

# CABOT CORPORATION

## JEFFERIES INDUSTRIALS CONFERENCE

September 7, 2023



# Forward Looking Statements

This presentation contains forward-looking statements. All statements that address expectations or projections about the future, including with respect to our expectations for the execution of our strategy, including our ability to capitalize on high growth macroeconomic trends and execute each element of our capital allocation strategy, our performance in fiscal year 2023, including our expectations for adjusted earnings per share and the assumptions supporting our expectations, including for year-over-year growth in EBIT in Q4 in our Reinforcement Materials segment and sequential improvement in EBIT in our Performance Chemicals segment and increased volumes in the fourth quarter of fiscal 2023 in our Battery Materials and Inkjet product lines, our expectations for recovery and growth in our Performance Chemicals segment, our expectations for operating cash flows, expected capital expenditures for fiscal 2023, and for increased share repurchase activity in the fourth quarter of fiscal 2023 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 or implied by forward-looking statements. Important factors that could cause our results to differ materially from those expressed or implied in the forward-looking statements include, but are not limited to, disruption to our operations from the COVID-19 pandemic, competition from other specialty chemical companies; safety, health and environmental requirements and related constraints imposed on our business; regulatory and financial risk 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; a significant adverse change in a customer relationship; failure to achieve growth expectations from new products, new applications and technology developments; unanticipated delays in, or increased cost of site development projects; negative or uncertain worldwide or regional economic conditions and market opportunities, including from trade relations, global health matters or geo-political conflicts; and fluctuations in foreign currency exchange and interest rates. These factors are discussed more fully in the reports we file with the Securities and Exchange Commission (“SEC”), particularly under the heading “Risk Factors” in our annual report on Form 10-K for our fiscal year ended September 30, 2022, filed with the SEC at [www.sec.gov](http://www.sec.gov). We assume no obligation to provide revisions to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws.

# Cabot Corporation At-A-Glance

Global specialty chemicals and performance materials company

**1882**  
Founded

**Boston, MA**  
Headquarters

**~\$3.7B**  
Market Cap<sup>2</sup>

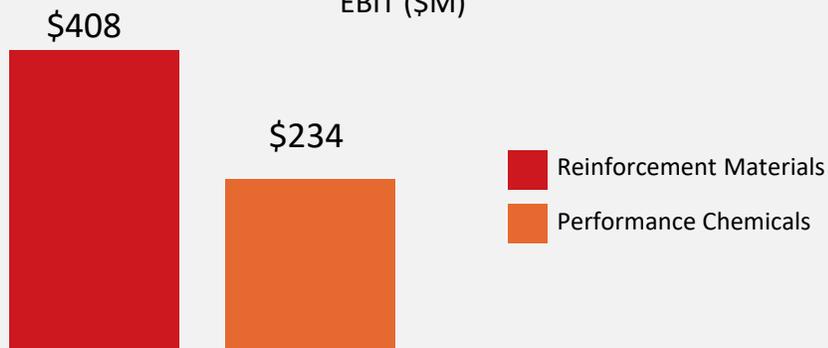
**~4,300**  
Employees<sup>2</sup>

**37**  
Plant Locations<sup>2</sup>

**50+ Years**  
Dividend History

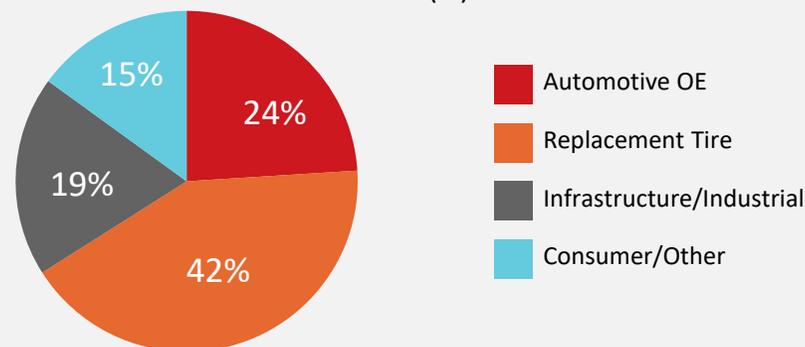
## Business Segments<sup>1</sup>

EBIT (\$M)



## End Market Sectors<sup>1</sup>

Revenue (%)

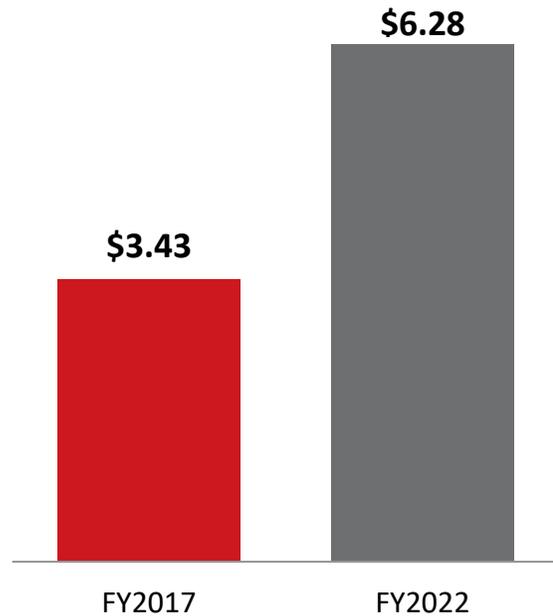


1. Data as of year ended September 30, 2022; except where otherwise noted 2. Market cap, employees, plant locations as of Jun 30, 2023;

# Strong Earnings Growth with High ROIC

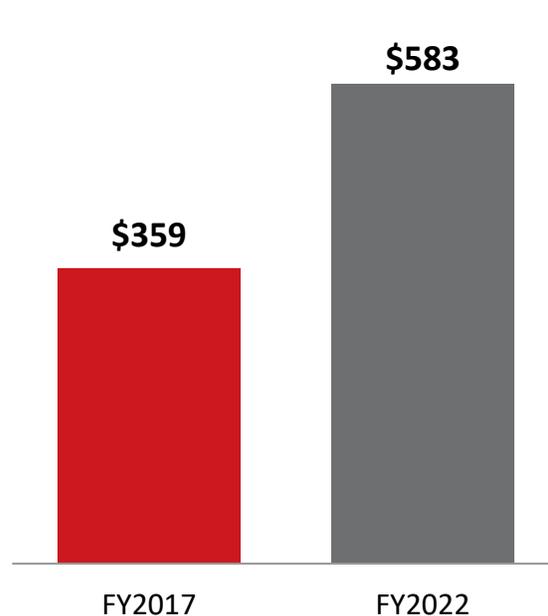
Adjusted EPS<sup>1</sup>  
(\$)

+13%  
CAGR



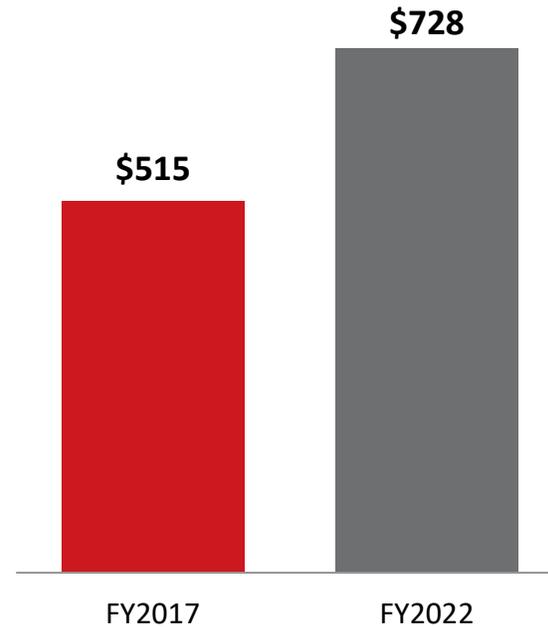
Adjusted EBIT<sup>1</sup>  
(\$M)

+9%  
CAGR

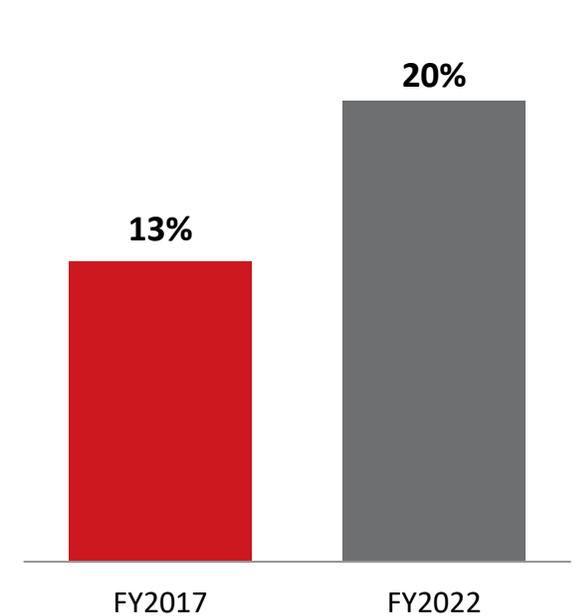


Adjusted EBITDA<sup>1</sup>  
(\$M)

+7%  
CAGR



Adjusted ROIC<sup>1</sup>  
(\$M)



Driven by Successful Execution of Strategy



# Our Strategy | *Creating for Tomorrow*

*Leveraging our strengths to lead in performance and sustainability—  
today and into the future*



## **GROW**

### **Investing for advantaged growth**

- ◆ Leverage and expand global reach to support customers and capture growth
- ◆ Enhance product portfolio to drive improved margin profile
- ◆ Execute strategic, tuck-in acquisitions in key growth markets
- ◆ Invest in differentiated capacity expansions
- ◆ Investments guided by ROIC discipline



## **INNOVATE**

### **Developing innovative products and processes that enable a better future**

- ◆ Develop new products and processes that address sustainability opportunities
- ◆ Advance product portfolio to capture sales in higher margin, higher growth applications
- ◆ Focus on key areas of value chain to create maximum value
- ◆ Advance our application and formulation capabilities to deliver customer value

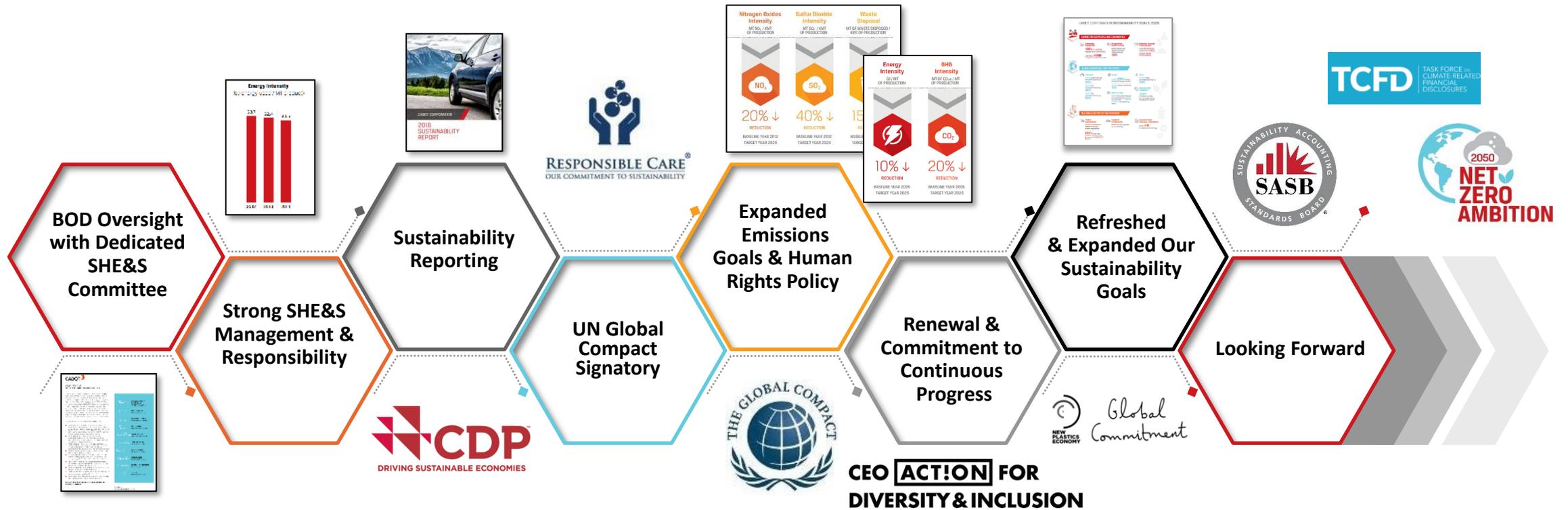


## **OPTIMIZE**

### **Driving continuous improvement in everything we do**

- ◆ Support customers through world-class manufacturing with an improved environmental footprint
- ◆ Deploy capital efficiently
- ◆ Lead in cost competitiveness
- ◆ Leverage digital technologies to improve efficiency and business performance
- ◆ Deliver effective global business services through scale, end-to-end process management and digital enablement

# Cabot is a Recognized Leader in Sustainability



**Sustainability is Integrated into Every Facet of Our Business**

# Leveraging Sustainable Competitive Advantages

## How We Win



### Unparalleled Global Footprint

- ◆ Exceptional Talent: global perspective with local expertise
- ◆ Leading Assets: Broad flexibility through global manufacturing network
- ◆ Local teams with proven track record of being great operators



### Leadership in Sustainability

- ◆ Collaborate with customers to develop innovative, sustainable solutions
- ◆ Commitment to circularity in our operations
- ◆ *Newsweek* magazine “America’s Most Responsible Companies 2023”
- ◆ *Investor’s Business Daily’s* 100 Best ESG Companies of 2022



### Innovative Product Leadership

- ◆ Long history of innovation and strong brands aligned with favorable end markets
- ◆ #1 or #2 in all of our businesses
- ◆ Deep application knowledge to meet complex customer requirements
- ◆ Complementary upstream and downstream positions



### Ability to Capitalize on High-Growth Markets

- ◆ Uniquely positioned with conductive additive technology
- ◆ Well-positioned to capture high-growth opportunities
  - Lithium-ion batteries
  - Digital conversion of industrial printing applications
  - Evolving mobility landscape

# Segment Overview

Broad range of products used in a wide variety of applications



## REINFORCEMENT MATERIALS

**Global leader with durable, growing earnings, and robust cash generation**

- ◆ **Reinforcing carbons:** industrial rubber products, tires
- ◆ **Engineered elastomer composites (E2C®):** industrial rubber products, tires



## PERFORMANCE CHEMICALS

**Portfolio of high-growth, high-margin businesses, aligned with favorable macro trends**

- ◆ **Specialty carbons:** adhesives, batteries, coatings, displays, inks, toners, plastics
- ◆ **Fumed metals oxides:** adhesives, batteries, coatings, cosmetics, inks, pharmaceuticals, polishing slurries, sealants, silicone elastomers, toners
- ◆ **Battery materials:** lead acid batteries, lithium-ion batteries
- ◆ **Aerogel:** batteries, coatings, industrial insulation, specialty chemicals, subsea pipelines
- ◆ **Specialty compounds:** agriculture, automotive, consumer products, electronics, packaging, plastics
- ◆ **Inkjet colorants & inks:** commercial and industrial printing, corrugated packaging, inkjet printing



# Reinforcement Materials at a Glance

## Key Applications

Tires



Auto Weather-Stripping



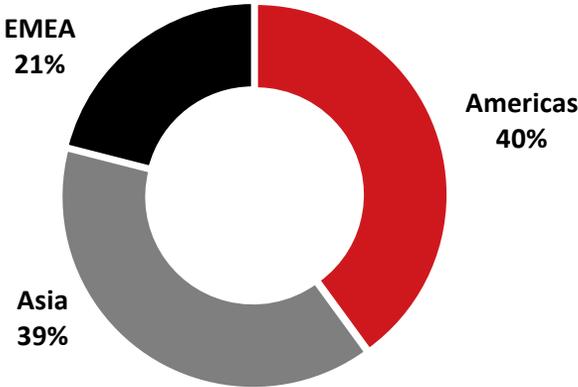
Belts, Hoses, Seals



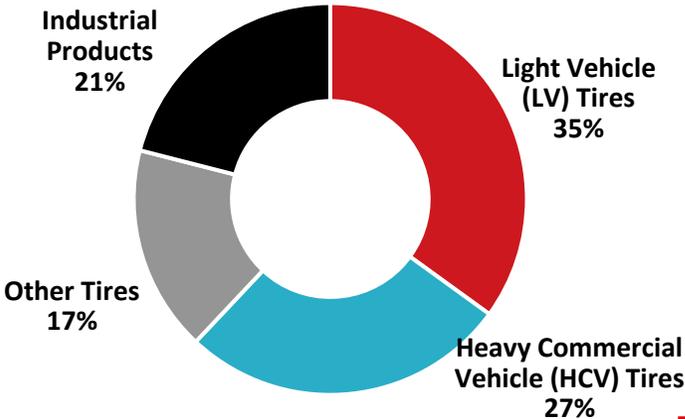
Mining Equipment



FY2022 NET SALES BY REGION



KEY END MARKETS (% OF SALES)

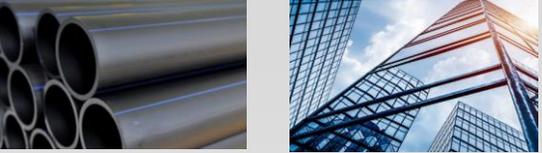


- ◆ Reinforcing carbon demand remains resilient: CAGR of 2-3% globally
- ◆ Limited supply-side capacity expansions announced
- ◆ Business is largely make-in-region, sell-in-region, thus insulated from global supply chain disruptions
- ◆ Broad global footprint to best serve global customers and help regional customers expand
- ◆ Technology leadership for efficient production and high-performance products

# Performance Chemicals at a Glance

**Key Applications**

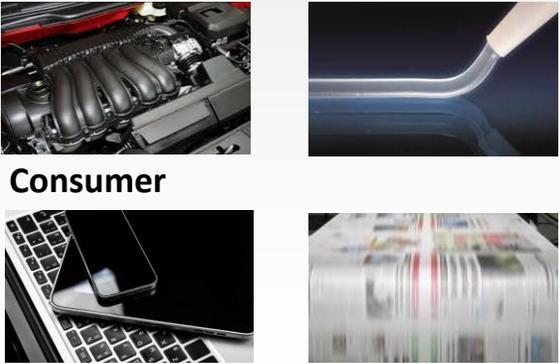
**Industrial/Infrastructure**



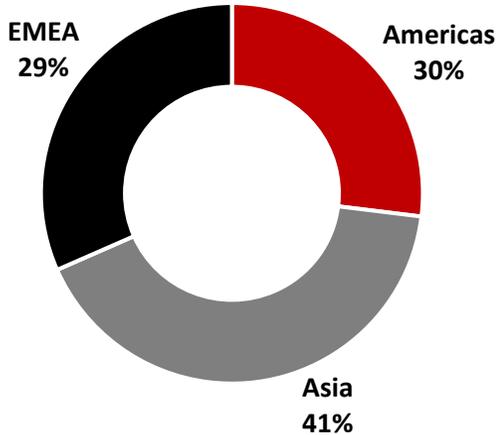
**Automotive**



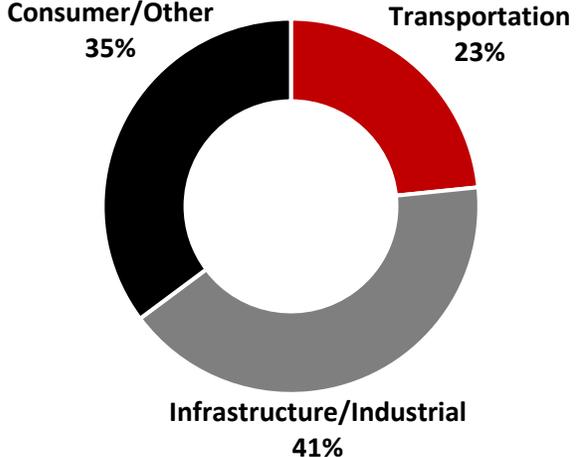
**Consumer**



**FY2022 NET SALES BY REGION**



**KEY END MARKETS (% OF SALES)**



- ◆ Attractive end markets aligned with high-growth macro trends, such as EV production, sustainability and digitalization
- ◆ Leader in conductive carbons for lithium-ion batteries with wide range of conductive products
- ◆ Products enable wide range of key functionalities in various applications that are ubiquitous in everyday life
- ◆ Diverse customer base: 3,000+ customers globally
- ◆ Global end markets and applications: 1,000+ products



# Positioned to Capitalize on Key Macro Trends

## Portfolio of High Growth Emerging Businesses



### Changing Mobility Landscape



### Increasing Focus on Sustainability



### Becoming a More Connected World

#### Trends

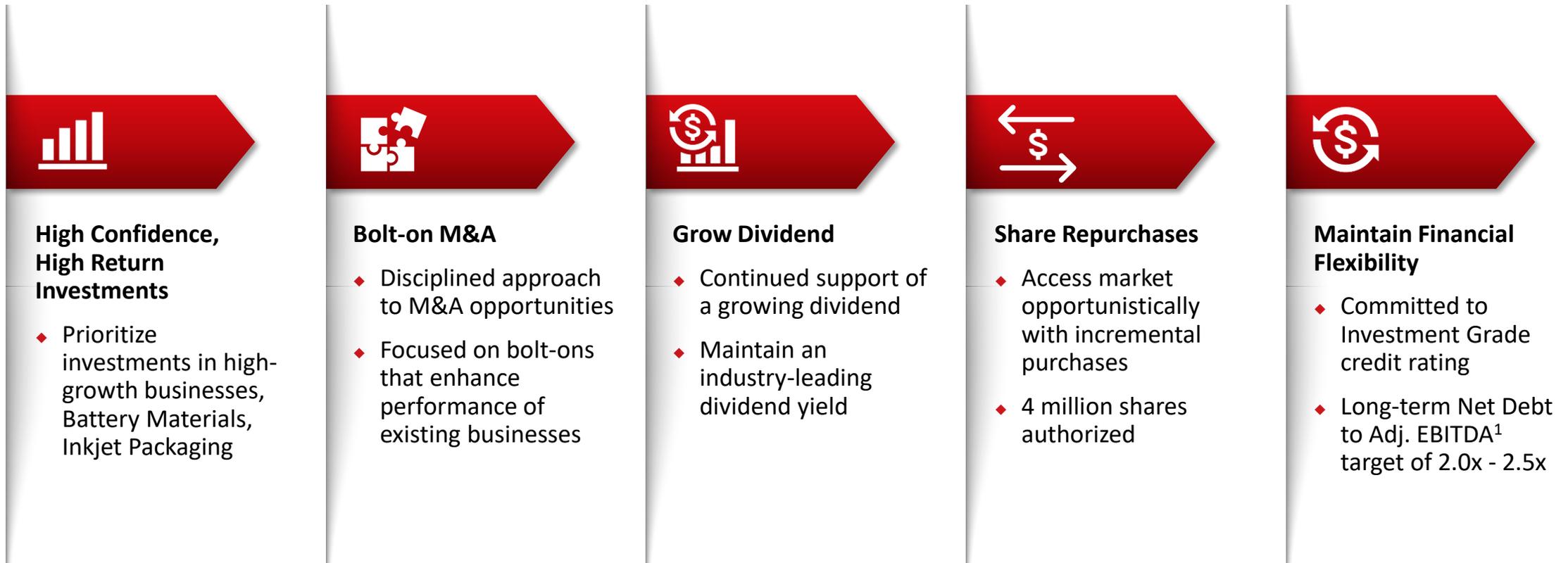
- ◆ Shift to electric vehicles
  - ◆ Growth in global miles driven
  - ◆ Light-weighting to drive fuel economy & EV range
  - ◆ Sensors to enhance vehicle safety and capability
- 
- ◆ Customers are innovating to deliver more sustainable products
  - ◆ Increasing circularity of supply chains
- 
- ◆ Digitalization of everything
  - ◆ Growth and upgrade of the power distribution infrastructure

#### Cabot Solutions

- ◆ **Battery materials** for EV li-ion batteries
  - ◆ **Specialty compounds** for EMI shielding
  - ◆ **E2C™** solutions for longer life tires
- 
- ◆ **Specialty compounds** for drip irrigation pipe
  - ◆ **Specialty carbons** for environmentally friendly dope dyed fiber
  - ◆ **Fumed silica** for structural adhesives for wind turbine blades
- 
- ◆ **Inkjet colorants** for digital printing in packaging and commercial applications
  - ◆ **Specialty carbons** for high resolution displays and touchscreen applications
  - ◆ **Specialty carbons** for reliable power cables

# Capital Allocation Framework

Supports *Creating for Tomorrow* Growth Strategy



**Disciplined Execution with a Flexible Balance Sheet**

# Strong Operating Cash Flow

Outlook for continued strong cash generation enables growth investments, dividends and share repurchases

## STRONG HISTORICAL PERFORMANCE

**\$457 million**

YTD June'23 operating cash flows

**~\$166 million**

YTD June'23 capital expenditures

**\$65 million**

YTD June'23 dividends; increased dividend by 8% in May 2023

**\$48 million**

YTD June'23 share repurchases

## Q4 OUTLOOK



Expect continued strength in operating cash flow



Net Debt to EBITDA ratio is expected to remain steady



Continue to fund attractive growth investments paced with demand expectations



Full Year Capex expected to be approximately \$250M



Anticipate increase in Q4 share repurchases

# 2023 Outlook

1



## **Adjusted EPS<sup>1</sup> guidance**

\$1.40 to \$1.55 adjusted EPS expected for fiscal fourth quarter; equates to \$5.13 - \$5.28 for fiscal 2023

2



## **Reinforcement Materials results remain strong despite lower volumes**

Expecting the continuation of year over year EBIT growth for Q4

3



## **Sequential improvement expected in Performance Chemicals EBIT**

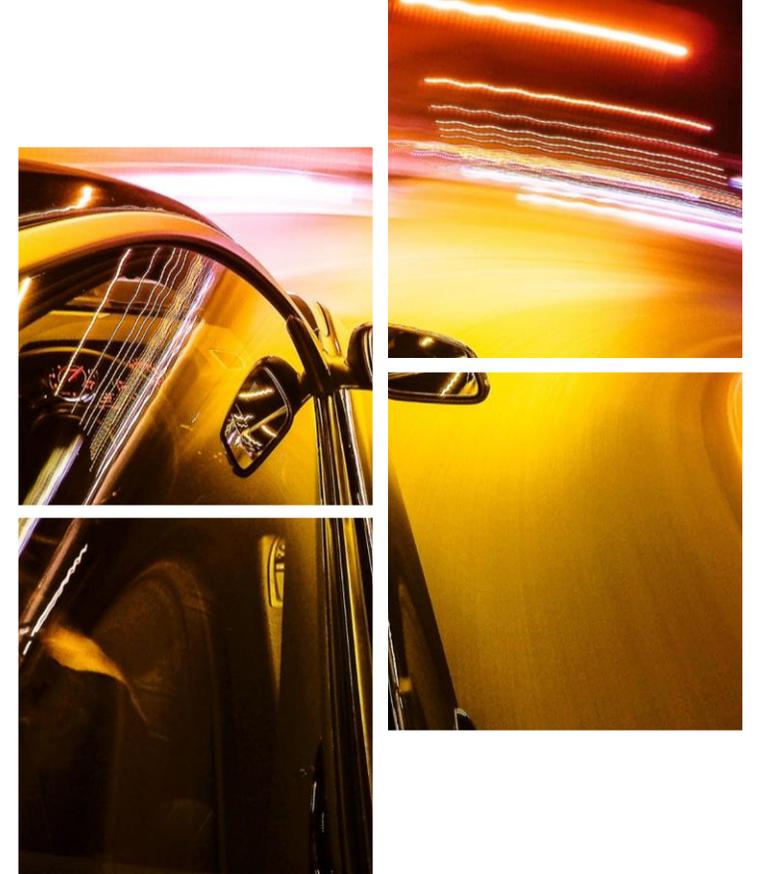
Volumes expected to increase in battery materials and inkjet

4



## **Operating cash flow remains strong**

Supports capital allocation priorities



1. Non-GAAP measure – See Appendix

# Cabot: A Compelling Investment Thesis

**1**

**Reinforcement Materials is structurally stronger**

**2**

**Performance Chemicals poised for recovery and growth**

**3**

**Advancing high growth vectors of Batteries and Inkjet**

**4**

**Strong Discretionary Free Cash Flow to fund growth investments and return cash to shareholders**

**5**

**Continued ESG leadership**

**Executing Against our *Creating for Tomorrow* Strategy**

# Appendix

# Use of Non-GAAP Financial Measures

This presentation includes references to adjusted earnings per share (EPS), adjusted EBIT, segment EBIT, adjusted EBITDA, which are non-GAAP measures. Reconciliations of Adjusted EPS to net income (loss) per share attributable to Cabot Corporation, the most directly comparable GAAP financial measure adjusted EBIT, segment EBIT and Adjusted EBITDA to income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies, the most directly comparable GAAP financial measure of each such non-GAAP measure. Reconciliations for adjusted EBIT, segment EBIT and adjusted EBITDA for each segment are included in the following slides.

Cabot does not provide an expected GAAP EPS range or reconciliation of the Adjusted EPS range with an expected GAAP EPS 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 GAAP EPS in future periods.

# Non-GAAP Reconciliations

## Adjusted EPS

In calculating Adjusted EPS, we exclude from our net income (loss) attributable to Cabot Corporation items of expense and income that management does not consider representative of the Company's business operations. We refer to these items as "certain items." Management believes excluding these items facilitates operating performance comparisons from period to period by eliminating differences caused by the existence and timing of certain expense and income items that would not otherwise be apparent on a GAAP basis and an evaluation of the Company's operating performance without the impact of these costs or benefits. Please refer to our latest earnings press release on August 7, 2023 and latest 10-Q for a more detailed description of these certain items.

|   | Fiscal 2023 <sup>(A)</sup> |         |         |         |         |
|---|----------------------------|---------|---------|---------|---------|
|   | Dec. Q                     | Mar. Q  | June Q  | Sept. Q | FY 2023 |
| <b>Reconciliation of Adjusted EPS to GAAP EPS</b>             |                            |         |         |         |         |
| Net income (loss) per share attributable to Cabot Corporation | \$ 0.93                    | \$ 1.29 | \$ 1.43 | \$ —    | \$ 3.65 |
| Less: Certain items after tax per share                       | (0.05)                     | (0.04)  | 0.01    | —       | (0.08)  |
| Adjusted earnings (loss) per share                            | \$ 0.98                    | \$ 1.33 | \$ 1.42 | \$ —    | \$ 3.73 |
|   | Fiscal 2022 <sup>(A)</sup> |         |         |         |         |
|   | Dec. Q                     | Mar. Q  | June Q  | Sept. Q | FY 2022 |
| <b>Reconciliation of Adjusted EPS to GAAP EPS</b>             |                            |         |         |         |         |
| Net income (loss) per share attributable to Cabot Corporation | \$ (1.57)                  | \$ 1.84 | \$ 1.69 | \$ 1.64 | \$ 3.62 |
| Less: Certain items after tax per share                       | (2.86)                     | 0.15    | (0.04)  | 0.09    | (2.66)  |
| Adjusted earnings (loss) per share                            | \$ 1.29                    | \$ 1.69 | \$ 1.73 | \$ 1.55 | \$ 6.28 |
| <sup>(A)</sup> Per share amounts are calculated after tax.    |                            |         |         |         |         |

|   | Fiscal 2017 <sup>(A)</sup> |         |         |         |         |
|---|----------------------------|---------|---------|---------|---------|
|   | Dec. Q                     | Mar. Q  | Jun. Q  | Sept. Q | FY 2017 |
| <b>Reconciliation of Adjusted EPS to GAAP EPS</b>   |                            |         |         |         |         |
| Net income (loss) per share attributable to Cabot Corporation   | \$ 0.85                    | \$ 1.18 | \$ 0.71 | \$ 1.07 | \$ 3.81 |
| Less: Certain items after tax   | 0.01                       | 0.31    | (0.10)  | 0.16    | 0.38    |
| Adjusted earnings per share   | \$ 0.84                    | \$ 0.87 | \$ 0.81 | \$ 0.91 | \$ 3.43 |
| <sup>(A)</sup> Per share amounts are calculated after tax and, where applicable, noncontrolling interest, net of tax. |                            |         |         |         |         |

# Non-GAAP Reconciliations

## Adjusted EBIT and Adjusted EBITDA

| <i>Dollars in millions</i>  | FY 2017 | FY 2022 |
|---|---------|---------|
| Income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies | 288     | 335     |
| Interest expense  | \$ 53   | \$ 56   |
| Certain items   | \$ 3    | \$ 183  |
| General unallocated income (expense)  | 8       | (1)     |
| Equity in earnings of affiliated companies  | 7       | 10      |
| Adjusted EBIT   | \$ 359  | \$ 583  |
| Plus: Total Depreciation & Amortization excluding corporate depreciation                                    | 155     | 145     |
| Plus: Adjustments to Depreciation   | 1       | -       |
| Adjusted EBITDA   | \$ 515  | \$ 728  |

1. Amounts have been recast to reflect the retrospective application of the Company's election to change its inventory valuation method of accounting for its U.S. carbon black inventories from the last-in, first-out ("LIFO") method to the first-in, first-out ("FIFO") method.
2. (Adjustments to depreciation includes the addition of the depreciation expense of a contractual joint venture in Purification Solutions and Corporate depreciation less accelerated depreciation expense not allocated to a business.

# Non-GAAP Reconciliations Segment EBIT, Segment EBITDA

| <i>Dollars in millions</i>          | FY2017 | FY 2022 |
|-------------------------------------|--------|---------|
| Reinforcement Materials EBIT        | \$ 193 | \$ 408  |
| Plus: Depreciation and amortization | \$ 69  | 70      |
| Reinforcement Materials EBITDA      | \$ 262 | \$ 478  |
|                                     |        |         |
|                                     | FY2017 | FY 2022 |
| Performance Chemicals EBIT          | \$ 201 | \$ 234  |
| Plus: Depreciation and amortization | \$ 46  | 72      |
| Performance Chemicals EBITDA        | \$ 247 | \$ 306  |
|                                     |        |         |
|                                     | FY2017 | FY 2022 |
| Purification Solutions EBIT         | \$ 6   | \$ -    |
| Plus: Depreciation and amortization | 39     | 3       |
| Purification Solutions EBITDA       | \$ 45  | \$ 3    |
|                                     |        |         |
|                                     | FY2017 | FY 2022 |
| Specialty Fluids EBIT               | \$ 9   | \$ -    |
| Plus: Depreciation and amortization | 2      | -       |
| Specialty Fluids EBITDA             | \$ 11  | \$ -    |

# Non-GAAP Reconciliations

## Adjusted Return on Invested Capital (ROIC)

| (\$M)/Fiscal Year   | FY2017 <sup>1</sup> | FY2022          |
|---|---------------------|-----------------|
| <b>Numerator - Adjusted net income (loss):</b>                  |                     |                 |
| Net income (loss) attributable to Cabot Corporation             | \$ 241              | \$ 209          |
| Less: Certain items net of tax benefit (provision)              | 23                  | (151)           |
| Less: Net income attributable to noncontrolling interests       | (25)                | (34)            |
| Less: Net Interest income and expense net of tax <sup>(2)</sup> | (36)                | (33)            |
| <b>Adjusted net income (loss)</b>                               | <b>\$ 279</b>       | <b>\$ 427</b>   |
| <b>Denominator - Adjusted invested capital <sup>(3)</sup>:</b>  |                     |                 |
| Total Cabot Corporation stockholders' equity                    | \$ 1,324            | \$ 887          |
| Plus: Noncontrolling interests                                  | 102                 | 145             |
| Plus: Total Debt  | 925                 | 1,330           |
| Plus: Purification Solutions impairment charges net of tax      | 0                   | (167)           |
| Less: Cash and cash equivalents                                 | 200                 | 195             |
| Less: Certain items net of tax                                  | 9                   | (131)           |
| <b>Adjusted invested capital</b>                                | <b>\$ 2,142</b>     | <b>\$ 2,131</b> |
| <b>Adjusted return on invested capital</b>                      | <b>13%</b>          | <b>20%</b>      |

1. Amounts have not been recast to reflect the retrospective application of the Company's election to change its inventory valuation method of accounting for its U.S. carbon black inventories from the last-in, first-out ("LIFO") method to the first-in, first-out ("FIFO") method.
2. Tax on interest expense and interest income is calculated using the Company's fiscal 2017 and 2022 actual operating tax rates of 19% and 25% respectively.
3. Each component of adjusted invested capital is calculated by averaging the previous five quarter ending balances.