

# CABOT EARNINGS TELECONFERENCE

FOURTH QUARTER – FISCAL 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 our performance in fiscal 2024, including for adjusted EPS, with respect to anticipated growth in our Reinforcement Materials segment and the factors that will drive that growth, for volumes and margins in our Performance Chemicals segment, for strong cash flows from operations, with respect to our achievement of our 2025 Sustainability Goals, for the negative impact we expect from foreign currency translations, with respect to our expected capital expenditures for fiscal 2024 and where we expect to make capital investments in new capacity, and with respect to our achievement of the growth targets we communicated at our Investor Day in 2021 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, industry capacity utilization, 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.



# Fiscal 2023 Summary

- 1 > **FY23 GAAP EPS of \$7.73; Adjusted EPS<sup>1</sup> of \$5.38**
- 2 > **Record Reinforcement Materials EBIT of \$482 million**
- 3 > **Operating cash flow of \$595 million; Free cash flow of \$351 million**
- 4 > **Returned \$186 million to shareholders in the form of dividends and share repurchases**
- 5 > **Continued leadership in sustainability**



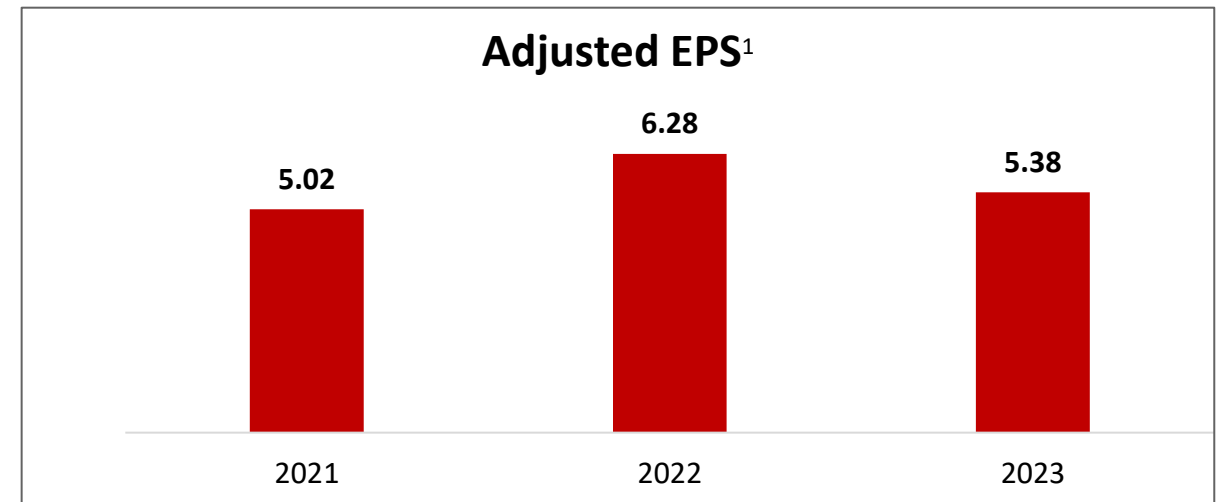
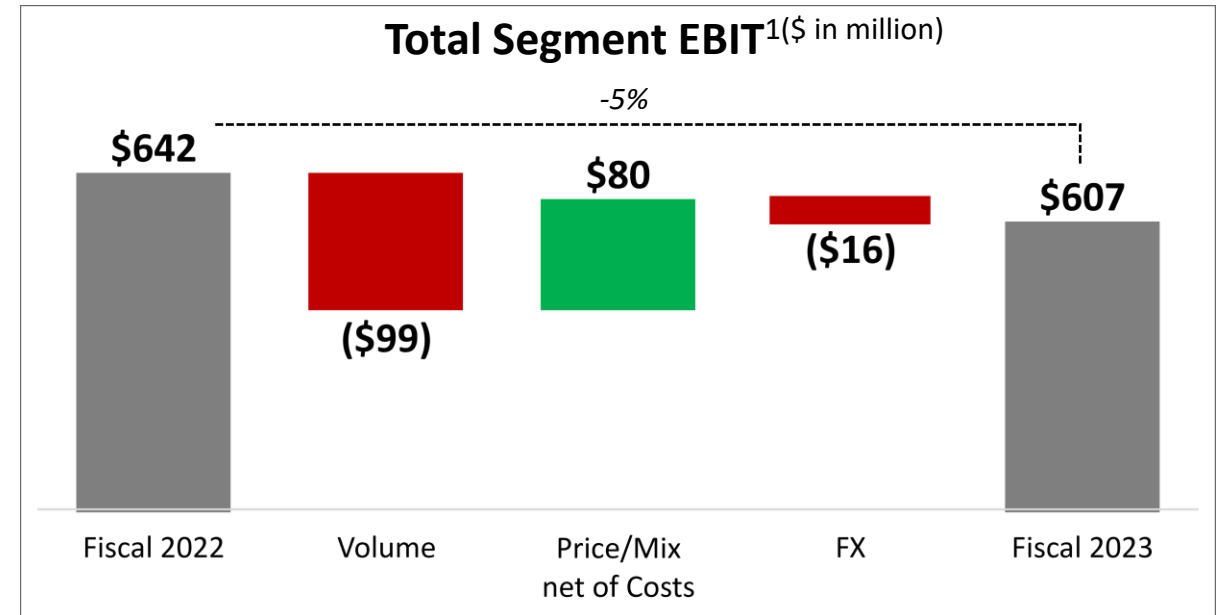
# Creating for Tomorrow | Fiscal Year 2023

Volumes decreased across both Reinforcement Materials and Performance Chemicals segments

Improved price/mix, net of costs, in Reinforcement Materials segment

Negative foreign currency impact from strengthening U.S. dollar

Adjusted EPS impacted by headwinds from higher net interest expense, currency exposures and a higher operating tax rate

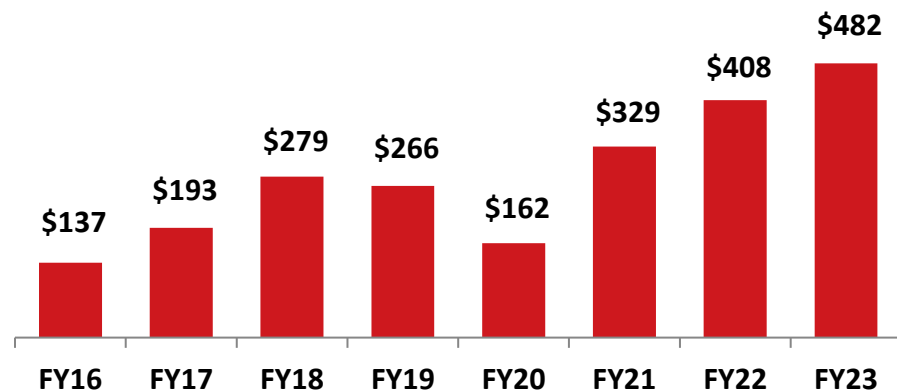


1. Non-GAAP measure – See Appendix

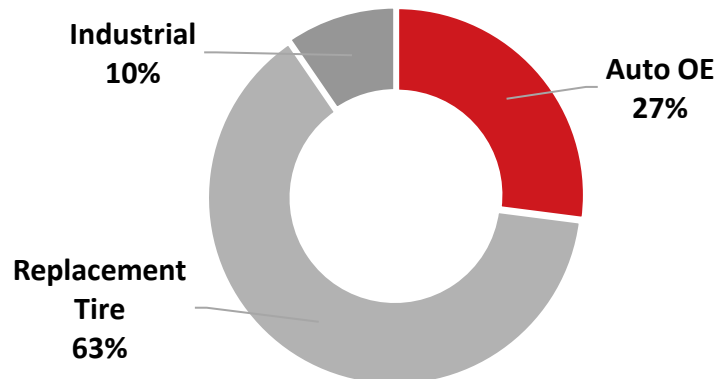
# Reinforcement Materials Update

Structurally different business with growing and resilient results

## FY EBIT<sup>1</sup> Progression (\$M)



## End Market Exposure



Source: Cabot Corp

## Current Industry and Business Dynamics

- ◆ Cabot is a global leader in reinforcing carbons
- ◆ Resilient replacement tire market
- ◆ Limited supply additions announced in Americas and Europe
- ◆ Cabot commitment to commercial and operational excellence
- ◆ Environmental regulations have increased barriers to entry
- ◆ Robust demand drivers of miles driven and growing car parc

1. Non-GAAP measure – See Appendix

# Capital Allocation Framework

## Fiscal 2023 Results

**\$595 million**  
Operating cash flow

**Supports capital spending and returning cash to shareholders**

- ◆ Aligned with our capital allocation framework

**\$244 million**  
Capital expenditures

**Includes growth and maintenance projects**

- ◆ \$143 million of maintenance and compliance spending and remainder in growth capital
- ◆ Growth capex focused on high value/high return projects

**\$88 million**  
Full year dividends

**Remain committed to growing dividend over time**

- ◆ Increased dividend by 8% in May
- ◆ Maintain an industry-competitive dividend yield

**\$98 million**  
FY23 share repurchases

**Significant amount returned to shareholders in FY23**

- ◆ 3 million shares remaining under Board authorization

**\$179 million**  
FY23 reduction in debt

**Maintain financial flexibility**

- ◆ Committed to Investment Grade credit rating

**Disciplined Execution with a Flexible Balance Sheet**

# Continued Leadership in Sustainability

1

## Progress against our 2025 Sustainability Goals

- ◆ Achieved 5 of our goals ahead of schedule and others are on track
- ◆ Met our goal of exporting at least 200% of the energy we imported

2

## Consistent recognition of our sustainability efforts

- ◆ Received 3<sup>rd</sup> consecutive Platinum rating from EcoVadis
- ◆ Named one of America's Most Responsible Companies 2023 by *Newsweek*

3

## Launched EVOLVE® Sustainable Solutions Technology Platform

- ◆ Focus on advancing sustainable reinforcing carbons



# EVOLVE<sup>®</sup> Sustainable Solutions

Holistic approach to delivering sustainable materials



RENEWABLE



RECOVERED



REDUCED

## **EVOLVE Sustainable Solutions**

is a technology platform for delivering more sustainable reinforcing carbons

Products powered by EVOLVE Sustainable Solutions focused on sustainable content with reliable performance at industrial scale



# Q4 2023 Financial Highlights



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

**\$1.65**

Diluted EPS \$4.10

## Cash flow from Operations

**\$138 million**

Discretionary Free Cash Flow<sup>1</sup> of \$88M

## Cash

**\$238 million**

## Liquidity

**\$1.3 billion**

## Capex

**\$78 million**

F'24 expected to be approximately \$250-\$275M

## Debt Balance

**\$1.3 billion**

Net debt to EBITDA<sup>1</sup> 1.7x

## Operating Tax Rate<sup>1</sup>

**28% FY23**

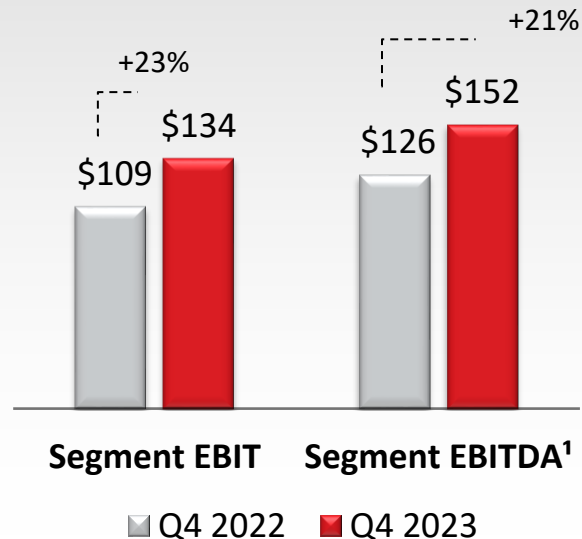
FY'24 forecast range of 28%-30%

# Reinforcement Materials Segment

## Operating Performance

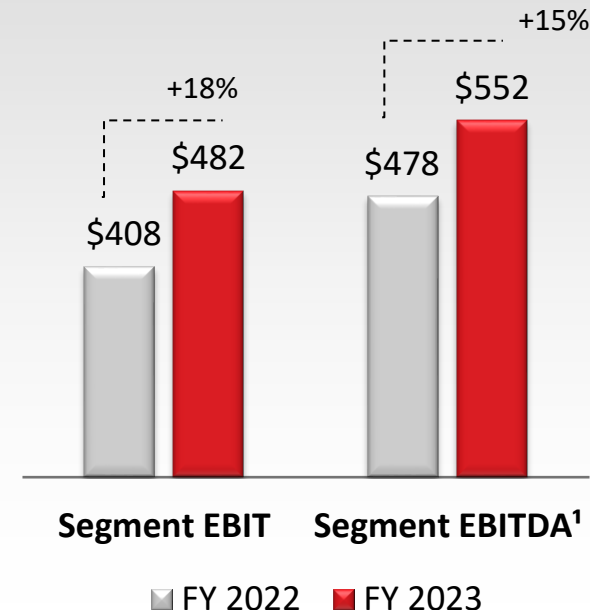
### Q4 FY2023 EBIT RESULTS

- ◆ Unit margins improved due to favorable pricing and product mix in the CY2023 customer agreements
- ◆ Global volumes down 2% year-over-year



### FISCAL 2023 HIGHLIGHTS

- ◆ Record EBIT driven by favorable outcomes to the CY2023 customer agreements
- ◆ Volume declined by 5% due to a prolonged destocking cycle



### Q1 FY2024 OUTLOOK

- ◆ Expect price and product mix to remain strong sequentially
- ◆ Anticipate seasonally lower sequential volumes in the Americas
- ◆ Negative impact sequentially from foreign currency translation expected



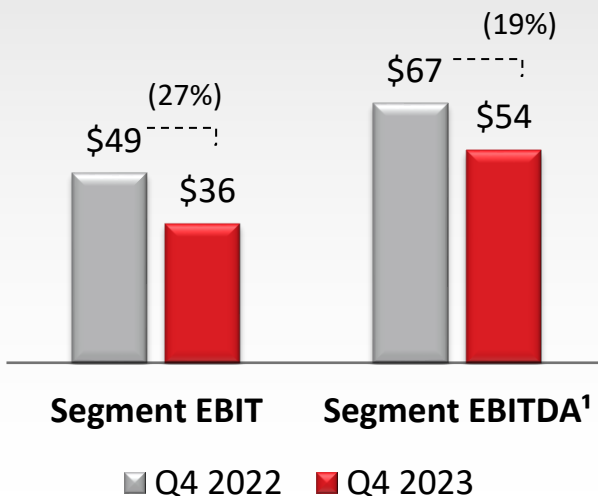
1. Non-GAAP measure – See Appendix

# Performance Chemicals Segment

## Operating Performance

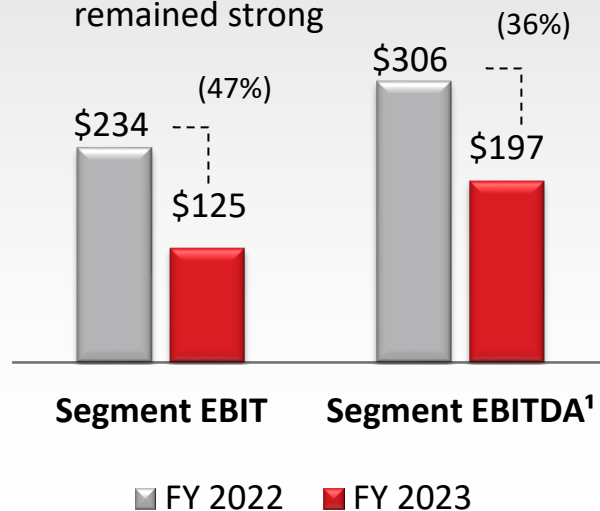
### Q4 FY2023 EBIT RESULTS

- ◆ Less favorable product mix in the specialty carbons and fumed metal oxides product lines
- ◆ Pricing pressures in the fumed metal oxides and battery materials product lines



### FISCAL 2023 HIGHLIGHTS

- ◆ Lower volumes across all product lines, except Battery Materials
- ◆ Extended period of end market weakness and destocking impacted volumes
- ◆ Volumes in Battery Materials up 43% year over year as demand remained strong



### Q1 FY2024 OUTLOOK

- ◆ Volumes expected to be lower sequentially primarily due to seasonality
- ◆ Margins expected to remain relatively consistent sequentially as pricing and product mix benefits expected to offset higher costs



1. Non-GAAP measure – See Appendix

# Strong Operating Cash Flow

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

## FY2024 OUTLOOK



Expect continued strength in operating cash flow



Full Year Capex expected to be approximately \$250 - \$275M



Anticipate continued cash return to shareholders through dividends and share repurchases



Continue to fund attractive growth investments paced with demand expectations

## KEY CAPACITY INVESTMENTS

### Reinforcement Materials

#### **Reinforcing Carbons Capacity Expansion in Indonesia**

New unit of capacity expected to start in FY25

### Performance Chemicals

#### **Battery Materials Capacity Expansions**

Conductive carbons and CNT capacity expansion in China

Capacity additions in US and EMEA

#### **Inkjet Debottleneck Projects**

Expand capacity at US plant

# 2024 Outlook

1



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

\$6.30 to \$6.80 adjusted EPS expected for fiscal 2024

2



## **Reinforcement Materials outlook remains strong**

Expect favorable outcome of Reinforcement Materials CY2024 customer agreements and volumes to remain stable to fiscal Q4'23

3



## **Performance Chemicals EBIT expected to remain relatively consistent with Q4 levels**

Expect volume levels to remain stable to fiscal Q4'23

4



## **Operating cash flow expected to remain strong**

Supports capital allocation priorities



1. Non-GAAP measure – See Appendix



# On Track to Achieve Corporate Investor Day Objectives

Overcoming significant macro headwinds



Adjusted EPS<sup>6</sup> CAGR of 8% - 12%



Over \$1B of DFCF<sup>6</sup> to support growth and return cash to shareholders



Capital expenditures of \$200 - \$300 million per year, with a focus on projects related to our high-growth vectors

## Investor Day 2021 Assumptions

### 3-Year Consolidated Financial Targets

Reflect new level of Earnings and Cash Flow

Adjusted EPS <sup>6</sup> CAGR	8-12%
Discretionary Free Cash Flow (DFCF) <sup>6</sup>	\$1B+ over 3 years
Average Capex Per Year	\$200M-300M

#### KEY MACRO DRIVERS & CAGR ASSUMPTIONS

Global GDP <sup>1</sup>	3-4%
Tire Production <sup>2</sup>	3%
Auto Builds <sup>3</sup>	8%
Polymer Demand (Plastics) <sup>4</sup>	5-6%
Lithium-ion Battery Demand <sup>5</sup>	30%+
Inkjet Packaging	50%+
Oil Prices	Forward curve
Foreign Currency Exchange Rates	Current rates
Operating Tax Rate <sup>6</sup>	26-29%

Driven by Strong Base Businesses and High Margin Growth Opportunities

Cabot Corporation | Investor Day 2021 1. Source: IMF; 2. Source: LMC; 3. Source: IHS; 4. Source: AMI; 5. Source: Bloomberg; 6. Non-GAAP measure – See Appendix

100

DFCF = Operating CF less changes in NWC less Sustaining & Compliance Capex

OUR STRATEGY

# *Creating for Tomorrow*

We will leverage our strengths to lead in performance and sustainability — today and into the future.



## **GROW**

Investing for advantaged growth.



## **INNOVATE**

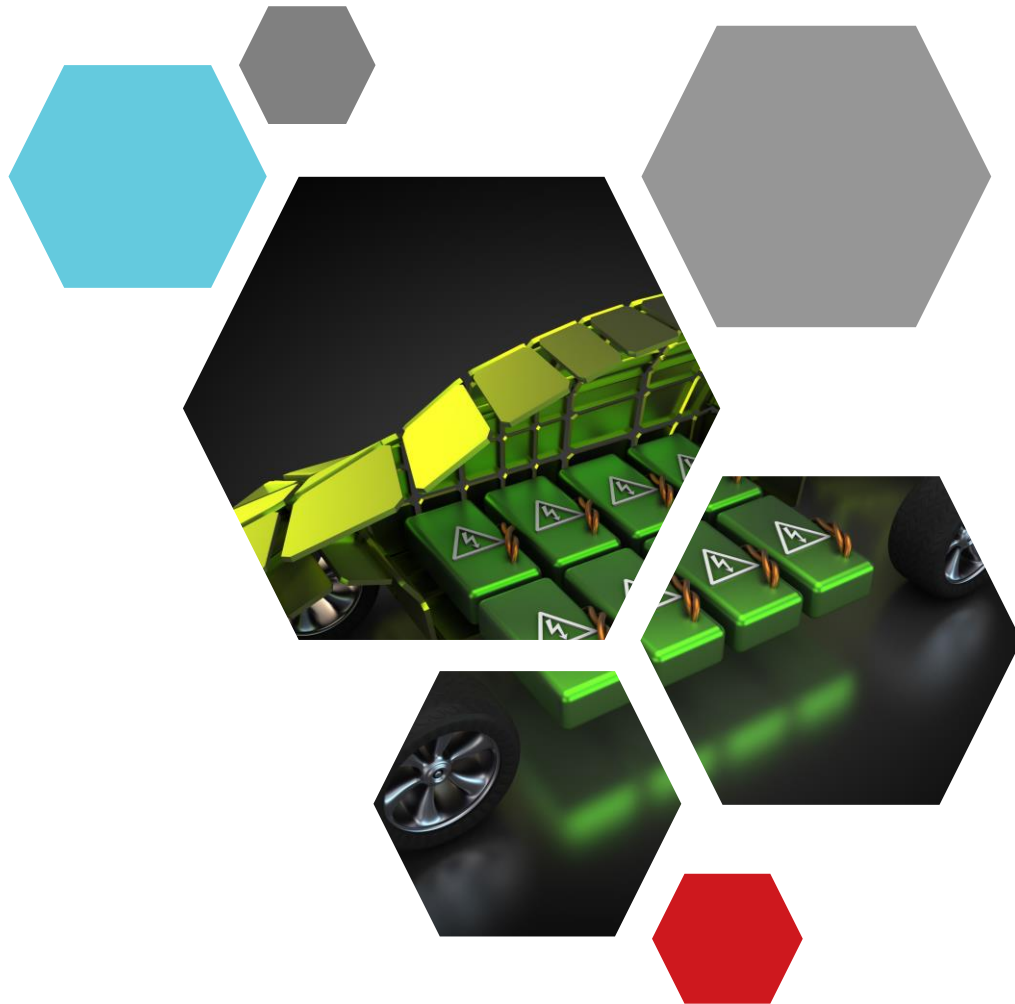
Developing innovative products and processes that enable a better future.



## **OPTIMIZE**

Driving continuous improvement in everything we do.

# Strategic Priorities



## ***Deliver financial objectives***

- ◆ Year-over-year growth in adjusted EPS
- ◆ Strong operating cash flow to support capital plans and shareholder returns

## ***Invest for advantaged growth***

- ◆ Strategic investments in Battery Materials in the US and Europe to leverage regionalized supply chains and the growing EV market
- ◆ Expand capacity for Reinforcement Materials in Indonesia to meet the growing demand in Southeast Asia
- ◆ Debottleneck inkjet capacity for packaging growth

## ***Continued execution of commercial and operational excellence***

- ◆ Pricing and margin discipline
- ◆ OEE improvement and asset reliability

## ***Maintain our leadership in sustainability***

- ◆ Expand our product range for sustainable materials, including our EVOLVE solutions
- ◆ Invest in sustainable process technologies to drive environmentally responsible operations



# Q&A







# APPENDIX





# Use of Non-GAAP Financial Measures

This presentation includes references to adjusted earnings per share (EPS), total segment EBIT, segment EBITDA, adjusted EBITDA, free cash flow, discretionary free cash flow, and operating tax rate, 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, Total Segment EBIT, Total Segment EBITDA, 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, operating tax rate to effective tax rate, the most directly comparable GAAP financial measure and Free Cash Flow and Discretionary Free Cash Flow to Cash flow from operating activities, the most directly comparable GAAP financial measure, are provided in the tables included in our fourth quarter and fiscal year 2023 earnings release and filed on our Current Report on Form 8-K dated November 6, 2023. Reconciliations for Total Segment EBIT and segment 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.

This presentation also includes our forecast of the range we expect our “operating tax rate”, which represents the tax rate on our recurring operating results, to fall within. This rate excludes discrete tax items, which are included in the effective tax rate. Discrete tax items are comprised of (i) unusual or infrequent items, (ii) items related to uncertain tax positions, and (iii) other tax items, such as the impact from the timing of losses in certain jurisdictions and cumulative tax rate adjustments, the tax impact of legislative changes and tax accruals on historic earnings due to changes in indefinite reinvested assertions. The operating tax rate also excludes the impact of the items of expense and income we identify as certain items on both our operating income and the tax provision. Management believes that the operating tax rate is useful supplemental information because it helps our investors compare our tax rate year to year on a consistent basis and to understand what our tax rate on current operations would be without the impact of these items.

Cabot does not provide a forward-looking reconciliation of the operating tax rate range with an effective tax rate 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 the effective tax rate in future periods.

To calculate “Discretionary Free Cash Flow” we deduct sustaining and compliance capital expenditures and changes in Net Working Capital from cash flow from operating activities. To calculate “Free Cash Flow” we deduct capital expenditures as disclosed in the consolidated statement of cash flows (as Additions to property, plant and equipment) from cash flow from operating activities.

## **Explanation of Terms Used**

**Product Mix.** The term “product mix” refers to the mix of types and grade of products sold or the mix of geographic regions where products are sold, and the positive or negative impact this has on the revenue or profitability of the business or segment.

**Net Working Capital.** The term “net working capital” includes accounts receivable, inventory and accounts payable and accrued liabilities.

# Non-GAAP Financial Measures

## Total Segment EBIT and Adjusted EBITDA

Our Chief Operating Decision Maker uses segment income (loss) from continuing operations before interest and taxes (which we refer to as segment “EBIT”) to evaluate the operating results of each segment and to allocate resources to the segments. We believe Total segment EBIT, which reflects the sum of EBIT from our 2 reportable segments, provides useful supplemental information for our investors as it is an important indicator of the Company’s operational strength and performance, allows investors to see our results through the eyes of management, and provides context for our discussion of individual business segment performance. Total segment EBIT is a non-GAAP financial measure and should not be considered an alternative for Income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies, which is the most directly comparable GAAP financial measure. In calculating Total segment EBIT, we exclude from our income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies: (i) items of expense and income that management does not consider representative of our fundamental on-going segment results, which we refer to as “certain items”, and (ii) items that, because they are not controlled by the business segments and primarily benefit corporate objectives, are not allocated to our business segments, such as interest expense and other corporate costs, which include unallocated corporate overhead expenses such as certain corporate salaries and headquarter expenses, plus costs related to special projects and initiatives, which we refer to as “other unallocated items”. Management believes excluding the items identified as certain items facilitates operating performance comparisons from period to period by eliminating the differences caused by the existence and timing of certain expenses and income items that would not otherwise be apparent on a GAAP basis. Investors should consider the limitations associated with this non-GAAP measure, including the potential lack of comparability of this measure from one company to another. A reconciliation of Total segment EBIT to Income (loss) from continuing operations before income taxes and equity in earnings of affiliated companies is below.

	Year							Quarter		
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	F4Q22	F4Q23
<b>Income (loss) before income taxes and equity in earnings of affiliated companies</b>	<b>\$ 194</b>	<b>\$ 288</b>	<b>\$ 117</b>	<b>\$ 255</b>	<b>\$ (33)</b>	<b>\$ 406</b>	<b>\$ 335</b>	<b>\$ 451</b>	<b>\$ 129</b>	<b>\$ 127</b>
Interest expense	54	53	54	59	53	49	56	90	18	21
Certain items	81	3	248	87	218	34	183	29	(2)	22
Unallocated corporate costs	45	50	61	50	41	58	59	54	14	12
General unallocated (income) expense	(7)	8	(2)	(8)	1	—	(1)	(22)	(4)	(13)
Less: Equity in earnings of affiliated companies	3	7	2	(1)	(3)	(3)	(10)	(5)	(3)	(1)
<b>Total Segment EBIT</b>	<b>\$ 370</b>	<b>\$ 409</b>	<b>\$ 480</b>	<b>\$ 444</b>	<b>\$ 283</b>	<b>\$ 550</b>	<b>\$ 642</b>	<b>\$ 607</b>	<b>\$ 158</b>	<b>\$ 170</b>
Depreciation and amortization excluding corporate depreciation	\$ 161	\$ 155	\$ 149	\$ 148	\$ 158	\$ 160	145	142	35	36
Plus: Adjustments to Depreciation(B)	3	—	3	(1)	(2)	(1)				
<b>Total Segment EBITDA</b>	<b>\$ 534</b>	<b>\$ 564</b>	<b>\$ 632</b>	<b>\$ 591</b>	<b>\$ 439</b>	<b>\$ 709</b>	<b>\$ 787</b>	<b>\$ 749</b>	<b>\$ 193</b>	<b>\$ 206</b>
Less: Unallocated corporate costs before corporate depreciation	(45)	(50)	(61)	50	40	57	59	54	15	12
<b>Adjusted EBITDA</b>	<b>\$ 489</b>	<b>\$ 514</b>	<b>\$ 571</b>	<b>\$ 541</b>	<b>\$ 399</b>	<b>\$ 652</b>	<b>\$ 728</b>	<b>\$ 695</b>	<b>\$ 178</b>	<b>\$ 194</b>
Net sales and other operating revenues	\$ 2,411	\$ 2,717	\$ 3,242	\$ 3,337	\$ 2,614	\$ 3,409	\$ 4,321	\$ 3,931	\$ 1,112	\$ 965
<b>Adjusted EBITDA Margin</b>	<b>20%</b>	<b>19%</b>	<b>18%</b>	<b>16%</b>	<b>15%</b>	<b>19%</b>	<b>17%</b>	<b>18%</b>	<b>16%</b>	<b>20%</b>

(B) Adjustments to depreciation includes the addition of the depreciation expense of a contractual joint venture in Purification Solutions less accelerated depreciation expense not allocated to a business.

# Non-GAAP Financial Measures

## Segment EBITDA

Segment EBITDA is comprised of Segment EBIT plus depreciation and amortization. Management believes that Segment EBITDA is useful supplemental information because it provides investors with a view of the cash generated by each of the Company's segments, which is available to fund operating needs such as working capital and capital expenditures as well as the cost of financing the Company's capital needs and returning cash to shareholders.

<i>Dollars in millions</i>	Q4	Q4	YTD	YTD
	FY2023	FY2022	2023	2022
<b>Reinforcement Materials EBIT</b>	<b>\$ 134</b>	<b>\$ 109</b>	<b>\$ 482</b>	<b>408</b>
Reinforcement Materials Depreciation and amortization	18	17	70	70
<b>Reinforcement Materials EBITDA</b>	<b>\$ 152</b>	<b>\$ 126</b>	<b>\$ 552</b>	<b>478</b>

<i>Dollars in millions</i>	Q4	Q4	YTD	YTD
	FY2023	FY2022	2023	2022
<b>Performance Chemicals EBIT</b>	<b>\$ 36</b>	<b>\$ 49</b>	<b>\$ 125</b>	<b>234</b>
Performance Chemicals Depreciation and amortization	18	18	72	72
<b>Performance Chemicals EBITDA</b>	<b>\$ 54</b>	<b>\$ 67</b>	<b>\$ 197</b>	<b>306</b>

<i>Dollars in millions</i>	Q4	Q4	YTD	YTD
	FY2023	FY2022	2023	2022
<b>Purification Solutions EBIT</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
Plus: Depreciation and amortization	—	—	—	3
<b>Purification Solutions EBITDA</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3</b>

# Non-GAAP Financial Measures

## Free cash flow (FCF) & Discretionary free cash flow (DFCF)

To calculate “Discretionary Free Cash Flow” we deduct sustaining and compliance capital expenditures and changes in Net Working Capital from cash flow from operating activities.

<i>Dollars in millions</i>				
<b>Flow from Operating Activities</b>	F4Q23	F4Q22	F2023	F2022
<b>Cash flow from operating activities <sup>(B)</sup></b>	<b>\$ 138</b>	<b>\$ 105</b>	<b>\$ 595</b>	<b>\$ 100</b>
Less: Additions to property, plant and equipment	78	90	244	211
<b>Free cash flow</b>	<b>\$ 60</b>	<b>\$ 15</b>	<b>\$ 351</b>	<b>\$ (111)</b>
Plus: Additions to property, plant and equipment	78	90	244	211
Less: Changes in net working capital <sup>(C)</sup>	1	(41)	97	(431)
Less: Sustaining and compliance capital expenditures	49	54	143	136
<b>Discretionary free cash flow</b>	<b>\$ 88</b>	<b>\$ 92</b>	<b>\$ 355</b>	<b>\$ 395</b>
(B) As provided in the Condensed Consolidated Statements of Cash Flows.				
(C) Defined as changes in accounts receivable, inventory and accounts payable and accrued liabilities as presented on the Condensed Consolidated Statements of Cash Flows.				

# Non-GAAP Financial Measures

## Adjusted EPS

	<b>Fiscal 2023 (A)</b>				
	Dec. Q	Mar. Q	June Q	Sept. Q	FY 2023
<b><u>Reconciliation of Adjusted EPS to GAAP EPS</u></b>					
Net income (loss) per share attributable to Cabot Corporation	\$ 0.93	\$ 1.29	\$ 1.43	\$ 4.10	\$ 7.73
Less: Certain items after tax per share	(0.05)	(0.04)	0.01	2.45	2.35
Adjusted earnings (loss) per share	\$ 0.98	\$ 1.33	\$ 1.42	\$ 1.65	\$ 5.38
	<b>Fiscal 2022 (A)</b>				
	Dec. Q	Mar. Q	June Q	Sept. Q	FY 2022
<b><u>Reconciliation of Adjusted EPS to GAAP EPS</u></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
	<b>Fiscal 2021 (A)</b>				
	Dec. Q	Mar. Q	June Q	Sept. Q	FY 2021
<b><u>Reconciliation of Adjusted EPS to GAAP EPS</u></b>					
Net income (loss) per share attributable to Cabot Corporation	\$ 1.06	\$ 1.30	\$ 1.48	\$ 0.50	\$ 4.34
Less: Certain items after tax per share	(0.12)	(0.08)	0.13	(0.61)	(0.68)
Adjusted earnings (loss) per share	\$ 1.18	\$ 1.38	\$ 1.35	\$ 1.11	\$ 5.02
(A) Per share amounts are calculated after tax.					



# Non-GAAP Financial Measures

## Operating Tax Rate

<b>TABLE 3: RECONCILIATION OF EFFECTIVE TAX RATE TO OPERATING TAX RATE</b>				
<b>Three months ended September 30</b>	2023		2022	
	(Provision) / Benefit for Income Taxes	Rate	(Provision) / Benefit for Income Taxes	Rate
<i>Dollars in millions (unaudited)</i>				
Effective Tax Rate	\$ 118	-93%	\$ (29)	23%
Less: Non-GAAP tax adjustments <sup>(A)</sup>	158		3	
Operating tax rate <sup>(B) (C)</sup>	\$ (40)	27%	\$ (32)	25%
<b>Twelve months ended September 30</b>	2023		2022	
	(Provision) / Benefit for Income Taxes	Rate	(Provision) / Benefit for Income Taxes	Rate
<i>Dollars in millions (unaudited)</i>				
Effective Tax Rate	\$ 28	-6%	\$ (102)	30%
Less: Non-GAAP tax adjustments <sup>(A)</sup>	161		32	
Operating tax rate <sup>(B) (C)</sup>	\$ (133)	28%	\$ (134)	26%

<sup>(A)</sup> Non-GAAP tax adjustments are made to arrive at the operating tax provision. It includes the income tax (expense) benefit on certain items, discrete tax items, and, on a quarterly basis the timing of losses in certain jurisdictions. The income tax (expense) benefit on certain items is determined using the applicable rates in the taxing jurisdictions in which the certain items occurred and includes both current and deferred income tax (expense) benefit based on the nature of the certain items. Discrete tax items include, but are not limited to, changes in valuation allowance, uncertain tax positions, and other tax items, such as the tax impact of legislative changes and tax accruals on historic earnings due to changes in indefinite reinvestment assertions.

<sup>(B)</sup> The operating tax rate is calculated based upon management's forecast of the annual operating tax rate for the fiscal year applied to adjusted pre-tax earnings. The operating tax rate excludes income tax (expense) benefit on certain items, discrete tax items and, on a quarterly basis the timing of losses in certain jurisdictions.

<sup>(C)</sup> Our operating tax rate for fiscal 2024 is expected to be in the range of 28% to 30%