



# First Quarter of Fiscal 2019 Earnings Call

February 7, 2019





## Safe Harbor Statement

*The information contained in and discussed during this presentation may include “forward-looking statements” within the meaning of federal securities regulations. These forward-looking statements involve a number of risks, uncertainties, and other factors, including those described in Cabot Microelectronics’ filings with the Securities and Exchange Commission (SEC), that could cause actual results to differ materially from those described by these forward-looking statements. Cabot Microelectronics Corporation assumes no obligation to update this forward-looking information.*

# First Quarter Highlights

- **Revenue of \$222M; exceeded prior year by \$82M, or 58%**
  - › Driven by acquisition of KMG Chemicals, Inc. (“KMG”), and continued growth across IC CMP businesses
  - › KMG acquisition added \$62M to revenue in approximately six weeks post-closing
  - › Record revenue in Cabot Microelectronics’ legacy business; 7<sup>th</sup> consecutive quarter of sequential increase
    - › IC CMP consumables sales increased 3% sequentially, in line with expectations
    - › Record quarterly revenue in tungsten slurries and polishing pads
    - › Strong growth in memory and advanced logic applications
- **Net Income of \$13M; exceeded prior year by \$17M**
  - › Non-GAAP Net Income of \$53M, up \$22M, or 70%, and represents 24% of revenue
- **Diluted EPS of \$0.48; exceeded prior year by \$0.60**
  - › Non-GAAP Diluted EPS of \$1.90, up \$0.71, or 60%
- **Adjusted EBITDA of \$77M, up \$34M, or 77%, and represents 35% of revenue**

*\*Data represented by rounded values  
Reference Appendix for GAAP to Non-GAAP reconciliation*



# Financial Details

	GAAP Results*		Non-GAAP Results*			Comments on Results
	2019 Q1	2018 Q1	2019 Q1	2018 Q1		
<b>Revenue</b>	\$221.8M	\$140.0M	.....	.....	↑	Record Revenue in the last 7 quarters, including 7 <sup>th</sup> consecutive quarter of sequential increase in Cabot Microelectronics' legacy business
<b>Net Income (Loss)</b>	\$13.4M	(\$3.1M)**	\$52.9M	\$31.1M	↑	Increases reflect operating leverage driven by the addition of KMG and organic growth
<b>Diluted EPS</b>	\$0.48	(\$0.12)**	\$1.90	\$1.19	↑	
<b>Adjusted EBITDA</b>	.....	.....	\$76.9M	\$43.3M	↑	Adjusted EBITDA, which excludes acquisition and integration-related expenses, increased \$34M year-over-year
<b>Adjusted EBITDA Margin</b>	.....	.....	34.7%	31.0%	↑	

\*Data represented by rounded values

\*\*Includes adverse impact of the U.S. Tax Cut and Jobs Act  
Reference Appendix for GAAP to Non-GAAP reconciliation



# New Reporting Segments

## ELECTRONIC MATERIALS

CMP SLURRIES  
CMP PADS

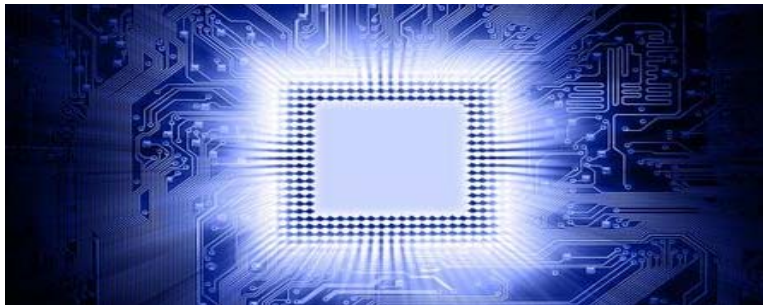
ELECTRONIC  
CHEMICALS

## PERFORMANCE MATERIALS

PIPELINE  
PERFORMANCE

WOOD  
TREATMENT

QED



Legacy Cabot Microelectronics Business



Acquired KMG Business

# Segment and Business Revenue

	As Reported			**Pro Forma		
	2019 Q1*	2018 Q1*		2019 Q1*	2018 Q1*	
<b>Total Revenue</b>	\$222M	\$140M	↑	\$284M	\$253M	↑
<b>Electronic Materials</b>	\$191M	\$133M	↑	\$231M	\$207M	↑
<i>CMP Slurries</i>	\$126M	\$114M	↑	\$126M	\$114M	↑
<i>CMP Pads</i>	\$25M	\$19M	↑	\$25M	\$19M	↑
<i>Electronic Chemicals</i>	\$40M	-		\$80M	\$74M	↑
<b>Performance Materials</b>	\$31M	\$7M	↑	\$53M	\$45M	↑

## Quarter Highlights

- › CMP Slurries posted growth across all product lines
- › Growth in CMP Pads continues to be driven by customer adoption
- › Electronic Chemicals benefited from increasing industry demand
- › Performance Materials grew 17% on a pro forma basis, primarily driven by pipeline performance business

*\*Data represented by rounded values*

*\*\*Pro Forma data represents calculations as if KMG results were included in total company results for the full quarter of each period represented*



## Segment Financial Details

	2019 Q1*	2018 Q1*
<b><i>Electronic Materials Revenue</i></b>	<b>\$191M</b>	<b>\$133M</b>
<b><i>Adjusted EBITDA</i></b>	<b>\$75M</b>	<b>---</b>
<b><i>Adjusted EBITDA Margin</i></b>	<b>39.3%</b>	<b>----</b>
<b><i>Performance Materials Revenue</i></b>	<b>\$31M</b>	<b>\$7M</b>
<b><i>Adjusted EBITDA</i></b>	<b>\$13M</b>	<b>---</b>
<b><i>Adjusted EBITDA Margin</i></b>	<b>41.9%</b>	<b>---</b>

\*Data represented by rounded values

Adjusted EBITDA for the Electronic Materials and Performance Materials segments is presented in conformity with Accounting Standards Codification Topic 280, Segment Reporting. This measure is reported to the chief operating decision maker for purposes of making decisions about allocating resources to the segments and assessing their performance. For these reasons, this measure is excluded from the definition of non-GAAP financial measures under the SEC's Regulation G and Item 10(e) of Regulation S-K.

# Balance Sheet and Cash Flow

- **Incurred \$1.065B in debt to finance KMG acquisition**
  - › Have converted approximately 70% of our variable rate debt to fixed rate
- **Cash balance of \$209M as of December 31, 2018**
- **Operating Cash Flow was \$14M**
  - › Capital Expenditures were \$8M
- **Continued appropriate de-leveraging of the balance sheet remains a priority**

*\*Data represented by rounded values*

# Closing Remarks

- **Revenue of \$222M increased by approximately \$82M, or 58%, from last year**
  - › Driven by additional revenues from the acquired KMG businesses and growth across all Cabot Microelectronics' legacy businesses
- **Record revenue in the last 7 quarters, including 7th consecutive quarter of sequential increase in Cabot Microelectronics' legacy business**
  - › In line with expectations
- **Net Income of \$13M; Non-GAAP Net Income of \$53M increased by approximately \$22M, or 70%, from last year**
- **Activities taken through December 2018 to achieve the synergies expected to deliver \$13M annually on a run-rate basis**
  - › On track to meet our goal of \$25M of synergies on a run-rate basis at the end of the second year following the transaction

*\*Data represented by rounded values*



# Current Financial Guidance

		2019 Q2	FY2019
Segment	Electronic Materials Revenue	Down low single digit %*	
	Performance Materials Revenue	Up low single digit %*	
Total Company	Revenue	Down low single digit %*	
	Adjusted EBITDA		\$325M-\$355M
	Depreciation and Amortization**		\$35M-\$45M
	Interest Expense	\$13M-\$14M	\$47M-\$50M
	Tax Rate***		23%-26%
	Capital Spending		\$60M-\$70M

\*Based on sequential changes compared to first quarter of fiscal 2019 pro forma revenue as shown on slide 6

\*\*Excludes approximately \$60 million in amortization of intangibles related to acquisitions

\*\*\*Excludes tax impact from acquisitions-related expenses

# Appendix



# Reconciliation of GAAP Net Income to Non-GAAP Net Income

*(in millions)*

	Quarter Ended	
	December 31, 2018	December 31, 2017
<b>GAAP Net Income (loss)</b>	<b>\$13.4</b>	<b>(\$3.1)</b>
Amortization of acquisition-related intangibles	\$9.4	\$1.7
Charge for fair value write-up of acquired inventory sold	\$10.3	—
Acquisition and integration-related expenses	\$27.3	—
Impact of U.S. Tax Cuts and Jobs Act (Tax Act)	(\$0.3)	\$32.9
Tax effect on adjustments to net income	(\$7.2)	(\$0.4)
<b>Non-GAAP Net Income</b>	<b>\$52.9</b>	<b>\$31.1</b>



## Reconciliation of GAAP Diluted EPS to Non-GAAP Diluted EPS

	Quarter Ended	
	December 31, 2018	December 31, 2017
<b>GAAP Diluted Earnings per Share</b>	<b>\$0.48</b>	<b>(\$0.12)</b>
Effect of adjustments to net income	\$1.42	\$1.31
<b>Non-GAAP Diluted Earnings per Share</b>	<b>\$1.90</b>	<b>\$1.19</b>

# Reconciliation of GAAP Net Income to Non-GAAP Adjusted EBITDA

*(in millions)*

	Quarter Ended	
	December 31, 2018	December 31, 2017
<b>Net Income (Loss)</b>	<b>\$13.4</b>	<b>(\$3.1)</b>
Interest expense	\$6.9	\$1.1
Interest income	(\$1.0)	(\$1.0)
Income taxes	\$3.4	\$39.8
Depreciation & amortization	\$16.5	\$6.5
<b>EBITDA*</b>	<b>\$39.3</b>	<b>\$43.3</b>
Acquisition and integration-related expenses	\$27.3	—
Charge for fair value write-up of acquired inventory sold	\$10.3	—
<b>Adjusted EBITDA**</b>	<b>\$76.9</b>	<b>\$43.3</b>
<b>Adjusted EBITDA margin</b>	<b>34.7%</b>	<b>31.0%</b>

\*EBITDA represents earnings before interest, taxes, depreciation and amortization

\*\* Adjusted EBITDA is calculated by excluding items from EBITDA that are believed to be infrequent or not indicative of the company's continuing operating performance.

# Reconciliation of Adjusted EBITDA by Segment to Income Before Taxes

*(in millions)*

	Quarter Ended	
	December 31, 2018	December 31, 2017
<b>Segment Adjusted EBITDA*</b>		
Electronic Materials	\$74.8	\$52.9
Performance Materials	\$13.1	\$1.3
Unallocated corporate expenses	(\$11.0)	(\$10.9)
Interest income	\$1.0	\$1.0
Interest expense	(\$6.9)	(\$1.1)
Depreciation and amortization	(\$16.5)	(\$6.5)
Charge for fair value write-up of acquired inventory sold	(\$10.3)	—
Acquisition and integration-related expenses	(\$27.3)	—
<b>Income before income taxes</b>	<b>\$16.9</b>	<b>\$36.7</b>

\* Represents earnings before interest, taxes, depreciation and amortization and also adjusted for acquisition and integration-related expenses and charge for fair value write-up of acquired inventory sold.



# Thank you for your interest in Cabot Microelectronics Corporation

For additional information, please contact:

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