Cabot Announces Second Quarter Fiscal 2010 Operating Results

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Strong performance from emerging market volume and overall margin management

BOSTON, April 28, 2010 /PRNewswire via COMTEX/ --Cabot Corporation (NYSE: CBT) today announced results for its second quarter of fiscal year 2010.

(Logo: http://www.newscom.com/cgi-bin/prnh/20000323/CABOTLOGO)

Key Highlights

- Volumes increase 30-40% from second quarter 2009 as market demand stabilizes near first quarter 2010 levels
- Emerging markets and robust unit margins continue to be main drivers of recovery
- Supermetals Business profits stabilizing from restructured operations and tantalum market rebound
- New Business Segment continues to show steady improvement

(In millions, except per share amounts)	2010		2009	
	Second Quarter	First 6 months	Second Quarter	First 6 months
Net sales	$712	$1,391	$470	$1,122
Net income (loss) per share attributable to Cabot Corporation	$0.66	$1.10	$(0.93)	$(0.87)
Less: Certain items per share	$(0.13)	$(0.34)	$(0.63)	$(0.65)
Adjusted earnings (loss) per share	$0.79	$1.44	$(0.30)	$(0.22)

Commenting on the results, Patrick Prevost, Cabot's President and CEO, stated, "Cabot's second quarter results confirm the momentum of demand recovery and robustness of our business across all segments. Our overall efforts in the key strategic areas of margin improvement, emerging market expansion and new business development were instrumental in this strong performance. Market demand has stabilized slightly ahead of first quarter 2010 levels with emerging markets continuing to show significant strength. New emerging market capacity and technology investments in energy recovery and yield enhancement are contributing positively to our results. The New Business Segment continues to show steady progress. Our focus over the past eighteen months on our highest value new business opportunities has yielded a significant improvement in the segment's financial performance."

Financial Detail

For the second quarter of fiscal 2010, net income attributable to Cabot Corporation was $43 million ($0.66 per diluted common share). Adjusted EPS was income of $0.79 per common share, excluding $0.13 per common share of certain items related to restructuring charges. These amounts included $14 million ($0.21 per diluted common share) of discrete tax benefits primarily associated with audit settlements during the quarter.

Segment Results

Core Segment - Second quarter fiscal 2010 profitability in the Rubber Blacks Business increased by $56 million when compared to the same quarter of fiscal 2009. Volumes increased by 28% globally driven by improved demand in the tire and automotive markets. Volumes in Asia Pacific and China increased by 50% over the second quarter of fiscal 2009, South America by 31%, North America by 14% and Europe, Middle East, Africa by 8%.

Unfavorable high cost inventory effects in the second quarter of fiscal 2009, that did not reoccur in the same period of fiscal 2010, benefited results by $31 million. The absence of $7 million of one time revenue recognition benefits from the first quarter was partially offset by expanded unit margins and 1% higher volume leading to a $3 million decrease in sequential profitability.

Second quarter fiscal 2010 profitability in the Supermetals Business increased by $11 million compared to the same quarter of fiscal 2009. The increase was principally due to higher volumes from stronger demand in the electronics market, lower raw material costs and reduced fixed costs. When compared to the first quarter of fiscal 2010, profitability decreased by $1 million principally due to timing of shipments.

Performance Segment - Second quarter fiscal 2010 profitability in the Performance Segment increased by $32 million when compared to the same quarter of fiscal 2009. The increase was driven by higher volumes from improved demand in the automotive, construction, infrastructure and electronics markets and increased unit margins. Volumes increased by 33% in Performance Products and by 47% in Fumed Metal Oxides when compared to the second quarter of fiscal 2009. Unfavorable high cost inventory effects in the second quarter of fiscal 2009 did not reoccur in the same period of fiscal 2010, benefiting results by $11 million. Sequentially, profitability decreased by $3 million. Volume increases of 9% in Performance Products and 3% in Fumed Metal Oxides were more than offset by the absence of $2 million of one time revenue recognition benefits from the first quarter and a $3 million unfavorable LIFO impact.

New Business Segment - Second quarter fiscal 2010 revenues in the New Business Segment increased by $6 million when compared to the second quarter of fiscal 2009 driven principally by improved revenues in Inkjet Colorants and the Aerogel Business. During the second quarter of fiscal 2010 the New Business Segment reported $1 million of profit, a $2 million improvement over the second quarter of fiscal 2009 and a $4 million increase sequentially.

Specialty Fluids Segment - Profitability in the Specialty Fluids Segment for the second quarter of fiscal 2010 increased by $1 million when compared to the second quarter of fiscal 2009 due to increased rental activity and a favorable service mix. Sequentially, profitability was flat as a favorable service mix was offset by decreased rental activity. The business continues to expand its activity outside of the core North Sea region, with 38% of revenue in the second quarter of fiscal 2010 coming from other regions, compared to 9% in the second quarter of fiscal 2009 and 22% in the first quarter of fiscal 2010.

Cash Performance - The Company ended the second quarter of fiscal 2010 with a cash balance of $248 million despite a $38 million increase in working capital from higher accounts receivable balances. Capital expenditures for the second quarter of fiscal 2010 were $18 million.

Taxes - During the second quarter of fiscal 2010, the Company recorded a tax benefit of $1 million including $14 million of discrete tax benefits primarily associated with favorable audit settlements during the quarter. Excluding discrete items, the operating tax rate for the quarter was approximately 25%.

Outlook

Commenting on the outlook for the Company, Prevost said, "We are optimistic about the remainder of fiscal 2010 and beyond. As market demand has stabilized, we have been successful at leveraging the actions we have taken over the past year. The Company is now positioned with a solid level of earnings and a strong balance sheet, which allows us to continue focusing on our earnings growth strategy. We remain on track to meet our long term financial goals."

Earnings Call

The Company will host a conference call with industry analysts at 2:00 p.m. Eastern time on April 29, 2010. The call can be accessed through Cabot's investor relations website at http://investor.cabot-corp.com/.

Cabot Corporation, headquartered in Boston, Massachusetts, is a global performance materials company. Cabot's major products are carbon black, capacitor materials, fumed silica, cesium formate drilling fluids, inkjet colorants and aerogels. The Company's website is: http://www.cabot-corp.com/.

Forward-Looking Statements - This earnings release 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 expectations concerning demand for our products), strategy for growth, market position, and expected financial results 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. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. Many factors, including those discussed more fully elsewhere in this release and in documents filed with the Securities and Exchange Commission by Cabot, particularly its latest annual report on Form 10-K, could cause results to differ materially from those stated. These factors include, but are not limited to changes in raw material costs; costs associated with the research and development of new products, including regulatory approval and market acceptance; competitive pressures; successful integration of structural changes, including restructuring plans, and joint ventures; the laws, regulations, policies and economic conditions, including inflation, interest and foreign currency exchange rates, of countries in which the company does business; and severe weather events that cause business interruptions, including plant and power outages, or disruptions in supplier or customer operations.

Explanation of Terms Used - When explaining factors affecting our performance, we use several terms. The term "LIFO benefit" or "LIFO impact" includes two factors: (i) the impact of current inventory costs being recognized immediately in cost of goods sold ("COGS") under a last-in first-out method, compared to the older costs that would have been included in COGS under a first-in first-out method ("COGS impact"); and (ii) the impact of reductions in inventory quantities, causing historical inventory costs to flow through COGS ("liquidation impact"). The LIFO impact for the Company (including the Rubber Blacks, Performance Products and Supermetals Businesses) for the second quarter of fiscal 2010 was a benefit of $2 million and is comprised of a favorable $4 million liquidation impact partially offset by a $2 million unfavorable COGS impact. The term "service mix" refers to the positive or negative impact on revenue or profitability during a period from changes in the combination of customers and prices in the Specialty Fluids Business.

Use of Non-GAAP Financial Measures - The preceding discussion of our results and the accompanying financial tables report adjusted EPS and also include information on our reportable segment sales and segment (or business) operating profit before taxes ("PBT"). Adjusted EPS and segment PBT are non-GAAP financial measures and are not intended to replace EPS and income (loss) from continuing operations before taxes, equity in net income of affiliated companies and minority interest, respectively, the most directly comparable GAAP financial measures. Both EPS and adjusted EPS are calculated on a diluted share basis. In calculating adjusted EPS and segment PBT, we exclude certain items, meaning items that are significant and unusual or infrequent and not believed to reflect the true underlying business performance, and, therefore, are not allocated to a segment's results or included in adjusted EPS. Further, in calculating segment PBT we include equity in net income of affiliated companies, royalties paid by equity affiliates and allocated corporate costs but exclude interest expense, foreign currency translation gains and losses, interest income, dividend income and unallocated corporate costs. Our chief operating decision-maker uses adjusted EPS to evaluate the underlying earnings power of the Company. Segment PBT is used to evaluate changes in the operating results of each segment before non-operating factors and before certain items and to allocate resources to the segments. We believe that these non-GAAP measures also assist our investors in evaluating the changes in our results and the Company's performance. A reconciliation of adjusted EPS to EPS is shown in the table titled Certain Items and Reconciliation of Adjusted EPS, and a reconciliation of total segment PBT to income (loss) from operations before taxes, equity in net income of affiliated companies and minority interest is shown in the table titled Summary Results by Segments. The certain items that are excluded from our calculation of adjusted EPS and segment PBT are detailed in the table titled Certain Items and Reconciliation of Adjusted EPS.

Click here for financial tables.

SOURCE: Cabot Corporation