



# Cabot Corporation

Investor Presentation

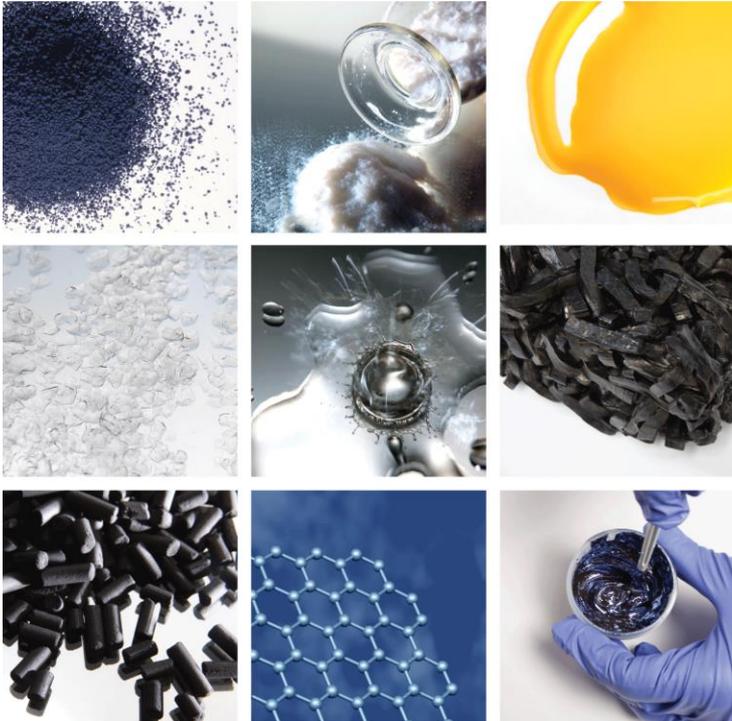
August 2016

# Forward Looking Statements & Use of Non-GAAP Financial Measures

This presentation contains forward-looking statements based on management's current expectations, estimates and projections. All statements that address expectations or projections about the future, including statements about the Company's strategy for growth, product and application development, market position, expected financial performance and results, and total shareholder return, how we expect to achieve our growth targets, and our expected use of cash are forward-looking statements. Some of the forward-looking statements may be identified by words like "expects," "anticipates," "plans," "intends," "projects," "indicates," and similar expressions. Forward-looking statements are based on our current expectations, assumptions, estimates and projections about Cabot's businesses and strategies, market trends and conditions, economic conditions and other factors. These statements are not guarantees of future performance and are subject to risks, uncertainties, potentially inaccurate assumptions, and other factors, some of which are beyond our control and difficult to predict. If known or unknown risks materialize, or should underlying assumptions prove inaccurate, our actual results could differ materially from past results and from those expressed in the forward-looking statement. Important factors that could cause our results to differ materially from those expressed in the forward-looking statements include, but are not limited to lower than expected demand for our products; the loss of one or more of our important customers; our inability to complete capacity expansions or other development projects; the timing of implementation and the enforcement of environmental regulations; our failure to develop new products or to keep pace with technological developments; patent rights of others; the timely commercialization of products under development (which may be disrupted or delayed by technical difficulties, market acceptance, competitors' new products, as well as difficulties in moving from the experimental stage to the production stage); changes in raw material costs; demand for our customers' products; competitors' reactions to market conditions; delays in the successful integration of structural changes, including acquisitions or joint ventures; the laws, regulations, policies and economic conditions, including inflation, interest and foreign currency exchange rates, of countries where we do business; and severe weather events that cause business interruptions, including plant and power outages or disruptions in supplier or customer operations. These factors are discussed more fully in the reports we file with the Securities and Exchange Commission, particularly our latest annual report on Form 10-K.

This presentation includes references to the following non-GAAP financial measures: adjusted EPS (earnings per share), adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), and adjusted EBITDA margins. The definitions of these non-GAAP financial measures and a reconciliation to the most comparable GAAP financial measures are provided in the investor section of our website at <http://investor.cabot-corp.com>, under the Non-GAAP Reconciliations section, or in our latest annual report on Form 10-K. Discretionary free cash flow is a non-GAAP financial measure included in this presentation. Please see a definition and reconciliation of discretionary free cash flow at the end of this presentation.

# About Cabot



- ◆ NYSE: CBT
- ◆ Founded 1882
- ◆ Global specialty chemicals and performance materials company
- ◆ 44 manufacturing sites in 21 countries
- ◆ Core technical competencies in fine particles and surface modification
- ◆ FY2015 sales: \$2.9 billion

# Our Vision

We will be the most innovative, respected and responsible leader in our markets –  
delivering performance that makes a difference.



# Portfolio of Leading Businesses with Attractive Margins



**PERFORMANCE  
CHEMICALS**



**REINFORCEMENT  
MATERIALS**



**PURIFICATION  
SOLUTIONS**



**SPECIALTY FLUIDS**

<b>Adjusted EBITDA</b>	<b>\$232M</b>	<b>\$226M</b>	<b>\$50M</b>	<b>\$8M</b>
<b>Adjusted EBITDA Margin</b>	<b>25%</b>	<b>15%</b>	<b>17%</b>	<b>19%</b>
Specialty carbons #1	Rubber blacks #1	Activated carbon #1	Cesium formate drilling and completion fluids #1	
Fumed metal oxides #2	Unmatched global footprint with 19 manufacturing facilities worldwide	Global footprint with 9 manufacturing plants	High-margin, project driven business	
Inkjet colorants #1		Widest range of application participation	Ultra-niche products	

# Durable and Proven End-market Exposures

## TRANSPORTATION

- Tires
- Coatings
- Air purification
- Plastics
- Batteries



## INFRASTRUCTURE / INDUSTRIAL

- Plastics
- Adhesives and sealants
- Reinforcing composites
- Thermal insulation
- Wire and cable



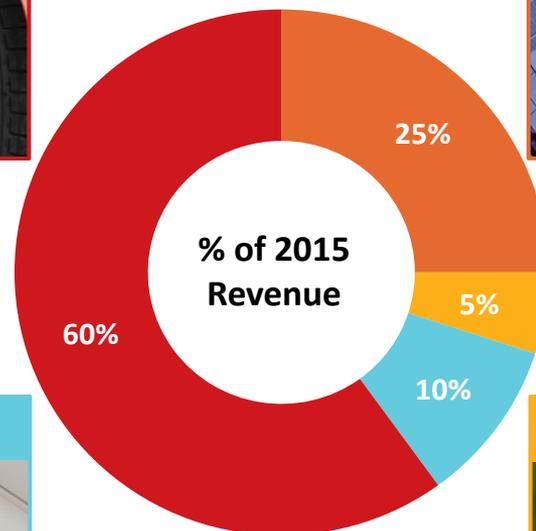
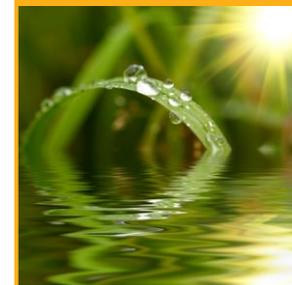
## CONSUMER / OTHER

- Inkjet printing
- Electronics
- Food and beverage
- Pharmaceuticals and personal care
- Oil and gas drilling fluids



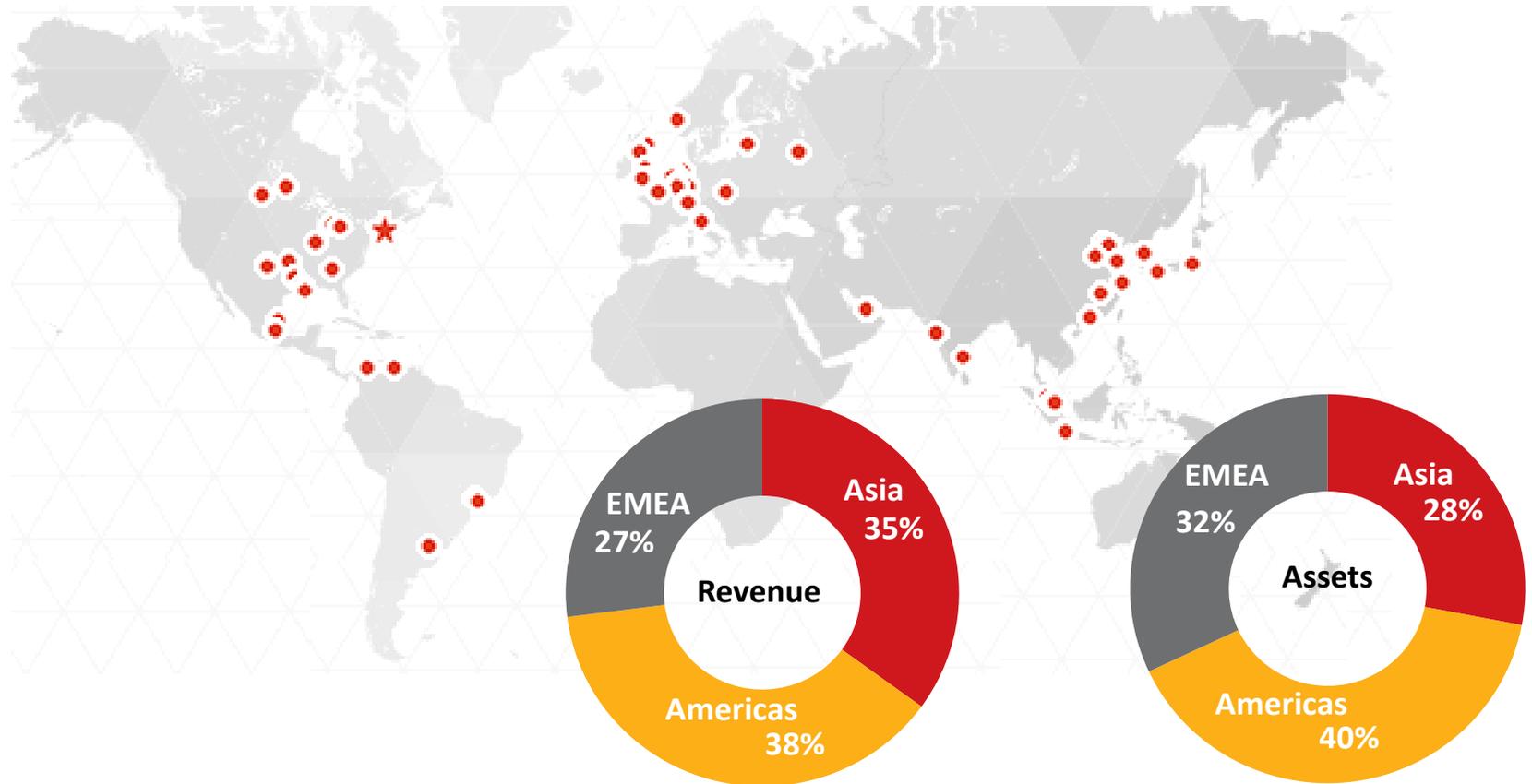
## ENVIRONMENT

- Mercury emission control
- Bonding paste
- Water purification
- Flue gas treatment



# Global Reach with Regional Expertise

- ◆ 44 manufacturing sites in 21 countries
- ◆ 30 sales locations in 20 countries
- ◆ Assets consistent with revenue



# Macro Trends Provide Significant Opportunity for Growth

	MOBILITY	MIDDLE CLASS GROWTH	GLOBAL DEVELOPMENT	SUSTAINABILITY
PERFORMANCE CHEMICALS	Light weighting of vehicles	Increased penetration of electronics	Construction and infrastructure development	Need for better energy storage in batteries
REINFORCEMENT MATERIALS	Growth in global miles driven	Higher demand for new cars	Truck and OTR tire growth in emerging markets	Tire development to drive fuel efficiency
PURIFICATION SOLUTIONS	Lower emissions from vehicles	Greater consumer spending on food and beverage / pharmaceuticals	Growth in industrial production drives chemicals, catalysts and mining demand	Higher demand for clean water and clean air
SPECIALTY FLUIDS		Fine cesium for production of consumer goods	Gas recovery aimed at power and industry in emerging markets	Preference for safe, recyclable drilling and completion fluids

# Corporate Strategy: *Advancing the Core*

Extend our leadership in performance materials by

investing for **growth in our core** businesses,

driving **application innovation** with our customers, and

generating strong cash flows through **efficiency and optimization**.

## GROWTH IN OUR CORE

- ◆ Leverage our global reach
- ◆ Capture market growth
- ◆ Enhance portfolio with new, differentiated products
- ◆ Strengthen positions through bolt-on acquisitions

## APPLICATION INNOVATION

- ◆ Focus on attractive applications
- ◆ Invest to develop application and formulation solutions
- ◆ Participate to create maximum value in the chain
- ◆ Foster long-lasting, multi-layered customer relationships

## EFFICIENCY AND OPTIMIZATION

- ◆ Deliver world-class operational effectiveness
- ◆ Drive capital efficiency
- ◆ Manage working capital rigorously
- ◆ Lead in cost competitiveness

# Corporate Strategy: *Advancing the Core*

## Robust and growing financial performance

### GROWTH

- ◆ Capture volumes from global GDP industry growth exposures
- ◆ Expand leadership positions through targeted geographic and application-driven penetration

2.5% - 3.5% global GDP volume growth outlook

### PROFITABILITY

- ◆ Invest in process technology and productivity improvements
- ◆ Capture utilization and fixed cost leverage
- ◆ Drive commercial excellence capabilities
- ◆ Pursue growth investments in existing businesses

7% - 10% adjusted EPS CAGR\* over time

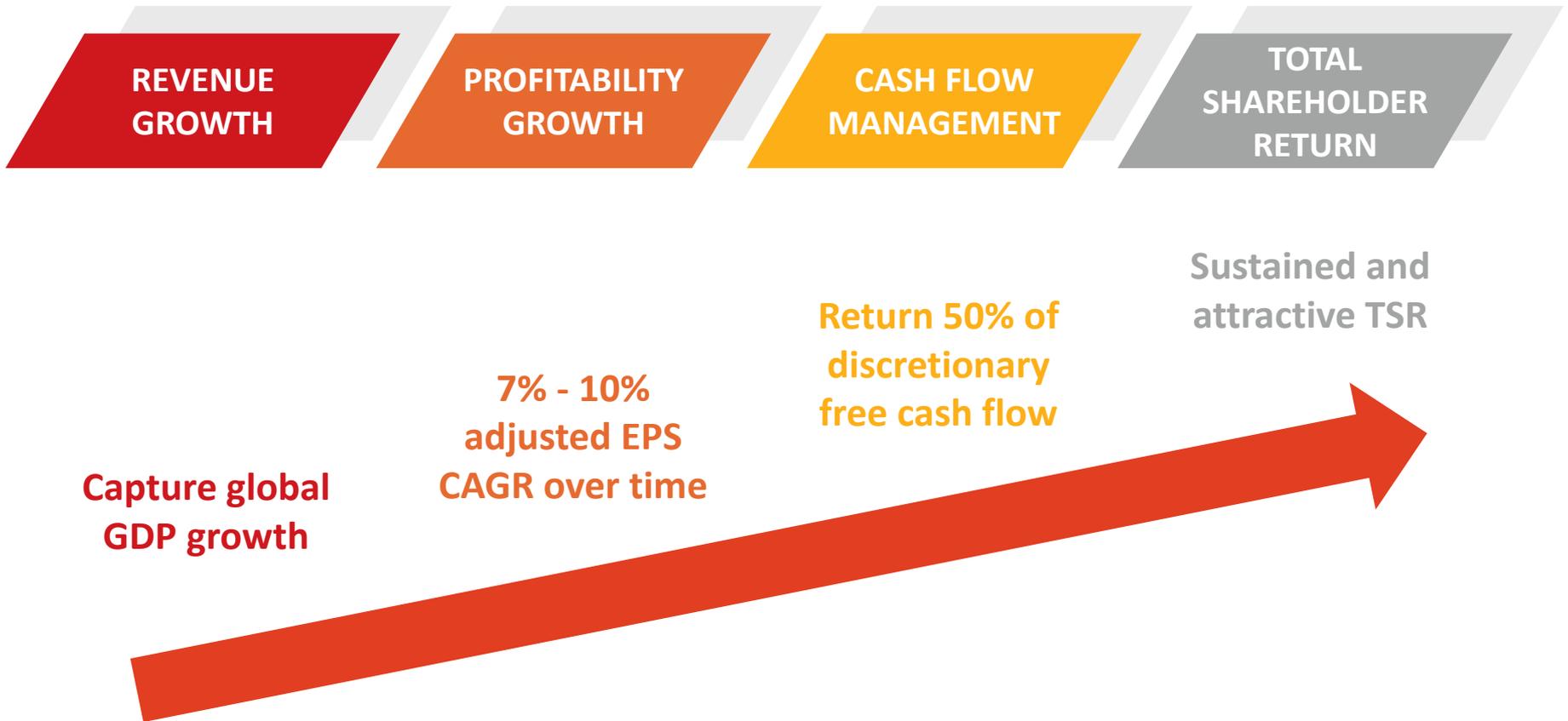
### CASH FLOW AND CAPITAL

- ◆ Deliver strong cash generation
- ◆ Maintain investment grade credit rating
- ◆ Commit to an industry-leading dividend payout
- ◆ Return ~50% of discretionary free cash flow to shareholders

>\$1.2 billion of discretionary free cash flow 2016 - 2020

# Corporate Strategy: *Advancing the Core*

## Strong fundamentals deliver sustained value creation



# Corporate Strategy: *Advancing the Core*

## Key elements of our capital allocation priorities



### **Reinvest in our core, advantaged business positions**

- ◆ Strengthen existing businesses through investments in high-confidence projects in attractive markets



### **Reaffirm commitment to cash generation**

- ◆ Increase focus on cash generation through disciplined net working capital and capital expenditure management



### **Reset M&A parameters**

- ◆ Target M&A to strengthen existing businesses



### **Return cash to shareholders**

- ◆ Return about half of discretionary free cash flow to shareholders



### **Retain strong investment grade rating and healthy balance sheet**

# Expected Outcome of the Strategy

**TSR**

Sustained and attractive TSR

**Return of cash**

Commitment to return half to shareholders

**Strengthened portfolio**

Continued investment in growth and improvement projects

**M&A**

Disciplined and focused in the core

**Clarity and confidence**

Clarity of direction, confidence in cash flows

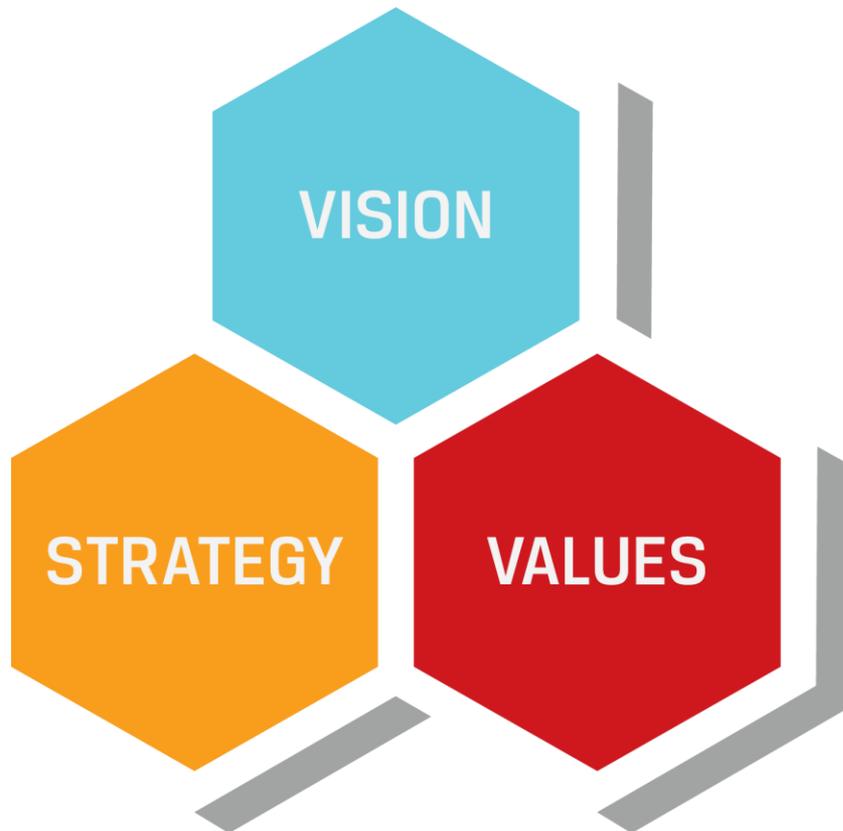
# Investment Highlights

## Global Leader in Specialty Chemicals



- ◆ Portfolio of high-performing businesses with leading market positions
- ◆ Technology and product innovation leadership
- ◆ Broad geographic footprint with leading emerging market positions
- ◆ Robust cash flow generation
- ◆ Disciplined capital allocation process
- ◆ Strong, stable balance sheet – S&P BBB / Moody's Baa2 investment grade credit ratings

# Cabot Corporation



## VISION

We will be the most innovative, respected, and responsible leader in our markets — **delivering performance that makes a difference.**

## STRATEGY

Extend our leadership in performance materials by investing for **growth in our core** businesses, driving **application innovation** with our customers, and generating strong cash flows through **efficiency and optimization.**

## VALUES

As Cabot employees, we value **integrity, respect, excellence** and **responsibility.**

**Thank You**  
**NYSE: CBT**

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# Appendix

# Non-GAAP Financial Measures

## Adjusted EPS

Adjusted EPS =

Net Income per diluted common share from continuing operations  
– After-tax certain items per share

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Adjusted net income per share

Certain items are items that management does not consider representative of the Company's fundamental operating results.

# Non-GAAP Financial Measures

## Adjusted EBITDA and Adjusted EBITDA Margin

Please see the investor section of our website at <http://investor.cabot-corp.com>, under the Non-GAAP Reconciliations section, for reconciliations of Adjusted EBITDA and Adjusted EBITDA Margin.

# Non-GAAP Financial Measures

## Discretionary Free Cash Flow

	2011	2012	2013	2014	2015	Average 2011-2015
Cash Flow for Operating Activities <sup>(1)</sup>	\$195	\$415	\$419	\$315	\$499	\$369
Less: Changes in Net Working Capital <sup>(2)</sup>	\$(167)	\$76	\$80	\$(139)	\$137	\$(3)
Less: Sustaining and Compliance Capital Expenditures	\$127	\$140	\$116	\$137	\$102	\$124
<b>Discretionary Free Cash Flow (DFCF)</b>	<b>\$235</b>	<b>\$199</b>	<b>\$223</b>	<b>\$317</b>	<b>\$260</b>	<b>\$247</b>

(1) As provided in the Consolidated Statement of Cash Flows

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

**CABOT** 

