UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to

Commission file number 1-5667

Cabot Corporation

(Exact name of registrant as specified in its charter)

Delaware	**04-2271897**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
Two Seaport Lane, Suite 1400 Boston, Massachusetts	**02210-2019**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (617) 345-0100

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $1 par value per share	CBT	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The Company had 54,823,821 shares of common stock, $1.00 par value per share, outstanding as of August 1, 2024.

INDEX

Part I. Financial Information

Item 1. Financial Statements

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(In millions, except per share amounts)			
Net sales and other operating revenues	$ 1,016	$ 968	$ 2,993	$ 2,966
Cost of sales	760	745	2,273	2,352
Gross profit	256	223	720	614
Selling and administrative expenses	68	58	210	184
Research and technical expenses	16	15	46	43
Loss on sale of business	—	—	—	3
Income (loss) from operations	172	150	464	384
Interest and dividend income	8	7	25	22
Interest expense	(19)	(24)	(62)	(69)
Other income (expense)	(3)	(3)	(33)	(13)
Income (loss) from operations before income taxes and equity in earnings of affiliated companies	158	130	394	324
(Provision) benefit for income taxes	(40)	(41)	(121)	(90)
Equity in earnings of affiliated companies, net of tax	2	1	5	4
Net income (loss)	120	90	278	238
Net income (loss) attributable to noncontrolling interests, net of tax	11	8	35	27
Net income (loss) attributable to Cabot Corporation	$ 109	$ 82	$ 243	$ 211
Weighted-average common shares outstanding:				
Basic	55.1	56.1	55.3	56.2
Diluted	55.7	56.5	55.8	56.7
Earnings (loss) per common share:				
Basic	$ 1.96	$ 1.44	$ 4.34	$ 3.68
Diluted	$ 1.94	$ 1.43	$ 4.30	$ 3.65

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
UNAUDITED

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(In millions)			
Net income (loss)	$ 120	$ 90	$ 278	$ 238
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment, net of tax	(66)	(20)	(19)	117
Derivatives: net investment hedges				
(Gains) losses reclassified to interest expense, net of tax	(1)	(1)	(3)	(4)
(Gains) losses excluded from effectiveness testing and amortized to interest expense, net of tax	1	—	2	1
Pension and other post-retirement benefit liability adjustments, net of tax	—	—	(1)	(1)
Other comprehensive income (loss), net of tax (provision) benefit of $ (1), $ —, $ 11 and $ —	(66)	(21)	(21)	113
Comprehensive income (loss)	54	69	257	351
Net income (loss) attributable to noncontrolling interests, net of tax	11	8	35	27
Foreign currency translation adjustment attributable to noncontrolling interests, net of tax	(1)	(6)	(1)	3
Comprehensive income (loss) attributable to noncontrolling interests	10	2	34	30
Comprehensive income (loss) attributable to Cabot Corporation	$ 44	$ 67	$ 223	$ 321

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
ASSETS
UNAUDITED

	June 30, 2024	September 30, 2023
	(In millions)	
Current assets:		
Cash and cash equivalents	$ 197	$ 238
Accounts and notes receivable, net of reserve for doubtful accounts of $5 and $2	732	695
Inventories:		
Raw materials	145	148
Finished goods	341	374
Other	67	63
Total inventories	553	585
Prepaid expenses and other current assets	109	108
Total current assets	1,591	1,626
Property, plant and equipment	3,907	3,827
Accumulated depreciation	(2,477)	(2,415)
Net property, plant and equipment	1,430	1,412
Goodwill	132	134
Equity affiliates	24	20
Intangible assets, net	55	60
Deferred income taxes	166	180
Other assets	182	172
Total assets	$ 3,580	$ 3,604

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND STOCKHOLDERS' EQUITY
UNAUDITED

	June 30, 2024	September 30, 2023
	(In millions, except share and per share amounts)	
Current liabilities:		
Short-term borrowings	$ 49	$ 174
Accounts payable and accrued liabilities	626	600
Income taxes payable	34	40
Current portion of long-term debt	8	8
Total current liabilities	717	822
Long-term debt	1,083	1,094
Deferred income taxes	40	50
Other liabilities	244	231
Contingencies (Note E)		
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: 54,949,872 and 55,379,636 shares, Outstanding: 54,816,803 and 55,243,804 shares	55	55
Less cost of 133,069 and 135,832 shares of common treasury stock	(3)	(3)
Additional paid-in capital	—	—
Retained earnings	1,676	1,574
Accumulated other comprehensive income (loss)	(382)	(362)
Total Cabot Corporation stockholders' equity	1,346	1,264
Noncontrolling interests	150	143
Total stockholders' equity	1,496	1,407
Total liabilities and stockholders' equity	$ 3,580	$ 3,604

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

	Nine Months Ended June 30	
	2024	2023
	(In millions)	
Cash Flows from Operating Activities:		
Net income (loss)	$ 278	$ 238
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	114	107
Loss on sale of business	—	3
Gain on sale of land	—	(1)
Deferred tax provision (benefit)	7	(1)
Equity in earnings of affiliated companies	(5)	(4)
Share-based compensation	19	15
Other non-cash (income) expense	60	2
Cash dividends received from equity affiliates	1	2
Changes in assets and liabilities:		
Accounts and notes receivable	(47)	173
Inventories	27	100
Prepaid expenses and other assets	(14)	17
Accounts payable and accrued liabilities	38	(177)
Income taxes payable	(6)	(18)
Other liabilities	16	1
Cash provided by (used in) operating activities	488	457
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(149)	(166)
Proceeds from sale of land	—	7
Proceeds from sale of business	—	6
Proceeds from insurance settlements	—	12
Other	3	2
Cash provided by (used in) investing activities	(146)	(139)
Cash Flows from Financing Activities:		
Proceeds from short-term borrowings	—	24
Repayments of short-term borrowings	(1)	(48)
Proceeds from issuance (repayments) of commercial paper, net	(123)	(188)
Proceeds from long-term debt, net of issuance costs	14	79
Repayments of long-term debt	(29)	(88)
Purchases of common stock	(106)	(48)
Proceeds from sales of common stock	15	4
Cash dividends paid to noncontrolling interests	(27)	(41)
Cash dividends paid to common stockholders	(69)	(65)
Cash provided by (used in) financing activities	(326)	(371)
Effects of exchange rate changes on cash	(57)	67
Increase (decrease) in cash and cash equivalents	(41)	14
Cash and cash equivalents at beginning of period	238	206
Cash and cash equivalents at end of period	$ 197	$ 220

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
UNAUDITED

	Common Stock, Net of Treasury Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive Income	Total Cabot Corporation Stockholders'	Noncontrolling	Total Stockholders'
	Shares	Cost	Capital	Earnings	(Loss)	Equity	Interests	Equity
	(In millions, except share amounts)							
Balance at September 30, 2023	55,244	$ 52	$ —	$ 1,574	$ (362)	$ 1,264	$ 143	$ 1,407
Net income (loss)				50		50	11	61
Total other comprehensive income (loss)					57	57	4	61
Cash dividends paid:								
Common stock, $0.40 per share				(22)		(22)		(22)
Cash dividends declared to noncontrolling interests						—	(12)	(12)
Issuance of stock under equity compensation plans	441	—	7			7		7
Share-based compensation			6			6		6
Purchase and retirement of common stock	(260)	—	(13)	(20)		(33)		(33)
Balance at December 31, 2023	55,425	$ 52	$ —	$ 1,582	$ (305)	$ 1,329	$ 146	$ 1,475
Net income (loss)				84		84	13	97
Total other comprehensive income (loss)					(12)	(12)	(4)	(16)
Cash dividends paid:								
Common stock, $0.40 per share				(23)		(23)		(23)
Cash dividends declared to noncontrolling interests						—	(15)	(15)
Issuance of stock under equity compensation plans	122	—	6			6		6
Share-based compensation			7			7		7
Purchase and retirement of common stock	(289)	—	(13)	(11)		(24)		(24)
Balance at March 31, 2024	55,258	$ 52	$ —	$ 1,632	$ (317)	$ 1,367	$ 140	$ 1,507
Net income (loss)				109		109	11	120
Total other comprehensive income (loss)					(65)	(65)	(1)	(66)
Cash dividends paid:								
Common stock, $0.43 per share				(24)		(24)		(24)
Cash dividends declared to noncontrolling interests						—	—	—
Issuance of stock under equity compensation plans	57	1	1			2		2
Share-based compensation			6			6		6
Purchase and retirement of common stock	(498)	(1)	(7)	(41)		(49)		(49)
Balance at June 30, 2024	54,817	$ 52	$ —	$ 1,676	$ (382)	$ 1,346	$ 150	$ 1,496

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
UNAUDITED

	Common Stock, Net of Treasury Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Total Cabot Corporation Stockholders'	Noncontrolling	Total Stockholders'
	Shares	Cost	Capital	Earnings	Income (Loss)	Equity	Interests	Equity
	(In millions, except share amounts)							
Balance at September 30, 2022	56,249	$ 52	$ 1	$ 1,284	$ (439)	$ 898	$ 134	$ 1,032
Net income (loss)				54		54	12	66
Total other comprehensive income (loss)					81	81	6	87
Cash dividends paid:								
Common stock, $0.37 per share				(21)		(21)		(21)
Cash dividends declared to noncontrolling interests						—	(2)	(2)
Issuance of stock under equity compensation plans	309	1	2			3		3
Share-based compensation			11			11		11
Purchase and retirement of common stock	(242)	—	(14)	(3)		(17)		(17)
Balance at December 31, 2022	56,316	$ 53	$ —	$ 1,314	$ (358)	$ 1,009	$ 150	$ 1,159
Net income (loss)				75		75	7	82
Total other comprehensive income (loss)					44	44	3	47
Cash dividends paid:								
Common stock, $0.37 per share				(21)		(21)		(21)
Cash dividends declared to noncontrolling interests						—	(27)	(27)
Issuance of stock under equity compensation plans	29	—	1			1		1
Share-based compensation			7			7		7
Purchase and retirement of common stock	(199)	—	(8)	(8)		(16)		(16)
Balance at March 31, 2023	56,146	$ 53	$ —	$ 1,360	$ (314)	$ 1,099	$ 133	$ 1,232
Net income (loss)				82		82	8	90
Total other comprehensive income (loss)					(15)	(15)	(6)	(21)
Cash dividends paid:								
Common stock, $0.40 per share				(23)		(23)		(23)
Cash dividends declared to noncontrolling interests						—		—
Issuance of stock under equity compensation plans	4	—	—			—		—
Share-based compensation			3			3		3
Purchase and retirement of common stock	(213)	—	(3)	(12)		(15)		(15)
Balance at June 30, 2023	55,937	$ 53	$ —	$ 1,407	$ (329)	$ 1,131	$ 135	$ 1,266

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024
UNAUDITED

A. Basis of Presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("U.S.") ("GAAP") and include the accounts of Cabot Corporation ("Cabot" or the "Company") and its wholly-owned subsidiaries and majority-owned and controlled U.S. and non-U.S. subsidiaries. Additionally, Cabot considers consolidation of entities over which control is achieved through means other than voting rights. Intercompany transactions have been eliminated in consolidation.

The unaudited consolidated financial statements have been prepared in accordance with the requirements of Form 10-Q and consequently do not include all disclosures required by Form 10-K. Additional information may be obtained by referring to Cabot's Annual Report on Form 10-K for its fiscal year ended September 30, 2023 (the "2023 10-K").

The financial information submitted herewith is unaudited and reflects all adjustments which are, in the opinion of management, necessary to provide a fair statement of the results for the interim periods ended June 30, 2024 and 2023. All such adjustments are of a normal recurring nature. The results for interim periods are not necessarily indicative of the results to be expected for the fiscal year.

B. Significant Accounting Policies

Full detail on the Company's significant accounting policies may be obtained by referring to Note A in the 2023 10-K.

Argentinian Government Actions

The Company's wholly-owned Argentinian subsidiary operates in a highly inflationary economy and, as a result, the functional currency of the subsidiary is Cabot's reporting currency, the U.S. dollar. During the three and nine months ended June 30, 2024, the Company recorded foreign exchange losses of $2 million and $42 million, respectively, related to the revaluation of non-functional currency denominated monetary asset and liability balances, of which $33 million related to a single devaluation action in December 2023 by the newly-elected Argentine government. The Company invests cash in money market funds and recorded investment income of nil and $16 million, respectively, for the three and nine months ended June 30, 2024. The foreign exchange losses and investment gains are recorded in Other income (expense) in the Consolidated Statement of Operations.

During the second quarter of fiscal 2024, the Company purchased $30 million in BOPREAL bonds (standing for "Bond for the Reconstruction of a Free Argentina" in Spanish), which are U.S. dollar-denominated securities issued by the Central Bank of Argentina, as part of an Argentine government program to settle foreign payables for importers with debts for goods with customs registration and/or services, incurred on or prior to December 12, 2023. The Company subsequently sold the bonds for $22 million and utilized the proceeds to partially repay its foreign payables in Argentina. The purchase and proceeds of BOPREAL bonds are included in the Changes in Prepaid expenses and other assets in the Consolidated Statement of Cash Flows. The $8 million investment loss is included in Other non-cash (income) expense in the Consolidated Statement of Cash Flows and in Other income (expense) in the Consolidated Statement of Operations. In accordance with Argentine government regulations, the Company purchased an additional $8 million of U.S. dollars in the third quarter of fiscal 2024 at a foreign exchange loss of $2 million and utilized the funds to complete the settlement of outstanding foreign payables incurred on or prior to December 12, 2023.

Recently Adopted Accounting Standards

In November 2022, the Financial Accounting Standards Board ("FASB") issued a new standard on the disclosure of supplier financing programs. The new standard requires qualitative and quantitative disclosures as to the nature and potential magnitude of such programs in addition to program activity and changes for the periods presented. The Company adopted this standard on October 1, 2023. See Note J for disclosures related to the Company's supplier financing programs. The adoption of this standard did not have a material impact on the Company's Consolidated Financial Statements.

Recent Accounting Pronouncements

In March 2024, the Securities and Exchange Commission ("SEC") issued its final rule, The Enhancement and Standardization of Climate-Related Disclosures for Investors that requires the Company to provide certain climate-related information. The rule provides a phased-in compliance period and is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. In April 2024, the SEC voluntarily stayed its rule pending completion of judicial review by the U.S. Court of Appeals for the Eighth Circuit and, therefore, the timing of the effectiveness of these disclosure requirements is uncertain. The Company is currently monitoring the timing of adoption and evaluating the impact of the potential adoption of this standard on the Company's Consolidated Financial Statements.

In November 2023, the FASB issued a new standard, Improvement to Reportable Segment Disclosures. The new guidance enhances the disclosure of significant reportable segment expenses. The new standard is effective for the Company's fiscal years beginning October 1, 2024, and for interim periods beginning October 1, 2025. The Company is currently evaluating the impact of the adoption of this standard on the Company's Consolidated Financial Statements.

In December 2023, the FASB issued a new standard, Improvements to Income Tax Disclosures. The new guidance requires additional disclosures primarily related to the income tax rate reconciliation and income taxes paid. The new standard is effective for the Company's fiscal years and interim periods beginning October 1, 2025. The Company is currently evaluating the impact of the adoption of this standard on the Company's Consolidated Financial Statements.

C. Goodwill and Intangible Assets

The carrying amount of goodwill attributable to each reportable segment and the changes in those balances during the nine months ended June 30, 2024 are as follows:

	Reinforcement Materials	Performance Chemicals	Total
		(In millions)	
Balance at September 30, 2023	$ 51	$ 83	$ 134
Foreign currency impact	(2)	—	(2)
Balance at June 30, 2024	$ 49	$ 83	$ 132

The following table provides information regarding the Company's intangible assets:

	June 30, 2024			September 30, 2023		
	Gross Carrying Value	Accumulated Amortization	Net Intangible Assets	Gross Carrying Value	Accumulated Amortization	Net Intangible Assets
			(In millions)			
Intangible assets with finite lives						
Developed technologies	$ 33	$ (11)	$ 22	$ 34	$ (10)	$ 24
Trademarks	2	(1)	1	2	(1)	1
Customer relationships	63	(31)	32	65	(30)	35
Total intangible assets	$ 98	$ (43)	$ 55	$ 101	$ (41)	$ 60

Intangible assets are amortized over their estimated useful lives, which range between ten and twenty-five years, with a weighted average amortization period of approximately seventeen years. Amortization expense was $1 million for both the three months ended June 30, 2024 and 2023. Amortization expense was $4 million for both the nine months ended June 30, 2024 and 2023. Amortization expense is included in Cost of sales, Selling and administrative expenses and Research and technical expenses in the Consolidated Statements of Operations. Total amortization expense is estimated to be approximately $6 million each year for the next five fiscal years.

D. Accumulated Other Comprehensive Income (Loss) ("AOCI")

Comprehensive income combines net income (loss) and other comprehensive income items, which are reported as components of stockholders' equity in the accompanying Consolidated Balance Sheets.

Changes in each component of AOCI, net of tax, were as follows:

	Currency Translation Adjustment	Pension and Other Post-retirement Benefit Liability Adjustments	Total
		(In millions)	
Balance at September 30, 2023, attributable to Cabot Corporation	$ (353)	$ (9)	$ (362)
Other comprehensive income (loss) before reclassifications	62	—	62
Amounts reclassified from AOCI	(1)	—	(1)
Less: Other comprehensive income (loss) attributable to noncontrolling interests	4	—	4
Balance at December 31, 2023, attributable to Cabot Corporation	$ (296)	$ (9)	$ (305)
Other comprehensive income (loss) before reclassifications	(15)	—	(15)
Amounts reclassified from AOCI	—	(1)	(1)
Less: Other comprehensive income (loss) attributable to noncontrolling interests	(4)	—	(4)
Balance at March 31, 2024, attributable to Cabot Corporation	$ (307)	$ (10)	$ (317)
Other comprehensive income (loss) before reclassifications	(66)	—	(66)
Amounts reclassified from AOCI	—	—	—
Less: Other comprehensive income (loss) attributable to noncontrolling interests	(1)	—	(1)
Balance at June 30, 2024, attributable to Cabot Corporation	$ (372)	$ (10)	$ (382)

	Currency Translation Adjustment	Pension and Other Post-retirement Benefit Liability Adjustments	Total
		(In millions)	
Balance at September 30, 2022, attributable to Cabot Corporation	$ (429)	$ (10)	$ (439)
Other comprehensive income (loss) before reclassifications	88	—	88
Amounts reclassified from AOCI	(1)	—	(1)
Less: Other comprehensive income (loss) attributable to noncontrolling interests	6	—	6
Balance at December 31, 2022, attributable to Cabot Corporation	$ (348)	$ (10)	$ (358)
Other comprehensive income (loss) before reclassifications	49	—	49
Amounts reclassified from AOCI	(1)	(1)	(2)
Less: Other comprehensive income (loss) attributable to noncontrolling interests	3	—	3
Balance at March 31, 2023, attributable to Cabot Corporation	$ (303)	$ (11)	$ (314)
Other comprehensive income (loss) before reclassifications	(20)	1	(19)
Amounts reclassified from AOCI	(1)	(1)	(2)
Less: Other comprehensive income (loss) attributable to noncontrolling interests	(6)	—	(6)
Balance at June 30, 2023, attributable to Cabot Corporation	$ (318)	$ (11)	$ (329)

The amounts reclassified out of AOCI and into the Consolidated Statements of Operations in each of the three and nine months ended June 30, 2024 and 2023 are as follows:

	Affected Line Item in the Consolidated Statements of Operations	Three Months Ended June 30		Nine Months Ended June 30	
		2024	2023	2024	2023
		(In millions)			
Derivatives: net investment hedges					
(Gains) losses reclassified to interest expense	Interest expense	$ (1)	$ (1)	$ (4)	$ (4)
(Gains) losses excluded from effectiveness testing and amortized to interest expense	Interest expense	1	—	2	1
Pension and other postretirement					
Amortization of actuarial losses and prior service cost (credit)	Other income (expense)	—	(1)	(1)	(2)
Total before tax		$ —	$ (2)	$ (3)	$ (5)

E. Contingencies

Respirator Liabilities

Cabot has exposure in connection with a safety respiratory products business that a subsidiary acquired from American Optical Corporation ("AO") in an April 1990 asset purchase transaction. The subsidiary manufactured respirators under the AO brand and disposed of that business in July 1995. In connection with its acquisition of the business, the subsidiary agreed, in certain circumstances, to assume a portion of AO's liabilities, including costs of legal fees together with amounts paid in settlements and judgments, allocable to AO respiratory products used prior to the 1990 purchase by the Cabot subsidiary. In exchange for the subsidiary's assumption of certain of AO's respirator liabilities, AO agreed to provide to the subsidiary the benefits of: (i) AO's insurance coverage for the period prior to the 1990 acquisition and (ii) a former owner's indemnity of AO holding it harmless from any liability allocable to AO respiratory products used prior to May 1982. As more fully described in the 2023 10-K, the respirator liabilities generally involve claims for personal injury, including asbestosis, silicosis and coal worker's pneumoconiosis, allegedly resulting from the use of respirators that are alleged to have been negligently designed and/or labeled. At no time did this respiratory product line represent a significant portion of the respirator market. In addition to Cabot's subsidiary, other parties are responsible for significant portions of the costs of these respirator liabilities (as defined in the 2023 10-K, the "Payor Group").

Cabot has a reserve to cover its expected share of liabilities for pending and future respirator liability claims, which is included in Other liabilities and Accounts payable and accrued liabilities on the Consolidated Balance Sheets. The Company expects these liabilities to be incurred over a number of years. The reserve balance was $37 million and $38 million at June 30, 2024 and September 30, 2023, respectively.

The Company's current estimate of the cost of its share of pending and future respirator liability claims is based on facts and circumstances existing at this time, including the number and nature of the remaining claims. Developments that could affect the Company's estimate include, but are not limited to, (i) significant changes in the number of future claims, (ii) changes in the rate of dismissals without payment of pending claims, (iii) significant changes in the average cost of resolving claims, including potential settlements of groups of claims, (iv) significant changes in the legal costs of defending these claims, (v) changes in the nature of claims received or changes in our assessment of the viability of these claims, (vi) trial and appellate outcomes, (vii) changes in the law and procedure applicable to these claims, (viii) the financial viability of the parties that contribute to the payment of respirator claims, (ix) exhaustion or changes in the recoverability of the insurance coverage maintained by certain members of the Payor Group, or a change in the availability of the indemnity provided by a former owner of AO, (x) changes in the allocation of costs among the various parties paying legal and settlement costs, and (xi) a determination that the assumptions that were used to estimate Cabot's share of liability are no longer reasonable. The Company cannot determine the impact of these potential developments on its current estimate of its share of liability for existing and future claims. Because reserves are limited to amounts that are probable and estimable as of a relevant measurement date, and there is inherent difficulty in projecting the impact of potential developments on Cabot's share of liability for these existing and future claims, it is reasonably possible that the liabilities for existing and future claims could change in the near term and that change could be material.

Other Matters

The Company has various other lawsuits, claims and contingent liabilities arising in the ordinary course of its business and with respect to its divested businesses. The Company does not believe that any of these matters will have a material adverse effect on its financial position; however, litigation is inherently unpredictable. Cabot could incur judgments, enter into settlements or revise its expectations regarding the outcome of certain matters, and such developments could have a material impact on its results of operations in the period in which the amounts are accrued or its cash flows in the period in which the amounts are paid.

F. Income Tax

Effective Tax Rate

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(Dollars in millions)			
(Provision) benefit for income taxes	$ (40)	$ (41)	$ (121)	$ (90)
Effective tax rate	25 %	32 %	31 %	28 %

For the three and nine months ended June 30, 2024, the (Provision) benefit for income taxes included a net discrete tax benefit of $1 million and an expense of $14 million, respectively. The net discrete tax expense of $14 million is primarily comprised of additional accruals and corresponding interest of uncertain tax positions. For the three and nine months ended June 30, 2023, the (Provision) benefit for income taxes included a net discrete tax expense of $2 million and $3 million, respectively.

Income tax in Interim Periods

The Company records its tax provision or benefit on an interim basis using an estimated annual effective tax rate. This rate is applied to the current period ordinary income or loss to determine the income tax provision or benefit allocated to the interim period. The income tax effects of unusual or infrequent items are excluded from the estimated annual effective tax rate and are recognized in the impacted interim period. Losses from jurisdictions for which no benefit can be recognized are excluded from the overall computations of the estimated annual effective tax rate and a separate estimated annual effective tax rate is computed and applied to ordinary income or loss in the loss jurisdiction.

Valuation allowances are provided against the future tax benefits that arise from the deferred tax assets in jurisdictions for which the Company expects that no benefit can be recognized. The estimated annual effective tax rate may be significantly impacted by nondeductible expenses and the Company's projected earnings mix by tax jurisdiction. Adjustments to the estimated annual effective income tax rate are recognized in the period when such estimates are revised.

Uncertainties

Cabot and certain subsidiaries are under audit in a number of jurisdictions. In addition, certain statutes of limitations are scheduled to expire in the near future. It is reasonably possible that a change in the unrecognized tax benefits may also occur within the next twelve months related to the settlement of one or more of these audits or the lapse of applicable statutes of limitations. However, an estimated range of the impact on the unrecognized tax benefits cannot be quantified at this time.

Cabot files U.S. federal and state and non-U.S. income tax returns in jurisdictions with varying statutes of limitations. The 2021 through 2023 tax years generally remain subject to examination by the IRS and various tax years from 2018 through 2023 remain subject to examination by the respective state tax authorities. In foreign jurisdictions, various tax years from 2006 through 2023 remain subject to examination by their respective tax authorities.

During each of the three and nine months ended June 30, 2024, Cabot released uncertain tax positions of nil and $1 million, respectively, due to the expiration of statutes of limitations in various jurisdictions. During each of the three and nine months ended June 30, 2023, Cabot released uncertain tax positions of nil and $1 million, respectively, due to the expiration of statutes of limitations in various jurisdictions.

G. Earnings Per Share

The following tables summarize the components of the basic and diluted earnings (loss) per common share (“EPS”) computations:

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(In millions, except per share amounts)			
Basic EPS:				
Net income (loss) attributable to Cabot Corporation	$ 109	$ 82	$ 243	$ 211
Less: Dividends and dividend equivalents to participating securities	—	—	—	1
Less: Undistributed earnings allocated to participating securities[1]	1	1	3	3
Earnings (loss) allocated to common stockholders (numerator)	$ 108	$ 81	$ 240	$ 207
Weighted average common shares and participating securities outstanding	55.9	57.3	56.2	57.5
Less: Participating securities[1]	0.8	1.2	0.9	1.3
Adjusted weighted average common shares (denominator)	55.1	56.1	55.3	56.2
Earnings (loss) per common share - basic:	$ 1.96	$ 1.44	$ 4.34	$ 3.68
Diluted EPS:				
Earnings (loss) allocated to common stockholders	$ 108	$ 81	$ 240	$ 207
Plus: Earnings allocated to participating securities	1	1	3	4
Less: Adjusted earnings allocated to participating securities[2]	1	1	3	4
Earnings (loss) allocated to common stockholders (numerator)	$ 108	$ 81	$ 240	$ 207
Adjusted weighted average common shares outstanding	55.1	56.1	55.3	56.2
Effect of dilutive securities:				
Common shares issuable[3]	0.6	0.4	0.5	0.5
Adjusted weighted average common shares (denominator)	55.7	56.5	55.8	56.7
Earnings (loss) per common share - diluted:	$ 1.94	$ 1.43	$ 4.30	$ 3.65

(1) Participating securities consist of shares underlying unvested time-based restricted stock units (the "TSUs"), earned and unvested performance-based restricted stock units (the "PSUs", and referred to in this note collectively with the TSUs as the "RSUs"), stock units accounted for under the Supplemental 401(k) Plan portion of the Company’s Deferred Compensation and Supplemental Retirement Plan, and stock units and phantom stock units accounted for under the Company’s Non-Employee Directors’ Deferral Plan. The holders of RSUs are entitled to receive dividend equivalents, payable in cash, to the extent dividends are paid on the outstanding shares of Common Stock, and equal in value to the dividends that would have been paid in respect of the Common Stock underlying the RSU. The accounts of holders of stock units and phantom stock units are credited with dividend equivalents, which are payable, in stock or cash, as the case may be, with the distribution of account balances.

Undistributed earnings are the earnings which remain after dividends declared during the period are assumed to be distributed to the common and participating stockholders. Undistributed earnings are allocated to common and participating stockholders on the same basis as dividend distributions. The calculation of undistributed earnings is as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(In millions)			
Calculation of undistributed earnings (loss):				
Net income (loss) attributable to Cabot Corporation	$ 109	$ 82	$ 243	$ 211
Less: Dividends declared on common stock	24	23	69	64
Less: Dividends declared on participating securities	—	—	—	1
Undistributed earnings (loss)	$ 85	$ 59	$ 174	$ 146
Allocation of undistributed earnings (loss):				
Undistributed earnings (loss) allocated to common stockholders	$ 84	$ 58	$ 171	$ 143
Undistributed earnings allocated to participating stockholders	1	1	3	3
Undistributed earnings (loss)	$ 85	$ 59	$ 174	$ 146

(2) Undistributed earnings are adjusted for the assumed distribution of dividends to the dilutive securities, which are described in (3) below, and then reallocated to participating securities.

(3) Represents incremental shares of common stock from the assumed exercise of stock options issued under Cabot's equity incentive plans. For the three and nine months ended June 30, 2024, nil and 209,478 incremental shares of common stock, respectively, were excluded from the calculation of diluted earnings per share because the inclusion of these shares would have been antidilutive. For the three and nine months ended June 30, 2023, 156,550 and 133,039 incremental shares of common stock, respectively, were excluded from the calculation of diluted earnings per share because the inclusion of these shares would have been antidilutive.

H. Restructuring

2024 Reorganizations

During the first quarter of fiscal 2024, the Company initiated restructuring activities in both its Reinforcement Materials segment ("RM Plan") and its Performance Chemicals segment ("PC Plan"). Under the RM Plan, the Company closed its reinforcing carbons unit at the facility in Tianjin, China that the Company acquired from Tokai Carbon Group in February 2022, consolidating its reinforcing carbons operations and reducing ongoing operational costs. Under the PC Plan, the Company has temporarily idled its aerogel manufacturing plant in Frankfurt, Germany and reorganized certain positions within the Performance Chemicals segment to reduce operating costs. Although the Frankfurt facility is idled, the Company continues its efforts to commercialize aerogel for use in thermal insulation for electric vehicles. During the three and nine months ended June 30, 2024, the Company recorded charges of $1 million and $13 million, respectively, primarily for severance related costs and accelerated depreciation as part of these plans. The Company expects to record additional restructuring charges of $1 million related to these plans through fiscal 2025.

Cabot's restructuring activities were recorded in the Consolidated Statements of Operations for the three and nine months ended June 30, 2024 and 2023 as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(In millions)			
Cost of sales	$ 1	$ —	$ 12	$ —
Selling and administrative expenses	—	—	1	—
Total	$ 1	$ —	$ 13	$ —

Details of all restructuring activities and the related reserves during the three and nine months ended June 30, 2024 are as follows:

	Severance and Employee Benefits	Accelerated Depreciation on Assets	Other	Total
		(In millions)		
Reserve at September 30, 2023	$ —	$ —	$ —	$ —
Charges	3	6	—	9
Cost charged against assets	—	(6)	—	(6)
Cash paid	(1)	—	—	(1)
Reserve at December 31, 2023	$ 2	$ —	$ —	$ 2
Charges	2	—	1	3
Cash paid	(1)	—	—	(1)
Reserve at March 31, 2024	$ 3	$ —	$ 1	$ 4
Charges	—	—	1	1
Cash paid	(2)	—	(1)	(3)
Reserve at June 30, 2024	$ 1	$ —	$ 1	$ 2

Cabot's severance and employee benefit reserves are reflected in Accounts payable and accrued liabilities on the Company's Consolidated Balance Sheets.

I. Financial Instruments and Fair Value Measurements

The FASB authoritative guidance on fair value measurements defines fair value, provides a framework for measuring fair value, and requires certain disclosures about fair value measurements. The required disclosures focus on the inputs used to measure fair value. The guidance establishes the following hierarchy for categorizing these inputs:

Level 1 — Quoted market prices in active markets for identical assets or liabilities

Level 2 — Significant other observable inputs (e.g., quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs)

Level 3 — Significant unobservable inputs

There were no transfers of financial assets or liabilities measured at fair value between Level 1 and Level 2 and there were no Level 3 investments during the first nine months of either fiscal 2024 or 2023.

At June 30, 2024 and September 30, 2023, the fair values of cash and cash equivalents, accounts and notes receivable, accounts payable and accrued liabilities, and short-term borrowings and variable rate debt approximated their carrying values due to the short-term nature of these instruments. Cash and cash equivalents are classified as Level 1 within the fair value hierarchy.

At June 30, 2024 and September 30, 2023, Cabot had derivatives relating to foreign currency risks, including a net investment hedge and forward foreign currency contracts, carried at fair value. At June 30, 2024 and September 30, 2023, the fair value of these derivatives was a net asset of $9 million and $12 million, respectively, and was included in Prepaid expenses and other current assets, Accounts payable and accrued liabilities, and Other assets on the Consolidated Balance Sheets. These derivatives are classified as Level 2 instruments within the fair value hierarchy as the fair value determination was based on observable inputs.

At June 30, 2024 and September 30, 2023, the fair value of guaranteed investment contracts included in Other assets on the Consolidated Balance Sheets was $8 million. Guaranteed investment contracts were classified as Level 2 instruments within the fair value hierarchy as the fair value determination was based on other observable inputs.

The carrying value and fair value of the long-term fixed rate debt were $1.07 billion and $1.04 billion, respectively, as of June 30, 2024, and $1.08 billion and $1.04 billion, respectively, as of September 30, 2023. The fair values of Cabot's fixed rate long-term debt are estimated based on comparable quoted market prices at the respective period ends. The carrying amounts of Cabot's floating rate long-term debt and finance and operating lease obligations approximate their fair values. All such measurements are based on observable inputs and are classified as Level 2 within the fair value hierarchy. The valuation technique used is the discounted cash flow model.

J. Supplier Financing Programs

The Company maintains supply chain finance agreements with third-party financial institutions. These agreements allow the Company's participating suppliers to sell their receivables to such third-party financial institutions to receive payment earlier than the negotiated commercial terms between the supplier and the Company. Such sales are at the sole discretion of the supplier, and on terms and conditions that are negotiated between the supplier and the respective financial institution. The terms and conditions of the supplier invoice, including payment terms and amounts due, are not impacted by a supplier's participation in the program. Pursuant to the supply chain finance agreements, the Company has agreed to pay financial institutions on the original due date of the applicable invoice. There are no guarantees associated with these programs. The Company's outstanding payment obligations to financial institutions related to supplier financing programs were $17 million at both June 30, 2024 and September 30, 2023, and are included within Accounts payable and accrued liabilities on the Consolidated Balance Sheets.

K. Financial Information by Segment

The Company identifies a product line as an operating segment if: i) it engages in business activities from which it may earn revenues and incur expenses; ii) its operating results are regularly reviewed by the Chief Operating Decision Maker ("CODM"), who is Cabot's President and Chief Executive Officer, to make decisions about resources to be allocated to the segment and assess its performance; and iii) it has available discrete financial information. The CODM reviews financial information at the operating segment level to allocate resources and to assess the operating results and financial performance for each operating segment. Operating segments are aggregated into a reportable segment if the operating segments are determined to have similar economic characteristics and if the operating segments are similar in the following areas: i) nature of products and services; ii) nature of production processes; iii) type or class of customer for their products and services; iv) methods used to distribute the products or provide services; and v) if applicable, the nature of the regulatory environment.

The Company has two reportable segments: Reinforcement Materials and Performance Chemicals. The Reinforcement Materials segment combines the reinforcing carbons and engineered elastomer composites product lines. The Performance Chemicals segment aggregates the specialty carbons, specialty compounds, fumed metal oxides, battery materials, inkjet colorants and aerogel product lines.

Income (loss) before income taxes ("Segment EBIT") is presented for each reportable segment in the table below. Segment EBIT excludes Interest expense, General unallocated income (expense), Unallocated corporate costs and Certain items, meaning items management does not consider representative of on-going operating segment results. In addition, Segment EBIT includes Equity in earnings of affiliated companies, net of tax, royalties, Net income attributable to noncontrolling interests, net of tax, and discounting charges for certain Notes receivable.

Financial information by reportable segment is as follows:

	Reinforcement Materials	Performance Chemicals	Segment Total	Unallocated and Other[1]	Consolidated Total
			(In millions)		
Three Months Ended June 30, 2024					
Revenues from external customers[2]	$ 649	$ 332	$ 981	$ 35	$ 1,016
Income (loss) before income taxes[3]	$ 136	$ 55	$ 191	$ (33)	$ 158
Three Months Ended June 30, 2023					
Revenues from external customers[2]	$ 624	$ 307	$ 931	$ 37	$ 968
Income (loss) before income taxes[3]	$ 132	$ 32	$ 164	$ (34)	$ 130
Nine Months Ended June 30, 2024					
Revenues from external customers[2]	$ 1,966	$ 928	$ 2,894	$ 99	$ 2,993
Income (loss) before income taxes[3]	$ 414	$ 120	$ 534	$ (140)	$ 394
Nine Months Ended June 30, 2023					
Revenues from external customers[2]	$ 1,939	$ 919	$ 2,858	$ 108	$ 2,966
Income (loss) before income taxes[3]	$ 348	$ 89	$ 437	$ (113)	$ 324

(1) Unallocated and Other includes certain items and eliminations necessary to reflect management's reporting of operating segment results. These items are reflective of the segment reporting presented to the CODM.

(2) Consolidated Total Revenues from external customers reconciles to Net sales and other operating revenues on the Consolidated Statements of Operations. Revenues from external customers that are categorized as Unallocated and Other reflects external shipping and handling fees, royalties, the impact of unearned revenue, discounting charges for certain Notes receivable, and other by-product revenue. Details are provided in the table below:

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(In millions)			
Shipping and handling fees	$ 31	$ 31	$ 93	$ 100
Other	4	6	6	8
Total	$ 35	$ 37	$ 99	$ 108

(3) Consolidated Total Income (loss) before income taxes reconciles to Income (loss) before income taxes and equity in earnings of affiliated companies on the Consolidated Statements of Operations. Income (loss) before income taxes that are categorized as Unallocated and Other includes:

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(In millions)			
Interest expense	$ (19)	$ (24)	$ (62)	$ (69)
Certain items[a]				
Argentina controlled currency devaluation and other losses (Note B)	(2)	—	(43)	—
Global restructuring activities (Note H)	(1)	—	(13)	—
Acquisition and integration-related charges	—	(1)	—	(2)
Legal and environmental matters and reserves	—	—	(1)	(2)
Gain on sale of land	—	—	—	1
Loss on sale of business	—	—	—	(3)
Other	1	—	1	(1)
Total certain items	(2)	(1)	(56)	(7)
Unallocated corporate costs[b]	(16)	(11)	(51)	(42)
General unallocated income (expense)[c]	6	3	34	9
Less: Equity in earnings of affiliated companies, net of tax[d]	2	1	5	4
Total	$ (33)	$ (34)	$ (140)	$ (113)

(a) Certain items are items of expense and income that management does not consider representative of the Company's fundamental on-going segment results and they are, therefore, excluded from Segment EBIT.

(b) Unallocated corporate costs are costs that are not controlled by the segments and primarily benefit corporate interests.

(c) 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. This does not include items of income or expense that are separately treated as Certain items.

(d) Equity in earnings of affiliated companies, net of tax, is included in Segment EBIT and is removed in Unallocated and other to reconcile to Income (loss) from operations before income taxes and equity in earnings from affiliated companies.

The Company's segments operate globally. In addition to presenting Revenue from external customers by reportable segment, the following tables further disaggregate Revenues from external customers by geographic region.

	Three Months Ended June 30, 2024		
	Reinforcement Materials	Performance Chemicals	Consolidated Total
		(In millions)	
Americas	$ 265	$ 103	$ 368
Asia Pacific	245	132	377
Europe, Middle East and Africa	139	97	236
Segment revenues from external customers	649	332	981
Unallocated and other			35
Net sales and other operating revenues			$ 1,016

	Three Months Ended June 30, 2023		
	Reinforcement Materials	Performance Chemicals	Consolidated Total
		(In millions)	
Americas	$ 260	$ 94	$ 354
Asia Pacific	234	119	353
Europe, Middle East and Africa	130	94	224
Segment revenues from external customers	624	307	931
Unallocated and other			37
Net sales and other operating revenues			$ 968

	Nine Months Ended June 30, 2024		
	Reinforcement Materials	Performance Chemicals	Consolidated Total
		(In millions)	
Americas	$ 793	$ 284	$ 1,077
Asia Pacific	760	372	1,132
Europe, Middle East and Africa	413	272	685
Segment revenues from external customers	1,966	928	2,894
Unallocated and other			99
Net sales and other operating revenues			$ 2,993

	Nine Months Ended June 30, 2023		
	Reinforcement Materials	Performance Chemicals	Consolidated Total
		(In millions)	
Americas	$ 781	$ 283	$ 1,064
Asia Pacific	752	368	1,120
Europe, Middle East and Africa	406	268	674
Segment revenues from external customers	1,939	919	2,858
Unallocated and other			108
Net sales and other operating revenues			$ 2,966

L. Subsequent Event

On July 19, 2024, Cabot entered into agreements to purchase certain assets and to license the related technology, which the Company expects to use in its manufacturing of certain products for its Battery Materials product line. Under these agreements, the Company will pay $27 million at closing, which is expected to occur in the first quarter of fiscal 2025.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Recently Issued Accounting Pronouncements

Refer to the discussion under the heading "Recent Accounting Pronouncements" in Note B of our Notes to the Consolidated Financial Statements.

Results of Operations

The Company has two reportable segments: Reinforcement Materials and Performance Chemicals. Cabot is also organized for operational purposes into three geographic regions: the Americas; Europe, Middle East and Africa ("EMEA"); and Asia Pacific. The discussion of our results of operations for the periods presented reflects these structures.

Our analysis of our financial condition and operating results should be read with our consolidated financial statements and accompanying notes.

Definition of Terms and Non-GAAP Financial Measures

When discussing our results of operations, we use several terms as described below.

The term "product mix" refers to the mix of types and grades 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 and/or segment.

Our discussion under the heading "(Provision) Benefit for Income Taxes and Reconciliation of Effective Tax Rate to Operating Tax Rate" includes a discussion and reconciliation of our "effective tax rate" and our "operating tax rate" for the periods presented, as well as management's projection of our operating tax rate range for the full fiscal year. Our operating tax rate is a non-GAAP financial measure and should not be considered as an alternative to our effective tax rate, the most comparable GAAP financial measure. 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. 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. Our definition of the operating tax rate may not be comparable to the definition used by other companies. 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.

Our discussion under the heading "Third Quarter of Fiscal 2024 versus Third Quarter of Fiscal 2023—By Business Segment" includes a discussion of Total segment EBIT, which is a non-GAAP financial measure defined as Income (loss) from operations before income taxes and equity in earnings from affiliated companies less certain items and other unallocated items. Our Chief Operating Decision Maker, who is our President and Chief Executive Officer, uses 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 reportable segments, provides useful supplemental information for our investors as it is an important indicator of our 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 should not be considered an alternative for Income (loss) from operations before income taxes and equity in earnings of affiliated companies, which is the most directly comparable U.S. GAAP financial measure. A reconciliation of Total segment EBIT to Income (loss) from operations before income taxes and equity in earnings of affiliated companies is provided under the heading "Third quarter of Fiscal 2024 versus Third quarter of Fiscal 2023—By Business Segment". 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.

In calculating Total segment EBIT, we exclude from our Income (loss) from 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 differences that would not otherwise be apparent on a GAAP basis and also facilitates an evaluation of our operating performance without the impact of these costs or benefits. The items of income and expense that we have excluded from

Total segment EBIT, as applicable, but that are included in our GAAP Income (loss) from operations before income taxes and equity in earnings of affiliated companies, as applicable, are described below.

- Argentina controlled currency devaluation loss related to the foreign exchange loss from government-controlled currency devaluations on our net monetary assets denominated in the Argentine peso and investment losses related to the utilization of government bond programs established for the settlement of certain foreign payables.
- 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.
- 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.
- 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.
- 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.
- Benefit from the settlement of a royalty arrangement entered into in connection with the divestiture of our former Specialty Fluids business.
- Gains (losses) on sale of a business.
- Employee benefit plan settlements, which consist of either charges or benefits associated with the termination of a pension plan or the transfer of a pension plan to a multi-employer plan.
- Gain associated with the bargain purchase of a business.

Overview

During the third quarter of fiscal 2024, Income (loss) before income taxes and equity in earnings of affiliated companies increased compared to the third quarter of fiscal 2023. The increase was driven by higher earnings in our Reinforcement Materials and Performance Chemicals segments.

Third quarter of Fiscal 2024 versus Third quarter of Fiscal 2023—Consolidated

Net Sales and Other Operating Revenues and Gross Profit

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(In millions)			
Net sales and other operating revenues	$ 1,016	$ 968	$ 2,993	$ 2,966
Gross profit	$ 256	$ 223	$ 720	$ 614

The $48 million increase in Net sales and other operating revenues in the third quarter of fiscal 2024 compared to the third quarter of fiscal 2023 was driven by higher volumes in both our Reinforcement Materials and Performance Chemicals segments (combined $56 million) and favorable price and product mix in our Reinforcement Materials segment ($14 million), partially offset by the unfavorable impact from foreign currency translation in both our Reinforcement Materials and Performance Chemicals segments ($17 million).

The $27 million increase in Net sales and other operating revenues in the first nine months of fiscal 2024 compared to the first nine months of fiscal 2023 was driven by higher volumes in both our Reinforcement Materials and Performance Chemicals segments (combined $142 million), partially offset by unfavorable price and product mix in both our Reinforcement Materials and Performance Chemicals segments in the fiscal 2024 period (combined $96 million), partially offset by the unfavorable impact from foreign currency translation in both our Reinforcement material and Performance Chemicals segments (combined $9 million). The unfavorable price and product mix was driven by lower pricing primarily due to lower raw material costs that are generally passed through to our customers.

For the three and nine months ended June 30, 2024, gross profit increased by $33 million and $106 million, respectively, compared to the same periods of fiscal 2023. The increase in Gross profit in the third quarter of fiscal 2024 compared to the third quarter of fiscal 2023 was driven primarily by higher volumes in both the Reinforcement Materials and Performance Chemicals segments (combined $27 million). The increase in Gross profit in the first nine months of fiscal 2024 compared to the first nine months of fiscal 2023 was driven primarily by higher volumes in both the Reinforcement Materials and Performance Chemicals segments (combined $58 million) and higher unit margins, net of costs within both the Reinforcement Materials and Performance Chemicals segments (combined $44 million).

Selling and Administrative Expenses

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(In millions)			
Selling and administrative expenses	$ 68	$ 58	$ 210	$ 184

Selling and administrative expenses increased by $10 million and $26 million in the third quarter of fiscal 2024 and for the nine months ended June 30, 2024, respectively, compared to the same periods of fiscal 2023, primarily due to an increase in incentive compensation expense.

Research and Technical Expenses

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(In millions)			
Research and technical expenses	$ 16	$ 15	$ 46	$ 43

Research and technical expenses increased by $1 million in the third quarter of fiscal 2024 and increased by $3 million for the nine months ended June 30, 2024, compared to the same period of fiscal 2023, primarily due to an increase in incentive compensation expense.

Loss on Sale of Business

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(In millions)			
Loss on sale of business	$ —	$ —	$ —	$ 3

There was no Loss on sale of business in the third quarter of fiscal 2024 or fiscal 2023. Previously reported Loss on sale of business in fiscal 2023 is associated with the fiscal 2022 divesture of the Purification Solutions business.

Interest and Dividend Income, Interest Expense and Other Income (Expense)

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(In millions)			
Interest and dividend income	$ 8	$ 7	$ 25	$ 22
Interest expense	$ (19)	$ (24)	$ (62)	$ (69)
Other income (expense)	$ (3)	$ (3)	$ (33)	$ (13)

Interest and dividend income increased by $1 million in the third quarter of fiscal 2024 compared to the same period of fiscal 2023, primarily due to higher rates partially offset by lower average balances. Interest and dividend income increased by $3 million for the nine months ended June 30, 2024 compared to the same period of fiscal 2023, primarily due to higher interest rates.

Interest expense decreased by $5 million in the third quarter of fiscal 2024 and $7 million in the nine months ended June 30, 2024 compared to the same periods of fiscal 2023, due to lower average short-term borrowings, partially offset by higher rates.

Other expense remained flat in the third quarter of fiscal 2024 compared to the same period of fiscal 2023. Other expense increased by $20 million for the nine months ended June 30, 2024, as compared to the same period of fiscal 2023, primarily due to higher foreign currency losses in Argentina including from the impact of the government devaluation of the currency that occurred during the first quarter of fiscal 2024.

(Provision) Benefit for Income Taxes and Reconciliation of Effective Tax Rate to Operating Tax Rate

	Three Months Ended June 30			
	2024		2023	
Dollars in millions	(Provision) / Benefit for Income Taxes	Rate	(Provision) / Benefit for Income Taxes	Rate
Effective tax rate	$ (40)	25 %	$ (41)	32 %
Less: Non-GAAP tax adjustments[1]	3		2	
Operating tax rate	$ (43)	27 %	$ (43)	33 %

	Nine Months Ended June 30			
	2024		2023	
Dollars in millions	(Provision) / Benefit for Income Taxes	Rate	(Provision) / Benefit for Income Taxes	Rate
Effective tax rate	$ (121)	31 %	$ (90)	28 %
Less: Non-GAAP tax adjustments[1]	3		3	
Operating tax rate	$ (124)	28 %	$ (93)	28 %

(1) Non-GAAP tax adjustments made to arrive at the operating tax provision include the income tax (expense) benefit on certain items, discrete tax items, and, on a quarterly basis, the timing of losses in certain jurisdictions, as further described above under the heading "Definition of Terms and Non-GAAP Financial Measures".

For the three months ended June 30, 2024, the (Provision) benefit for income taxes was a provision of $40 million compared to a $41 million provision for the same period in fiscal 2023. For the nine months ended June 30, 2024, the (Provision) benefit for income taxes was a provision of $121 million compared to a $90 million provision for the same period in fiscal 2023, primarily due to higher earnings in the current period and additional accruals and corresponding interest of uncertain tax positions. Our income taxes are affected by the mix of earnings in the tax jurisdictions in which we operate, and by the presence of valuation allowances in certain tax jurisdictions.

For fiscal 2024, the Company expects the Operating tax rate to be in the range of 27% to 28%. We are not providing 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.

Net Income (Loss) Attributable to Noncontrolling Interests

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(In millions)			
Equity in earnings of affiliated companies, net of tax	$ 2	$ 1	$ 5	$ 4
Net income (loss) attributable to noncontrolling interests, net of tax	$ 11	$ 8	$ 35	$ 27

Equity in earnings of affiliated companies, net of tax, increased by $1 million in both the third quarter and the first nine months of fiscal 2024, compared to the same periods of fiscal 2023, primarily due to higher profitability at our equity affiliate in Venezuela.

Net income (loss) attributable to noncontrolling interests, net of tax, increased by $3 million and $8 million in the third quarter and the first nine months of fiscal 2024, respectively, compared to the same periods of fiscal 2023. Net income (loss) attributable to noncontrolling interests, net of tax increased in the third quarter of fiscal 2024 compared to the third quarter of fiscal 2024 primarily due to higher profitability of our joint venture in the Czech Republic. Net income (loss) attributable to noncontrolling interests, net of tax increased in the first nine months of fiscal 2024 compared to the first nine months of fiscal 2023 primarily due to higher profitability of our joint ventures in China.

Net Income Attributable to Cabot Corporation

In the third quarter and the first nine months of fiscal 2024, we reported Net income (loss) attributable to Cabot Corporation of $109 million and $243 million, or $1.94 and $4.30 per diluted common share, respectively. This compares to Net income (loss) attributable to Cabot Corporation of $82 million and $211 million, or $1.43 and $3.65 per diluted common share, respectively, in the third quarter and the first nine months of fiscal 2023. The higher net income in the third quarter of fiscal 2024 compared with the same period in fiscal 2023 is primarily due to higher Total segment EBIT ($27 million). The higher net income in the first nine months of fiscal 2024 compared with the same period in fiscal 2023 is primarily due to higher Total segment EBIT ($97 million), partially offset by higher foreign currency losses and a loss on the sale of BOPREAL bonds (combined $29 million) in Argentina and a higher provision for income taxes ($31 million).

Third quarter of Fiscal 2024 versus Third quarter of Fiscal 2023—By Business Segment

Income (loss) before income taxes and equity in earnings of affiliated companies, certain items, other unallocated items and Total segment EBIT for the three and nine months ended June 30, 2024 and 2023 are set forth in the table below. The details of certain items and other unallocated items are shown below and in Note K of our Notes to the Consolidated Financial Statements.

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(In millions)			
Income (loss) before income taxes and equity in earnings of affiliated companies	$ 158	$ 130	$ 394	$ 324
Less: Certain items	(2)	(1)	(56)	(7)
Less: Other unallocated items	(31)	(33)	(84)	(106)
Total segment EBIT	$ 191	$ 164	$ 534	$ 437

In the third quarter of fiscal 2024, Income (loss) before income taxes and equity in earnings of affiliated companies increased by $28 million and Total segment EBIT increased by $27 million. The increase in Income (loss) before income taxes and equity in earnings of affiliated companies was driven by higher Total segment EBIT. Total segment EBIT was driven by higher volumes in both the Reinforcement Materials and Performance Chemicals segments (combined $27 million).

In the first nine months of fiscal 2024, Income (loss) before income taxes and equity in earnings of affiliated companies increased by $70 million and Total segment EBIT increased by $97 million. The increase in Income (loss) before income taxes and equity in earnings of affiliated companies was driven by higher Total segment EBIT partially offset by higher foreign currency losses primarily in Argentina. Total segment EBIT was driven by higher volumes in both the Reinforcement Materials and Performance Chemicals segment (combined $58 million) and higher unit margins, net of costs, in both in Reinforcement Materials and Performance Chemicals segments (combined $44 million).

Certain Items

Details of the certain items for the three and nine months ended June 30, 2024 and 2023 are as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(In millions)			
Argentina controlled currency devaluation and other losses (Note B)	$ (2)	$ —	$ (43)	$ —
Global restructuring activities (Note H)	(1)	—	(13)	—
Acquisition and integration-related charges	—	(1)	—	(2)
Legal and environmental matters and reserves	—	—	(1)	(2)
Gain on sale of land	—	—	—	1
Loss on sale of business	—	—	—	(3)
Other	1	—	1	(1)
Total certain items	$ (2)	$ (1)	$ (56)	$ (7)

Other Unallocated Items

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(In millions)			
Interest expense	$ (19)	$ (24)	$ (62)	$ (69)
Unallocated corporate costs	(16)	(11)	(51)	(42)
General unallocated income (expense)	6	3	34	9
Less: Equity in earnings of affiliated companies, net of tax	2	1	5	4
Total other unallocated items	$ (31)	$ (33)	$ (84)	$ (106)

Total other unallocated items decreased by $2 million and $22 million for the three and nine months ended June 30, 2024, respectively, when compared to the same periods in fiscal 2023, due to lower Interest expense and higher General unallocated income (expense) partially offset by higher Unallocated corporate costs. General unallocated income increased due to higher interest income, higher investment income on our cash and cash equivalent balances in Argentina, and lower foreign exchange losses, primarily in Argentina.

A discussion of items that we refer to as “other unallocated items” can be found under the heading “Definition of Terms and Non-GAAP Financial Measures”. The balances of unallocated corporate costs are primarily comprised of expenditures related to managing a public company that are not allocated to the segments and corporate business development costs related to ongoing corporate projects. The balances of General unallocated income (expense) consist 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. General unallocated income (expense) does not include items of income or expense that are separately treated as Certain items.

Reinforcement Materials

Sales and EBIT for Reinforcement Materials for the third quarter and first nine months of fiscal 2024 and 2023 were as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(In millions)			
Reinforcement Materials Sales	$ 649	$ 624	$ 1,966	$ 1,939
Reinforcement Materials EBIT	$ 136	$ 132	$ 414	$ 348

Sales in Reinforcement Materials increased by $25 million in the third quarter of fiscal 2024 compared to the same period of fiscal 2023, primarily due to higher volumes ($25 million) and favorable price and product mix ($14 million), partially offset by the unfavorable impact from foreign currency translation ($12 million). The higher volumes in the third quarter of fiscal 2024 were driven by higher volumes in Asia Pacific and Europe. The favorable pricing was driven primarily from higher raw material costs that are generally passed through to our customers and higher pricing and product mix from our calendar year 2024 customer agreements.

In the first nine months of fiscal 2024, sales in Reinforcement Materials increased by $27 million compared to the same period of fiscal 2023 primarily due to higher volumes ($83 million), partially offset by less favorable price and product mix ($50 million) and the unfavorable impact from foreign currency translation ($5 million). The higher volumes in the first nine months of fiscal 2024 were driven by higher volumes in Asia Pacific and Europe. The less favorable pricing was primarily due to lower raw material costs in the first two fiscal quarters of fiscal 2024 as compared to the same quarters of fiscal 2023 that are generally passed through to our customers.

EBIT in Reinforcement Materials in the third quarter of fiscal 2024 increased by $4 million compared to the same period of fiscal 2023. The increase was driven by higher volumes ($10 million), higher unit margins ($2 million) partially offset by higher costs ($9 million). The higher volumes were driven by stronger demand in Asia Pacific and Europe, partially offset by lower volumes in the Americas due to weather-related events. The higher unit margins were driven by improved pricing and product mix in our calendar year 2024 customer agreements partially offset by a less favorable geographic mix and lower energy center revenue. The higher costs were primarily driven by higher selling and administrative costs.

In the first nine months of fiscal 2024, EBIT in Reinforcement Materials increased by $66 million compared to the same period of fiscal 2023. The increase was driven by higher unit margins, net of costs ($35 million), and higher volumes ($30 million). The higher unit margins, net of costs, in the first nine months of fiscal 2024 were primarily driven by favorable price and product mix in the 2023 and 2024 calendar year customer agreements. The higher volumes were driven by higher volumes in Asia Pacific and Europe.

As we look to the fourth quarter of the fiscal year, we expect the Reinforcement Materials EBIT to modestly improve from the third quarter of fiscal 2024 due to anticipated sequential volume improvement in the Americas and Asia Pacific regions, partially offset by seasonally weaker volumes in Europe.

Performance Chemicals

Sales and EBIT for Performance Chemicals for the third quarter and first nine months of fiscal 2024 and 2023 were as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2024	2023	2024	2023
	(In millions)			
Performance Chemicals Sales	$ 332	$ 307	$ 928	$ 919
Performance Chemicals EBIT	$ 55	$ 32	$ 120	$ 89

Sales in Performance Chemicals increased by $25 million in the third quarter of fiscal 2024 compared to the same period of fiscal 2023, primarily due to higher volumes ($31 million), partially offset by the unfavorable impact from foreign currency translation ($5 million). The higher volumes in the third quarter of fiscal 2024 were primarily in our specialty carbons and fumed metal oxides product lines.

In the first nine months of fiscal 2024, sales in Performance Chemicals increased by $9 million compared to the same period of fiscal 2023, primarily due to higher volumes ($60 million), partially offset by less favorable price and product mix ($46 million) and the unfavorable impact from foreign currency translation ($3 million). The higher volumes in fiscal 2024 were primarily in our specialty carbons and fumed metal oxides product lines. The less favorable price and product mix was primarily due to lower raw material costs that are generally passed through to our customers.

EBIT in Performance Chemicals increased by $23 million in the third quarter of fiscal 2024 compared to the same period of fiscal 2023 primarily due to higher volumes ($17 million) and higher unit margins, net of costs ($7 million). The higher volumes in the third quarter of fiscal 2024 were primarily in our specialty carbons and fumed metal oxides product lines. The higher unit margins, net of costs, improved from a more favorable product mix as demand improved in the automotive, infrastructure and semiconductor applications.

In the first nine months of fiscal 2024, EBIT in Performance Chemicals increased by $31 million compared to the same period of fiscal 2023. The increase was driven by higher volumes ($28 million) and higher unit margins, net of costs ($10 million), partially offset by the unfavorable impact of foreign currency translation ($6 million). The higher volumes in the first nine months of fiscal 2024 were primarily in our specialty carbons and fumed metal oxides product lines. The higher unit margins, net of costs, improved from a more favorable product mix as demand improved in the automotive, infrastructure and semiconductor applications.

As we look ahead to the fourth quarter of the fiscal year, we expect the Performance Chemicals EBIT to improve year-over- year due to anticipated higher volumes and a more favorable product mix, but decline sequentially due to lower volumes from normal seasonality impacts.

Liquidity and Capital Resources

Overview

Our liquidity position, as measured by cash and cash equivalents plus borrowing availability, increased by $97 million during the first nine months of fiscal 2024, which was largely due to a lower outstanding commercial paper balance at the end of the period. As of June 30, 2024, we had cash and cash equivalents of $197 million and borrowing availability under our revolving credit agreements of $1.2 billion. We have access to borrowings under the following two credit agreements:

- $1 billion unsecured revolving credit agreement (the “U.S. Credit Agreement”) with JPMorgan Chase Bank, N.A., as Administrative Agent, Citibank, N.A., as Syndication Agent, and the other lenders party thereto, which matures in August 2027. The U.S. Credit Agreement supports our issuance of commercial paper, and borrowings under it may be used for working capital, letters of credit and other general corporate purposes.
- €300 million unsecured revolving credit agreement (the “Euro Credit Agreement”, and together with the U.S. Credit Agreement, the “Credit Agreements”), with PNC Bank, National Association, as Administrative Agent, and the other lenders party thereto, which matures in August 2027. Borrowings under the Euro Credit Agreement may be used for the repatriation of earnings of our foreign subsidiaries to the United States, the repayment of indebtedness of our foreign subsidiaries owing to us or any of our subsidiaries and for working capital and general corporate purposes.

As of June 30, 2024, we were in compliance with the debt covenants under the Credit Agreements, which, with limited exceptions, require us to comply on a quarterly basis with a leverage test requiring the ratio of consolidated net debt to consolidated EBITDA not to exceed 3.50 to 1.00. Consolidated net debt is defined as consolidated debt offset by the lesser of (i) unrestricted cash and cash equivalents and (ii) $150 million.

A significant portion of our business occurs outside the U.S. and our cash generation does not always align geographically with our cash needs. The vast majority of our cash and cash equivalent holdings tend to be held outside the U.S. We generally use a combination of U.S. earnings, repatriation of certain foreign earnings, commercial paper issuances and borrowings under our U.S. Credit Agreement to meet our U.S. cash needs. With the exception of Argentina, which has currency controls that prevent the distribution of cash, we are generally able to move cash throughout the Company through our cash pooling structures, intercompany accounts and/or distributions, as needed. Although we repatriate certain foreign earnings, cash held by foreign subsidiaries is generally considered permanently reinvested and is used to finance the subsidiaries' operational activities and future investments. We usually reduce our commercial paper balance and, if applicable, borrowings under our Credit Agreements, at quarter-end using cash derived from customer collections, including the utilization of customer supply chain financing programs, settlement of intercompany balances and short-term intercompany loans. If additional funds are needed in the U.S., we expect to be able to repatriate cash, including cash from China, while paying any withholding or other taxes. Changes in regulations and tax laws in the U.S. or foreign countries could restrict our ability to transfer funds or impose material costs on such transfers.

In addition to the currency controls that prevent the distribution of cash in Argentina, there are also government regulations that require all cash in Argentina to be held in Argentine pesos and regulations that restrict how and when suppliers of imported goods and services into Argentina can be paid. In accordance with government regulations, we purchased and sold at a discount BOPREAL bonds during the second quarter of fiscal 2024 to partially repay imported goods received on or prior to December 12, 2023. The balance of these outstanding payables was paid in April 2024. Current and future imported goods and services will be paid in accordance with new regulations enacted in the latter part of calendar year 2023. Future regulations could impact our ability to pay suppliers for our imported goods and services.

As of June 30, 2024, we had $1.2 billion of availability under our Credit Agreements. As of June 30, 2024, we had $109 million of borrowings under the Euro Credit Agreement and no outstanding borrowings under the U.S. Credit Agreement. There was $49 million of commercial paper outstanding as of June 30, 2024.

We anticipate sufficient liquidity from (i) cash on hand; (ii) cash flows from operating activities; and (iii) cash available from the Credit Agreements and our commercial paper program to meet our operational and capital investment needs and financial obligations for both the next twelve months and the foreseeable future. The liquidity we derive from cash flows from operations is, to a large degree, predicated on our ability to collect our receivables in a timely manner, the cost of our raw materials, and our ability to manage inventory levels.

The following discussion of the changes in our cash balance refers to the various sections of our Consolidated Statements of Cash Flows.

Cash Flows from Operating Activities

Cash provided by operating activities, which consists of net income adjusted for the various non-cash items included in income, changes in working capital and changes in certain other balance sheet accounts, totaled $488 million in the first nine months of fiscal 2024 compared to $457 million of cash provided by operating activities during the same period of fiscal 2023.

Cash provided by operating activities in the first nine months of fiscal 2024 was driven by business earnings excluding the non-cash impacts of depreciation and amortization of $114 million and foreign exchange losses of $38 million, primarily related to devaluation of the Argentine peso, which was partially offset by a decrease in net working capital of $18 million. The decrease in net working capital was largely driven by an increase in Accounts Payable and accrued liabilities, and a decrease in inventories, partially offset by an increase in Accounts and notes receivable.

Cash provided by operating activities in the first nine months of fiscal 2023 was driven by business earnings excluding the non-cash impacts of depreciation and amortization of $107 million and a decrease in net working capital of $96 million. The decrease in net working capital was largely driven by a decrease in accounts receivable due to lower customer prices from lower cost of raw materials and decreased sales volumes and a decrease in inventories and accounts payable and accrued expenses driven by lower cost of raw materials.

Cash Flows from Investing Activities

Investing activities consumed $146 million of cash in the first nine months of fiscal 2024 compared to $139 million of cash consumed in the first nine months of fiscal 2023.

In the first nine months of fiscal 2024, investing activities included $149 million of capital expenditures for sustaining and compliance capital projects at our operating facilities as well as growth-related capital, including capacity expansion capital projects.

In the first nine months of fiscal 2023, investing activities included $166 million of capital expenditures for sustaining and compliance capital projects at our operating facilities as well as growth-related capital, including capacity expansion projects in Performance Chemicals, partially offset by proceeds from the sale of land of $7 million, proceeds from the sale of our Purification Solutions business of $6 million, and proceeds from insurance settlements of $12 million.

Capital expenditures for fiscal 2024 are expected to be between $220 million and $240 million. Our planned capital spending program for fiscal 2024 is for sustaining, compliance and improvement capital projects at our operating facilities as well as capacity expansion capital expenditures.

U.S. EPA Consent Decree

As described in Part 1, Item 1 of the 2023 Form 10-K (the "2023 10-K") under the heading "Safety, Health, Environment, and Sustainability", pursuant to the Consent Decree we entered into in November 2013 with the U.S. Environmental Protection Agency ("EPA") and the Louisiana Department of Environmental Quality ("LDEQ") regarding our three carbon black manufacturing facilities in the U.S., Cabot has installed technology controls for sulfur dioxide and/or nitrogen oxide at its carbon black plants in Pampa, Texas and Franklin, Louisiana, and is in the process of installing sulfur dioxide and nitrogen oxide technology controls at its plant in Ville Platte, Louisiana. We are currently in discussions with the EPA and LDEQ to extend our compliance date at the Ville Platte facility to mid-calendar year 2025 based upon force majeure events primarily related to the COVID-19 pandemic. As of June 30, 2024, we had incurred approximately $195 million to install these technology controls in the U.S. Operating these controls increases our plant operating costs. We expect that the total capital costs to install these controls will be approximately $250 million and will be incurred through 2025. The Consent Decree includes discretionary stipulated damages provisions for failure to comply outside of a force majeure event. All carbon black manufacturers in the U.S. have settled with the EPA and have installed similar controls.

Cash Flows from Financing Activities

Financing activities consumed $326 million of cash in the first nine months of fiscal 2024 compared to $371 million of cash consumed during the same period of fiscal 2023.

In the first nine months of fiscal 2024, financing activities primarily consisted of net repayment of commercial paper of $123 million, share repurchases of $106 million, dividend payments to stockholders of $69 million, cash dividends paid to noncontrolling interests of $27 million, and net repayment of $12 million under our Euro Credit Agreement, which includes repayments of $26 million partially offset by proceeds of $14 million. These payments were partially offset by proceeds from sales of common stock of $15 million from stock option exercises.

In the first nine months of fiscal 2023, financing activities primarily consisted of the repayment of commercial paper of $188 million, dividend payments to stockholders of $65 million, share repurchases of $48 million, cash dividends paid to noncontrolling interests of $41 million, net repayments of short-term borrowings of $24 million and repayments of long-term debt of $88 million. These payments were partially offset by proceeds from long-term borrowings of $79 million.

Forward-Looking Information

This report on Form 10-Q contains "forward-looking statements" under the Federal securities laws. These forward-looking statements address expectations or projections about the future, including our expectations regarding our future business performance and overall prospects, including for earnings and volumes in our Reinforcement Materials segment, and for earnings, volumes and product mix in our Performance Chemicals segment; the impact and cost of restructuring activities; demand for our products; anticipated transaction closing timelines; the sufficiency of our cash on hand, cash provided from operations and cash available under our credit and commercial paper facilities to fund our cash requirements in both the next twelve months and the foreseeable future; anticipated capital spending; regulatory developments, including regulatory compliance costs and potential impact on our operations, including the expected total cost to install air pollution controls at our carbon black plants in the United States and when we expect to incur these capital costs and complete this project at our plant in Ville Platte, Louisiana; cash requirements and uses of available cash, including future cash outlays associated with respirator liabilities and the timing of such outlays; amortization expenses; our operating tax rate; and the possible outcome of legal and environmental proceedings. From time to time, we also provide forward-looking statements in other materials we release to the public and in oral statements made by authorized officers.

Forward-looking 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 or difficult to predict. If known or unknown risks materialize, our actual results could differ materially from those expressed in the forward-looking statements.

In addition to factors described elsewhere in this report, the following are some of the factors that could cause our actual results to differ materially from those expressed in our forward-looking statements: 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 and the U.S.-China trade relationship; a significant adverse change in a customer or joint venture relationship or the failure of a customer or joint venture partner 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; 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; interest rates, tax rates, currency exchange controls, and fluctuations in foreign currency, such as the recent currency movements in Argentina; our inability to complete capacity expansions or other development projects; and the accuracy of the assumptions we used in establishing reserves for our share of liability for respirator claims. These other factors and risks are discussed more fully in our 2023 10-K and in our subsequent SEC filings.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information about market risks for the period ended June 30, 2024 does not differ materially from that discussed under Item 7A of our 2023 10-K.

Item 4. Controls and Procedures

As of June 30, 2024, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of that date.

There were no changes in our internal controls over financial reporting that occurred during our fiscal quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The table below sets forth information regarding Cabot's purchases of its equity securities during the quarter ended June 30, 2024:

Period	Total Number of Shares Purchased[(1)(2)]		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[(1)]	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs[(1)]
April 1, 2024 - April 30, 2024	—	$	—	—	2,436,176
May 1, 2024 - May 31, 2024	250,000	$	101.66	250,000	2,186,176
June 1, 2024 - June 30, 2024	247,999	$	99.15	247,999	1,938,177
Total	497,999			497,999	

(1) On July 13, 2018, Cabot publicly announced that the Board of Directors authorized the Company to repurchase up to an additional ten million shares of its common stock on the open market or in privately negotiated transactions, increasing the balance of shares available for repurchase at that time to approximately eleven million shares. The current authorization does not have a set expiration date.

(2) Total number of shares purchased does not include 1,909 shares withheld to pay taxes on the vesting of equity awards made under the Company's equity incentive plans or to pay the exercise price of options exercised during the period.

Item 5. Other Information

During our fiscal quarter ended June 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended, entered into, modified (as to amount, price or timing of trades) or terminated (i) contracts, instructions or written plans for the purchase or sale of our securities that are intended to satisfy the conditions specified in Rule 10b5-1(c) under the Exchange Act for an affirmative defense against liability for trading in securities on the basis of material nonpublic information or (ii) non-Rule 10b5-1 trading arrangements (as defined in Item 408(c) of Regulation S-K).

Item 6. Exhibits

Exhibit No.	Description
Exhibit 3.1	Restated Certificate of Incorporation of Cabot Corporation effective January 9, 2009 (incorporated herein by reference to Exhibit 3.1 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2008, file reference 1-5667, filed with the SEC on February 9, 2009).
Exhibit 3.2	The By-laws of Cabot Corporation as amended May 11, 2023 (incorporated herein by reference to Exhibit 3.1 of Cabot Corporation's Current Report on Form 8-K, file reference 1-5667, filed with the SEC on May 15, 2023).
Exhibit 31.1*	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
Exhibit 31.2*	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
Exhibit 32**	Certifications of the Principal Executive Officer and the Principal Financial Officer pursuant to 18 U.S.C. Section 1350.
Exhibit 101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
Exhibit 101.SCH*	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Document.
Exhibit 104*	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, formatted in Inline XBRL (included in Exhibit 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CABOT CORPORATION

Date: August 6, 2024	By:	/s/ ERICA MCLAUGHLIN
		Erica McLaughlin
		Executive Vice President and Chief Financial Officer
		(Duly Authorized Officer)
Date: August 6, 2024	By:	/s/ LISA M. DUMONT
		Lisa M. Dumont
		Vice President, Controller and Chief Accounting Officer
		(Chief Accounting Officer)

Exhibit 31.1

Principal Executive Officer Certification

I, Sean D. Keohane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cabot Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2024

/s/ SEAN KEOHANE

Sean D. Keohane
President and
Chief Executive Officer

Exhibit 31.2

Principal Financial Officer Certification

I, Erica McLaughlin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cabot Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2024

/s/ Erica McLaughlin

Erica McLaughlin
Executive Vice President and
Chief Financial Officer

Exhibit 32

Certifications Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

In connection with the filing of the Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (the "Report") by Cabot Corporation (the "Company"), each of the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

1. The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2024

/s/ SEAN D. KEOHANE

Sean D. Keohane
President and Chief Executive Officer

Date: August 6, 2024

/s/ ERICA MCLAUGHLIN

Erica McLaughlin
Executive Vice President and
Chief Financial Officer