



# Earnings Teleconference

Third Quarter / Fiscal Year 2012    August 1, 2012



## Forward Looking Statements, Use of Non-GAAP Financial Measures and Definitions of Terms Used

This presentation contains forward-looking statements based on management's current expectations, estimates and projections. All statements that address expectations or projections about the future, including our ability to meet our long-term financial targets, strategy for growth, demand for our products, when we expect additional manufacturing capacity and energy and yield projects to be completed, the expected benefits of the Norit N.V. acquisition, including expectations for growth, our target for adjusted EPS in fiscal 2014, our target for adjusted ROIC, and our anticipated tax rate for fiscal 2012 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 changes in raw material costs; lower than expected demand for our products; the loss of one or more of our important customers; our inability to complete capacity expansions as planned; the timing of implementation 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); 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 adjusted earnings per share (EPS) and total segment EBIT, which are a non-GAAP measures. A reconciliation of adjusted EPS to EPS from continuing operations, the most directly comparable GAAP financial measure, and a reconciliation of total segment EBIT to Income (loss) from continuing operations before taxes, the most directly comparable GAAP financial measure, are provided in the tables included in our third quarter earnings release and filed on our current report on Form 8-K dated July 31, 2012. The definition of adjusted ROIC is provided in Item 6. of our most recent Annual Report on Form 10K.

The term "**operating tax rate**" represents the tax rate on our recurring operating results. This rate excludes discrete tax items, which are unusual or infrequent items that are excluded from the estimated annual effective tax rate and other tax items, including the impact of the timing of losses in certain jurisdictions, cumulative rate adjustment and the impact of certain items on both operating income and tax provision. The term "**product mix**" refers to the various types and grades, or mix, of products sold in a particular Business or Segment during the period, and the positive or negative impact of that mix on the revenue or profitability of the Business or Segment.





## Q3 2012 Highlights

- **Value pricing and energy efficiency initiatives drive Core Segment results despite weaker volumes**
- **Sequential improvement in Performance Segment and Inkjet Colorants Business driven by higher volumes**
- **New products launched for adhesives and automotive markets**
- **Strong Specialty Fluids performance**
- **Completion of Norit acquisition**





# Capacity Expansions and Energy and Yield Investments



## Capacity Expansions

### Complete in CY 2012

- 80kMT Rubber Blacks: Indonesia, South America, Europe
- Masterbatch and Fumed Metal Oxides: China
- Fumed Metal Oxides: Europe
- Inkjet Colorants: USA

### Complete in CY 2013

- 130kMT Rubber Blacks: China
- 10kMT Rubber Blacks: Europe
- Specialty Carbon Black: Europe

## Energy and Yield Investments

- New installations Q3 FY2012
  - Asia and Europe
- Further investments progressing





# New Product Launches

- **New product launches of unique performance materials**
  - CAB-O-SIL® ULTRABOND™ 5760: high-performance surface treated fumed silica for structural adhesives applications
  - Transfinity™ XD and Transfinity™ DF Products: elastomer composites for anti-vibration applications
- **Strong pipeline of new products**







# Norit Acquisition

- **Leader in activated carbon with excellent strategic fit**

- Similar product and process technology with deep application knowledge
- Leverage Cabot's global footprint and technology to accelerate growth
- Diversify end markets into environmental and purification applications
- Strengthen portfolio with high-margin, high-growth, non-cyclical business

- **Growth projections of 10-12% per year**

- Assume 50% of existing U.S. coal utility fleet adopts mercury controls
- New U.S. EPA Disinfectant Byproduct (DBP) regulations for drinking water
- New products and applications drive growth in automotive emission control and catalysts for agriculture chemicals

## Growth Projections

End Market	Growth CAGR	Norit 2011 Share
Gas / Air	20%	38%
Water	5%	23%
Food	5%	13%
Pharma	6%	9%
Chemical	6%	6%
Other	6%	11%
<b>Total</b>	<b>10-12%</b>	





# Norit Acquisition

- **Attractive financing terms**

- \$250 million 5 year notes at 2.55%
- \$350 million 10 year notes at 3.70%
- \$250 million existing revolver at LIBOR + .975%
- Results in blended rate of 2.6% on \$850 million

- **Better than anticipated financing terms increase accretion estimates**

- \$0.30 - \$0.35 EPS FY13
- \$0.40 - \$0.50 EPS FY14

- **2014 Cabot adjusted EPS target increased to \$4.90 - \$5.00**

- **Maintained investment grade rating: S&P BBB+; Moody's Baa2**
- **Stand-alone segment for reporting**





# Reporting Segments

## New Structure

### Reinforcement Materials

- Rubber blacks

### Performance Materials

- Specialty carbons and compounds
- Fumed metal oxides

### Advanced Technologies

- Inkjet colorants
- Aerogel
- Security materials
- Elastomer composites
- Specialty fluids

### Purification Solutions

- Activated carbons



## Previous Structure

### Core Segment

- Rubber blacks

### Performance Segment

- Performance products
- Fumed metal oxides

### New Business Segment

- Inkjet colorants
- Aerogel
- Superior micropowders
- Elastomer composites

### Specialty Fluids Segment

“Norit”





# Q3 2012 Operating Results

<i>In millions unless otherwise noted</i>	<b>Q3 2012</b>	<b>Q3 Year on Year</b>	<b>Q3 Sequential</b>
Segment EBIT	\$109	3%	-11%
Adjusted EPS	\$1.00	32%	4%

- **Q3 Year on Year Segment EBIT improved \$3 million**
  - Rubber Blacks margin expansion from value pricing initiative
  - Stronger volumes in Performance Segment
  - Specialty Fluids improvement
  - Weaker volumes in Rubber Blacks
- **Q3 Sequential Segment EBIT decreased \$14 million**
  - Lower Rubber Blacks and Specialty Fluids EBIT following record Q2
  - Volume improvement in Performance Segment and Inkjet Colorants Business





# Core Segment

## Third Quarter Performance

<i>In millions</i>	3Q'12	3Q'11	2Q'12
Net sales	\$517	\$528	\$534
Segment EBIT	\$59	\$57	\$72

## Key Highlights

- Value-based pricing and efficiency improvements continue to drive improved unit margins
- Challenging macroeconomic environment causing weaker volumes

## Segment Outlook

- Short-term outlook remains challenging
- New capacity in China, South America and Europe progressing





# Performance Segment

## Third Quarter Performance

<i>In millions</i>	3Q'12	3Q'11	2Q'12
Net sales	\$247	\$240	\$235
Segment EBIT	\$38	\$43	\$35

## Key Highlights

- Year over year and sequential volume improvements in both Performance Products and Fumed Metal Oxides
- Value pricing initiatives contributing to solid results
- Innovative products launched

## Segment Outlook

- Leverage new capacity for volume growth
- Fumed Metal Oxides expansion in Barry, Wales to be completed by the end of calendar year 2012





# Specialty Fluids Segment

## Third Quarter Performance

<i>In millions</i>	3Q'12	3Q'11	2Q'12
Net sales	\$28	\$12	\$27
Segment EBIT	\$11	\$3	\$16

## Key Highlights

- Strong quarter with completion of larger and more complex jobs
- First job completed in India

## Segment Outlook

- Increasing geographic profile of business in Asia Pacific with jobs completed in Malaysia and India
- Value pricing initiatives contributing to performance





# New Business Segment

## Third Quarter Performance

<i>In millions</i>	3Q'12	3Q'11	2Q'12
Net sales	\$29	\$33	\$30
Segment EBIT	\$1	\$3	\$ -

## Key Highlights

- Inkjet capacity expansion drives higher sequential volume
- Aerogel volume weakness unfavorably impacting segment

## Segment Outlook

- Commercial printing momentum continues for inkjet
- CEC progress on track







# Q3 2012 Corporate Financials

## Cash

- Quarter end cash balance of \$407 million
- Capital expenditures of \$59 million
- Net working capital decrease of \$5 million
- Repurchased 175,000 shares for \$6 million
- 11% increase in quarterly dividend from \$0.18 to \$0.20 per share

## Taxes

- Third quarter net tax provision for continuing operations of \$16 million
- Operating tax rate of 25%, excluding certain items
- Anticipate operating tax rate for fiscal 2012 between 25% - 26%





# Summary

- **Step change in performance confirmed**
  - Value pricing
  - Innovative new products
  - Yield and energy efficiency improvements
  - Capacity expansions
- **Portfolio strengthened with Norit**
- **Confident in ability to meet financial target of \$4.90 - \$5.00 adjusted EPS in 2014**





**CABOT**