ 82	\$ 97	\$ 211	\$ 115

Diluted earnings (loss) per share of common stock attributable to Cabot Corporation **\$ 1.43** \$ 1.69 **\$ 3.65** \$ 1.99

Adjusted earnings (loss) per share ^(F) **\$ 1.42** \$ 1.73 **\$ 3.73** \$ 4.74

Diluted weighted average common shares outstanding **56.5** 56.8 **56.7** 56.9

(A) Beginning in fiscal 2023, the Company began allocating energy center revenue to the applicable segment's Sales. The Company recast prior period financial information to conform to the new presentation. The allocation of such revenue resulted in an increase of \$23 million and \$72 million in the Reinforcement Materials segment and \$4 million and \$11 million in the Performance Chemicals segment, with an offsetting decrease in Unallocated and Other revenue for the three months and nine months ended June 30, 2022, respectively. There was no impact to the consolidated total Net sales and other operating revenues.

(B) Unallocated and other reflects royalties, other by-product revenue, external shipping and handling fees, the impact of the corporate adjustment for unearned revenue, and discounting charges for certain Notes receivable.

(C) Segment EBIT is a measure used by Cabot's Chief Operating Decision-Maker to measure consolidated operating results, assess segment performance and allocate resources. Segment EBIT includes equity in earnings of affiliated companies, royalty income, and allocated corporate costs.

(D) Details of Certain items are presented in the Certain Items and Reconciliation of Adjusted EPS and Operating Tax Rate table.

(E) General unallocated income (expense) consists of gains (losses) arising from foreign currency transactions, net of other foreign currency risk management activities, Interest and dividend income, the profit or loss related to the corporate adjustment for unearned revenue, and unrealized holding gains (losses) for investments.

(F) Adjusted EPS is a non-GAAP measure, and a reconciliation of Adjusted EPS to GAAP EPS is presented in the Certain Items and Reconciliation of Adjusted EPS and Operating Tax Rate table.

Third Quarter Earnings Announcement, Fiscal 2023

CABOT CORPORATION CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, September 30,	
<i>Dollars in millions (unaudited)</i>	2023	2022
Current assets:		
Cash and cash equivalents	\$ 220	\$ 206
Accounts and notes receivable, net of reserve for doubtful accounts of \$2 and \$3	688	836
Inventories:		
Raw materials	152	182
Work in process	1	—
Finished goods	370	427
Other	69	55
Total inventories	592	664
Prepaid expenses and other current assets	102	114
Total current assets	1,602	1,820
Property, plant and equipment, net	1,364	1,270
Goodwill	136	129
Equity affiliates	19	20

Intangible assets, net	63	63
Deferred income taxes	36	45
Other assets	167	178
Total assets	<u>\$ 3,387</u>	<u>\$ 3,525</u>

Third Quarter Earnings Announcement, Fiscal 2023

CABOT CORPORATION CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
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<i>Dollars in millions, except share and per share amounts (unaudited)</i>	June 30, September 30,	
	2023	2022
Current liabilities:		
Short-term borrowings	\$ 136	\$ 347
Accounts payable and accrued liabilities	568	707
Income taxes payable	27	44
Current portion of long-term debt	7	7
Total current liabilities	<u>738</u>	<u>1,105</u>
Long-term debt	1,093	1,089
Deferred income taxes	60	65
Other liabilities	230	234
Stockholders' equity:		
Preferred stock:		
Authorized: 2,000,000 shares of \$1 par value		
Issued and Outstanding: None and none	—	—
Common stock:		
Authorized: 200,000,000 shares of \$1 par value		
Issued: 56,072,816 and 56,385,963 shares		
Outstanding: 55,936,984 and 56,248,559 shares	56	56
Less cost of 135,832 and 137,404 shares of common treasury stock	(3)	(4)
Additional paid-in capital	—	1
Retained earnings	1,407	1,284
Accumulated other comprehensive income (loss)	(329)	(439)
Total Cabot Corporation stockholders' equity	<u>1,131</u>	<u>898</u>
Noncontrolling interests	135	134
Total stockholders' equity	<u>1,266</u>	<u>1,032</u>
Total liabilities and stockholders' equity	<u>\$ 3,387</u>	<u>\$ 3,525</u>

Third Quarter Earnings Announcement, Fiscal 2023

CABOT CORPORATION QUARTERLY RESULTS BY SEGMENT

<i>Dollars in millions, except per share amounts (unaudited)</i>	Fiscal 2022					Fiscal 2023				
	Dec. Q	Mar. Q	June Q	Sept. Q	FY	Dec. Q	Mar. Q	June Q	Sept. Q	FY
Sales (A)										
Reinforcement Materials	\$ 563	\$ 654	\$ 730	\$ 726	\$2,673	\$ 643	\$ 672	\$ 624	\$ —	\$1,939
Performance Chemicals	306	363	376	343	1,388	286	326	307	—	919
Purification Solutions	61	36	—	—	97	—	—	—	—	—
Segment sales	<u>930</u>	<u>1,053</u>	<u>1,106</u>	<u>1,069</u>	<u>4,158</u>	<u>929</u>	<u>998</u>	<u>931</u>	<u>—</u>	<u>2,858</u>
Unallocated and other (B)	38	39	43	43	163	36	35	37	—	108
Net sales and other operating revenues	<u>\$ 968</u>	<u>\$1,092</u>	<u>\$1,149</u>	<u>\$1,112</u>	<u>\$4,321</u>	<u>\$ 965</u>	<u>\$1,033</u>	<u>\$ 968</u>	<u>\$ —</u>	<u>\$2,966</u>

Segment Earnings Before Interest and Taxes (C)

Reinforcement Materials	\$ 85	\$ 101	\$ 113	\$ 109	\$ 408	\$ 94	\$ 122	\$ 132	\$ —	\$ 348
Performance Chemicals	52	70	63	49	234	29	28	32	—	89
Purification Solutions	—	—	—	—	—	—	—	—	—	—
Total Segment Earnings Before Interest and Taxes	137	171	176	158	642	123	150	164	—	437
Unallocated and Other										
Interest expense	(12)	(11)	(15)	(18)	(56)	(22)	(23)	(24)	—	(69)
Certain items ^(D)	(204)	7	12	2	(183)	(4)	(2)	(1)	—	(7)
Unallocated corporate costs	(14)	(16)	(15)	(14)	(59)	(15)	(16)	(11)	—	(42)
General unallocated income (expense) ^(E)	1	(1)	(3)	4	1	4	2	3	—	9
Less: Equity in earnings of affiliated companies	1	3	3	3	10	2	1	1	—	4
Income (loss) before income taxes and equity in earnings of affiliated companies	(93)	147	152	129	335	84	110	130	—	324
(Provision) benefit for income taxes (including tax certain items)	12	(36)	(49)	(29)	(102)	(20)	(29)	(41)	—	(90)
Equity in earnings of affiliated companies	1	3	3	3	10	2	1	1	—	4
Net income (loss)	(80)	114	106	103	243	66	82	90	—	238
Net income (loss) attributable to noncontrolling interests	9	7	9	9	34	12	7	8	—	27
Net income (loss) attributable to Cabot Corporation	\$ (89)	\$ 107	\$ 97	\$ 94	\$ 209	\$ 54	\$ 75	\$ 82	\$ —	\$ 211
Diluted earnings (loss) per share of common stock attributable to Cabot Corporation	\$(1.57)	\$ 1.84	\$ 1.69	\$ 1.64	\$ 3.62	\$ 0.93	\$ 1.29	\$ 1.43	\$ —	\$ 3.65
Adjusted earnings (loss) per share ^(F)	\$ 1.29	\$ 1.69	\$ 1.73	\$ 1.55	\$ 6.28	\$ 0.98	\$ 1.33	\$ 1.42	\$ —	\$ 3.73
Diluted weighted average common shares outstanding	56.8	57.1	56.8	56.8	56.9	56.7	56.8	56.5	\$ —	56.7

(A) Beginning in the fiscal year 2023, the Company began allocating energy center revenue to the applicable segment's Sales. The Company recast prior period financial information to conform to the new presentation.

(B) Unallocated and other reflects royalties, other by-product revenue, external shipping and handling fees, the impact of the corporate adjustment for unearned revenue, and discounting charges for certain Notes receivable.

(C) Segment EBIT is a measure used by Cabot's Chief Operating Decision-Maker to measure consolidated operating results, assess segment performance and allocate resources. Segment EBIT includes equity in earnings of affiliated companies, royalty income, and allocated corporate costs.

(D) Details of certain items are presented in the Certain Items and Reconciliation of Adjusted EPS and Operating Tax Rate table.

(E) General unallocated income (expense) consists of gains (losses) arising from foreign currency transactions, net of other foreign currency risk management activities, Interest and dividend income, the profit or loss related to the corporate adjustment for unearned revenue, and unrealized holding gains (losses) for investments.

(F) Adjusted EPS is a non-GAAP measure, and a reconciliation of Adjusted EPS to GAAP EPS is presented in the Certain Items and Reconciliation of Adjusted EPS and Operating Tax Rate table.

Third Quarter Earnings Announcement, Fiscal 2023

CABOT CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Periods ended June 30	Three Months Nine Months			
	2023	2022	2023	2022
Dollars in millions (unaudited)				

Cash Flows from Operating Activities:

Net income (loss)	\$ 90	\$ 106	\$ 238	\$ 140
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation and amortization	36	36	107	111
Other non-cash charges (gains), net	8	1	14	151
Cash dividends received from equity affiliates	—	1	2	1
Changes in assets and liabilities:				
Changes in certain working capital items ^(A)	71	(136)	96	(390)
Changes in other assets and liabilities, net	38	26	—	(18)
Cash provided by (used in) operating activities	243	34	457	(5)

Cash Flows from Investing Activities:

Additions to property, plant and equipment	(80)	(50)	(166)	(121)
Proceeds from sale of business	—	—	6	79
Cash paid for acquisition of business	—	(14)	—	(9)
Other investing activities, net	5	18	21	20
Cash provided by (used in) investing activities	(75)	(46)	(139)	(31)

Cash Flows from Financing Activities:

Change in debt, net	(123)	83	(221)	256
Cash dividends paid to common stockholders	(23)	(21)	(65)	(63)
Other financing activities, net	(15)	(18)	(85)	(64)
Cash provided by (used in) financing activities	(161)	44	(371)	129
Effect of exchange rates on cash	8	(33)	67	(49)
Increase (decrease) in cash and cash equivalents	15	(1)	14	44
Cash and cash equivalents at beginning of period	205	215	206	170
Cash, cash equivalents and restricted cash at end of period ^(B)	\$ 220	\$ 214	\$ 220	\$ 214

(A) Includes Accounts and notes receivable, Inventories, and Accounts payable and accrued liabilities.

(B) Restricted cash was \$6 million as of June 30, 2022. There was no restricted cash as of June 30, 2023.

Third Quarter Earnings Announcement, Fiscal 2023

CABOT CORPORATION CERTAIN ITEMS AND RECONCILIATION OF ADJUSTED EPS AND OPERATING TAX RATE

TABLE 1: DETAIL OF CERTAIN ITEMS

Periods ended June 30	Three Months		Nine Months	
	2023	2022	2023	2022
<i>Dollars in millions, except per share amounts (unaudited)</i>				
<u>Certain items before and after income taxes</u>				
Gain on bargain purchase of a business	\$ —	\$ —	\$ —	\$ 24
Gain on sale of land	—	17	1	17
Loss on sale of business and asset impairment charge	—	(2)	(3)	(206)
Legal and environmental matters and reserves	—	(1)	(2)	(9)
Acquisition and integration-related charges	(1)	(1)	(2)	(4)
Purification Solutions divestiture related charges	—	—	—	(5)
Global restructuring activities	—	(1)	—	(3)
Other certain items	—	—	(1)	1
Total certain items, pre-tax	(1)	12	(7)	(185)
Non-GAAP tax adjustments ^(A)	2	(15)	3	29
Total certain items after tax	\$ 1	\$ (3)	\$ (4)	\$ (156)
Total certain items after tax per share impact	\$ 0.01	\$ (0.04)	\$ (0.08)	\$ (2.75)

TABLE 2: CERTAIN ITEMS STATEMENT OF OPERATIONS LINE ITEM

Periods ended June 30	Three Months		Nine Months	
	2023	2022	2023	2022
<i>Dollars in millions, Pre-Tax (unaudited)</i>				
<u>Statement of Operations Line Item ^(B)</u>				
Gain on bargain purchase of a business	\$ —	\$ —	\$ —	\$ 24
Cost of sales	(1)	(2)	(4)	(7)
Selling and administrative expenses	—	15	—	4
Research and technical expenses	—	—	—	—
Other income (expense)	—	1	—	—
Loss on sale of business and asset impairment charge	—	(2)	(3)	(206)
Total certain items, pre-tax	\$ (1)	\$ 12	\$ (7)	\$ (185)

TABLE 3: RECONCILIATION OF EFFECTIVE TAX RATE TO OPERATING TAX RATE

Three months ended June 30	2023	2022
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<i>Dollars in millions (unaudited)</i>	(Provision) / Benefit for		(Provision) / Benefit for	
	Income Taxes	Rate	Income Taxes	Rate
Effective Tax Rate	\$ (41)	32%	\$ (49)	32%
Less: Non-GAAP tax adjustments ^(A)	2		(15)	
Operating tax rate ^{(C) (D)}	\$ (43)	33%	\$ (34)	24%

Nine months ended June 30

Dollars in millions (unaudited)

	2023		2022	
	(Provision) / Benefit for Income Taxes	Rate	(Provision) / Benefit for Income Taxes	Rate
Effective Tax Rate	\$ (90)	28%	\$ (73)	35%
Less: Non-GAAP tax adjustments ^(A)	3		29	
Operating tax rate ^{(C) (D)}	\$ (93)	28%	\$ (102)	26%

TABLE 4: RECONCILIATION OF ADJUSTED EPS BY QUARTER FOR FISCAL 2023 and FISCAL 2022

Periods ended (unaudited)	Fiscal 2023 ^(E)				
	Dec. Q	Mar. Q	June Q	Sept. Q	FY 2023
<u>Reconciliation of Adjusted EPS to GAAP EPS</u>					
Net income (loss) per share attributable to Cabot Corporation	\$ 0.93	\$ 1.29	\$ 1.43	\$ —	\$ 3.65
Less: Certain items after tax per share	(0.05)	(0.04)	0.01	—	(0.08)
Adjusted earnings (loss) per share	\$ 0.98	\$ 1.33	\$ 1.42	\$ —	\$ 3.73
	Fiscal 2022 ^(E)				
Periods ended (unaudited)	Dec. Q	Mar. Q	June Q	Sept. Q	FY 2022
<u>Reconciliation of Adjusted EPS to GAAP EPS</u>					
Net income (loss) per share attributable to Cabot Corporation	\$ (1.57)	\$ 1.84	\$ 1.69	\$ 1.64	\$ 3.62
Less: Certain items after tax per share	(2.86)	0.15	(0.04)	0.09	(2.66)
Adjusted earnings (loss) per share	\$ 1.29	\$ 1.69	\$ 1.73	\$ 1.55	\$ 6.28

(A) Non-GAAP tax adjustments are made to arrive at the operating tax provision. It includes the income tax (expense) benefit on certain items, discrete tax items, and, on a quarterly basis the timing of losses in certain jurisdictions. The income tax (expense) benefit on certain items is determined using the applicable rates in the taxing jurisdictions in which the certain items occurred and includes both current and deferred income tax (expense) benefit based on the nature of the certain items. Discrete tax items include, but are not limited to, changes in valuation allowance, uncertain tax positions, and other tax items, such as the tax impact of legislative changes and tax accruals on historic earnings due to changes in indefinite reinvestment assertions.

(B) This table indicates the line items where certain items are recorded in the Consolidated Statements of Operations.

(C) The operating tax rate is calculated based upon management's forecast of the annual operating tax rate for the fiscal year applied to adjusted pre-tax earnings. The operating tax rate excludes income tax (expense) benefit on certain items, discrete tax items and, on a quarterly basis the timing of losses in certain jurisdictions.

(D) Our operating tax rate for fiscal 2023 is expected to be in the range of 27% to 29%

(E) Per share amounts are calculated after tax.

Third Quarter Earnings Announcement, Fiscal 2023

CABOT CORPORATION RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	Fiscal 2023 ^(A)				
	Dec. Q	Mar. Q	June Q	Sept. Q	FY 2023
<u>Reconciliation of Adjusted EPS to GAAP EPS</u>					

Net income (loss) per share attributable to Cabot Corporation	\$ 0.93	\$ 1.29	\$ 1.43	\$ —	\$ 3.65
Less: Certain items after tax per share	(0.05)	(0.04)	0.01	—	(0.08)
Adjusted earnings (loss) per share	\$ 0.98	\$ 1.33	\$ 1.42	\$ —	\$ 3.73
	Fiscal 2022 (A)				
	Dec. Q	Mar. Q	June Q	Sept. Q	FY 2022
Reconciliation of Adjusted EPS to GAAP EPS					
Net income (loss) per share attributable to Cabot Corporation	\$(1.57)	\$ 1.84	\$ 1.69	\$ 1.64	\$ 3.62
Less: Certain items after tax per share	(2.86)	0.15	(0.04)	0.09	(2.66)
Adjusted earnings (loss) per share	\$ 1.29	\$ 1.69	\$ 1.73	\$ 1.55	\$ 6.28
(A) Per share amounts are calculated after tax.					

<i>Dollars in millions</i>	Fiscal 2023				
	Dec. Q	Mar. Q	June Q	Sept. Q	FY 2023
Reconciliation of Total Segment EBIT, Total Segment EBITDA and Adjusted EBITDA to Net Income and Segment EBITDA Margin					
Net income (loss) attributable to Cabot Corporation	\$ 54	\$ 75	\$ 82	\$ —	\$ 211
Net income (loss) attributable to noncontrolling interests	12	7	8	—	27
Equity in earnings of affiliated companies, net of tax	(2)	(1)	(1)	—	(4)
Provision (benefit) for income taxes	20	29	41	—	90
Income (loss) before income taxes and equity in earnings of affiliated companies	\$ 84	\$ 110	\$ 130	\$ —	\$ 324
Interest expense	22	23	24	—	69
Certain items	4	2	1	—	7
Unallocated corporate costs	15	16	11	—	42
General unallocated (income) expense	(4)	(2)	(3)	—	(9)
Less: Equity in earnings of affiliated companies	(2)	(1)	(1)	—	(4)
Total Segment EBIT	\$ 123	\$ 150	\$ 164	\$ —	\$ 437
Depreciation and amortization excluding corporate depreciation	34	36	36	—	106
Total Segment EBITDA	\$ 157	\$ 186	\$ 200	\$ —	\$ 543
Less: Unallocated corporate costs before corporate depreciation	15	16	11	—	42
Adjusted EBITDA	\$ 142	\$ 170	\$ 189	\$ —	\$ 501

<i>Dollars in millions</i>	Dec. Q	Mar. Q	June Q	Sept. Q	FY 2023
Reinforcement Materials EBIT	\$ 94	\$ 122	\$ 132	\$ —	\$ 348
Reinforcement Materials Depreciation and amortization	17	18	17	—	52
Reinforcement Materials EBITDA	\$ 111	\$ 140	\$ 149	\$ —	\$ 400
Reinforcement Materials Sales	\$ 643	\$ 672	\$ 624	\$ —	\$ 1,939
Reinforcement Materials EBITDA Margin	17%	21%	24%	—%	21%

<i>Dollars in millions</i>	Dec. Q	Mar. Q	June Q	Sept. Q	FY 2023
Performance Chemicals EBIT	\$ 29	\$ 28	\$ 32	\$ —	\$ 89
Performance Chemicals Depreciation and amortization	17	18	19	—	54
Performance Chemicals EBITDA	\$ 46	\$ 46	\$ 51	\$ —	\$ 143
Performance Chemicals Sales	\$ 286	\$ 326	\$ 307	\$ —	\$ 919
Performance Chemicals EBITDA Margin	16%	14%	17%	—%	16%

<i>Dollars in millions</i>	Fiscal 2023				
	Dec. Q	Mar. Q	June Q	Sept. Q	FY 2023
Reconciliation of Free Cash Flow and Discretionary Free Cash Flow to Cash Flow from Operating Activities					
Cash flow from operating activities (B)	\$ 52	\$ 162	\$ 243	\$ —	\$ 457
Less: Additions to property, plant and equipment	35	51	80	—	166
Free cash flow	\$ 17	\$ 111	\$ 163	\$ —	\$ 291
Plus: Additions to property, plant and equipment	35	51	80	—	166
Less: Changes in net working capital (C)	(34)	59	71	—	96
Less: Sustaining and compliance capital expenditures	23	27	44	—	94
Discretionary free cash flow	\$ 63	\$ 76	\$ 128	\$ —	\$ 267

(B) As provided in the Condensed Consolidated Statements of Cash Flows.

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

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Investor Contact:

Steve Delahunt

(617) 342-6255

Source: Cabot Corporation