



# Earnings Teleconference

Third Quarter / Fiscal 2014



# Forward Looking Statements, Use of Non-GAAP Financial Measures & 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 actions that will drive earnings growth, demand for our products, our expected capital expenditures in fiscal 2014, our expected operating tax rate for fiscal 2014, and our future financial performance, are forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, potentially inaccurate assumptions, and other factors, some of which are beyond our control and difficult to predict. If known or unknown risks materialize, or should underlying assumptions prove inaccurate, our actual results could differ materially from past results and from those expressed 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, including at our mine in Manitoba, 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); 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 adjusted earnings per share (EPS), total segment EBIT, adjusted EBITDA, and operating tax rate, which are non-GAAP measures. A reconciliation of adjusted EPS to EPS from continuing operations, the most directly comparable GAAP financial measure, a reconciliation of total segment EBIT to Income from continuing operations before taxes, the most directly comparable GAAP financial measure, and a reconciliation of operating tax rate to effective tax rate, 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 30, 2014. The definition of adjusted EBITDA is included in our third quarter earnings release and filed on our Current Report on Form 8-K dated July 30, 2014 and a reconciliation of adjusted EBITDA from segment EBIT for the third quarter of fiscal 2014 is provided in the investor section of our website at <http://investor.cabot-corp.com>, under the Non-GAAP Reconciliations section.

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 2014 Highlights

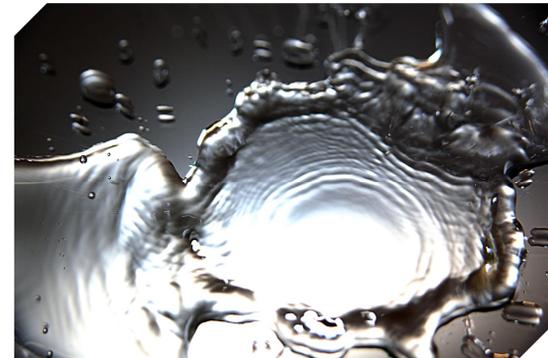


- ◆ Higher year-over-year volumes in Reinforcement Materials and Performance Materials
- ◆ Continued strong fiscal 2014 performance with year-to-date adjusted EPS 20% higher than year-to-date fiscal 2013
- ◆ Strengthened balance sheet through repayment of \$256 million of debt
- ◆ S&P reaffirmed BBB+ investment grade debt rating

# Specialty Fluids

## STRATEGY

- ◆ Continue to support oil and gas industry as well as fine cesium chemical business
- ◆ Optimize value of cesium through job selection and more efficient reprocessing
- ◆ Accelerate efforts to access additional sources of cesium



# Q3 2014 Cabot Operating Results

	Q3 2014	Q3 2013*	Q2 2014
Total Segment EBIT (in millions)	\$109	\$111	\$116
Adjusted EPS	\$0.88	\$0.84	\$0.83
Adjusted EBITDA (in millions)	\$145	\$143	\$150

- ◆ Adjusted EPS increased 5% year-over-year
- ◆ Total Segment EBIT of \$109 million driven by strong volumes in Reinforcement Materials and Performance Materials

\*Recast to reflect Security Materials business in discontinued operations

# Reinforcement Materials Segment

## Operating Performance

In millions	Q3 2014	Q3 2013	Q2 2014
Net sales	\$534	\$486	\$504
Segment EBIT	\$61	\$49	\$61

## Key Highlights

- ◆ Q3 volumes improved 13% year-over-year
- ◆ Benefits from raw material purchasing savings and energy efficiency investments
- ◆ Higher scheduled maintenance activity

## Segment Outlook

- ◆ Tire and automotive demand expected to increase in calendar year 2014 compared to 2013
- ◆ Commercialization of new China capacity progressing on track
- ◆ Environmental surcharge to be implemented in U.S. in 2015

# Performance Materials Segment

## Operating Performance

In millions	Q3 2014	Q3 2013	Q2 2014
Net sales	\$243	\$233	\$249
Segment EBIT	\$41	\$35	\$47

## Key Highlights

- ◆ Q3 volumes increased 5% year-over-year in both Specialty Carbons and Compounds and Fumed Metal Oxides
- ◆ Higher scheduled maintenance activity
- ◆ Commercialization of new products continues to contribute to segment results

## Segment Outlook

- ◆ Growth forecasted year-over-year driven by automotive, construction, and consumer applications
- ◆ Strong contribution from commercialization of new products for silicones, plastics, and battery applications
- ◆ On track for a record EBIT performance in 2014

# Advanced Technologies Segment

## Operating Performance

In millions	Q3 2014	Q3 2013*	Q2 2014
Net sales	\$47	\$67	\$48
Segment EBIT	\$14	\$28	\$12

## Key Highlights

- ◆ Lower level of Specialty Fluids project activity as expected
- ◆ Prior year Aerogel royalty did not repeat
- ◆ Sequential increase in Inkjet Colorants volumes

## Segment Outlook

- ◆ Lower level of activity for Specialty Fluids continues next quarter
- ◆ Implementation of revised Specialty Fluids strategy
- ◆ Completion of Security Materials sale

\*Recast to reflect Security Materials business in discontinued operations

# Purification Solutions Segment

## Operating Results

In millions	Q3 2014	Q3 2013	Q2 2014
Net sales	\$78	\$81	\$80
Segment EBITDA	\$7	\$12	\$9

## Key Highlights

- ◆ Year-over-year EBITDA decline due to lower volumes and higher costs
- ◆ Sequential EBITDA decrease from less favorable product mix and higher costs
- ◆ Bid and trial activity with MATS customers increasing

## Segment Outlook

- ◆ MATS implementation on track for April 2015
- ◆ Operations improvement plan ongoing
- ◆ Confident in long-term growth of the business

# Corporate Financial Items

- ◆ Liquidity remained strong at \$748 million
- ◆ Net working capital decreased by \$6 million in Q3
- ◆ Repaid \$256 million of debt in Q3
- ◆ Capital expenditures of \$45 million in Q3
- ◆ Forecasted operating tax rate of approximately 27% for fiscal 2014

# Conclusion

## PERFORMANCE AND OUTLOOK

- ◆ Adjusted EPS target update
- ◆ On track for fifth year of adjusted EBITDA improvement
- ◆ Focused on delivering continued earnings growth for our shareholders



**CABOT** 

