



# Investor Presentation

June 2018

# 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.*

# Cabot Microelectronics Investment Highlights

## LEADING IC CMP MATERIALS SUPPLIER

- World's leading supplier of chemical mechanical planarization (CMP) polishing slurries
- Second largest CMP pads supplier to the semiconductor industry
- Supply to virtually all semiconductor manufacturers in the world
- Robust product portfolio, serving all applications and technology nodes

## CONSUMABLES BASED BUSINESS MODEL

- Revenue driven by wafer starts
- Broad exposure across all types of semiconductor devices
- Historically less cyclical than semiconductor equipment suppliers

## GROWING OPPORTUNITIES

- Robust growth in memory and logic applications
- Increasing complexity of semiconductor devices
- Rising semiconductor content to support Virtual Reality (VR), Internet of Things (IoT), High Performance Computing (HPC), Cloud, Automotive

## SUSTAINED STRONG FINANCIAL PERFORMANCE

- High profitability
- Low capital intensity
- Strong free cash flow generation

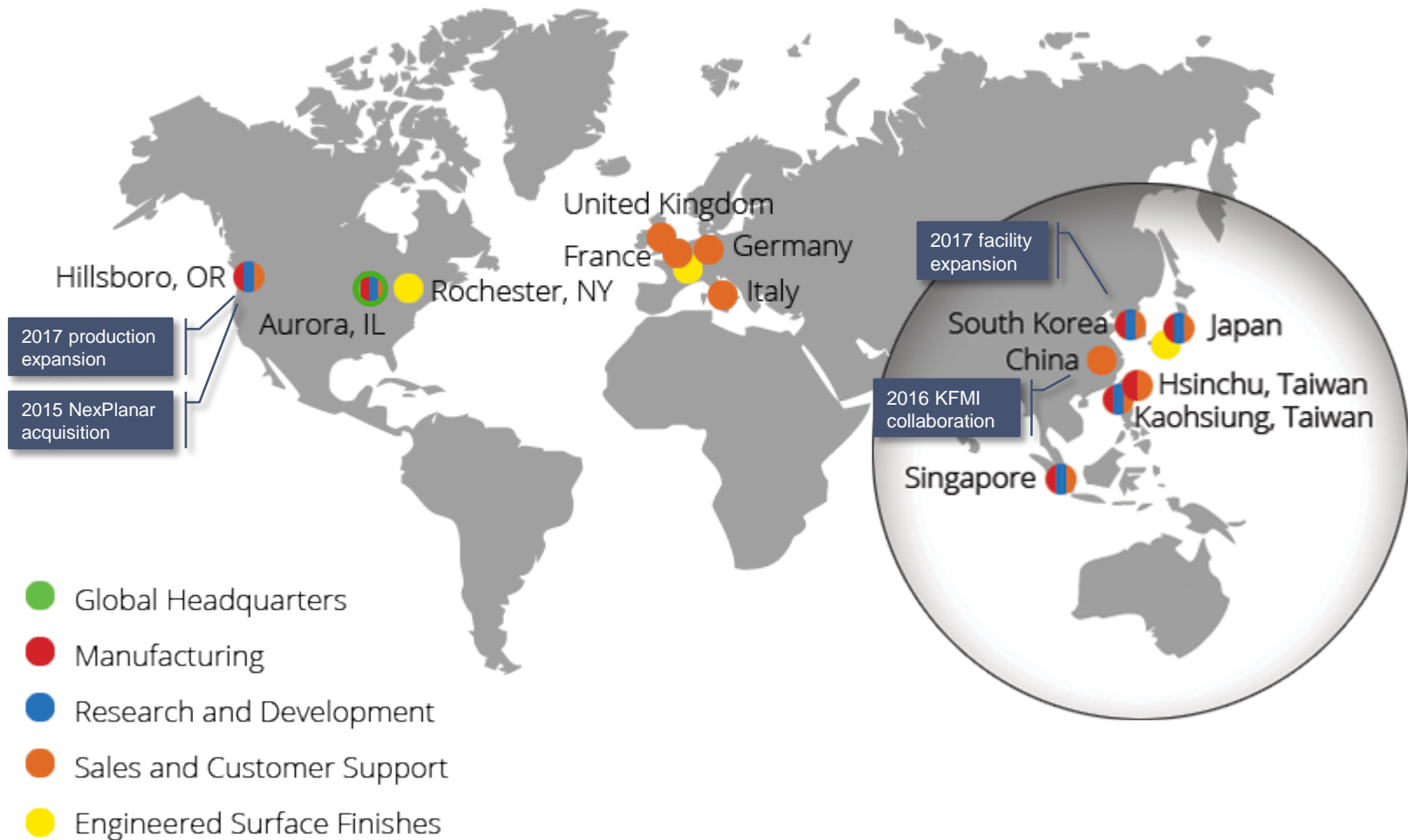
## COMMITMENT TO RETURN VALUE TO SHAREHOLDERS

- Plan to distribute at least 50% of prior fiscal year free cash flow<sup>1</sup> to shareholders on an ongoing basis through a combination of cash dividends and share repurchases
- Doubled regular quarterly cash dividend to \$0.40 per share
- Active share repurchase program

# Extensive Global Footprint



*Approximately 80% of our revenue, 50% of our fixed assets, and half of our 1,150 global employees are in Asia*



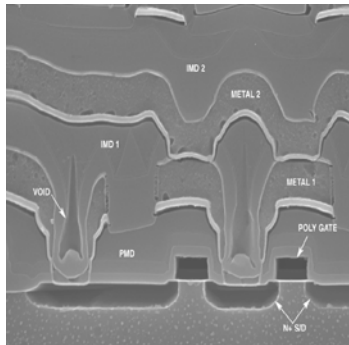
# Chemical Mechanical Planarization (CMP)



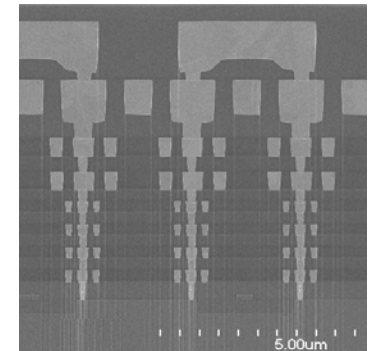
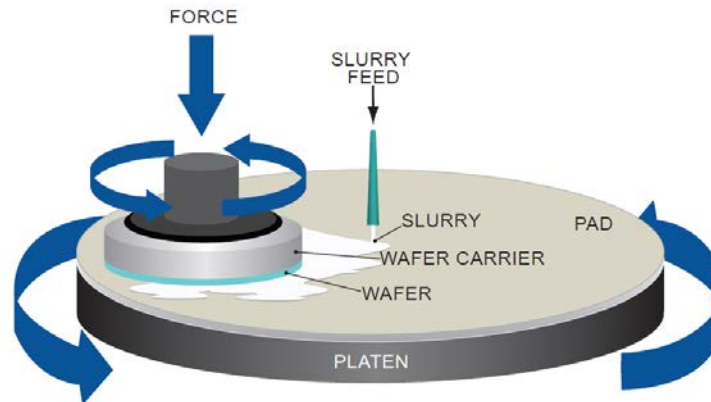
*As technology advances, CMP becomes more challenging and more critical to our customers*

## What is CMP?

CMP is a nano-polishing process that combines chemical reactions and mechanical abrasion to smooth and flatten the wafer surface at an atomic level



**BEFORE CMP**



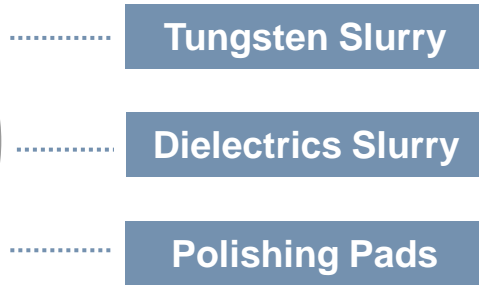
**AFTER CMP**

Our CMP solutions help enable the manufacture of semiconductor devices

# Growth Strategy

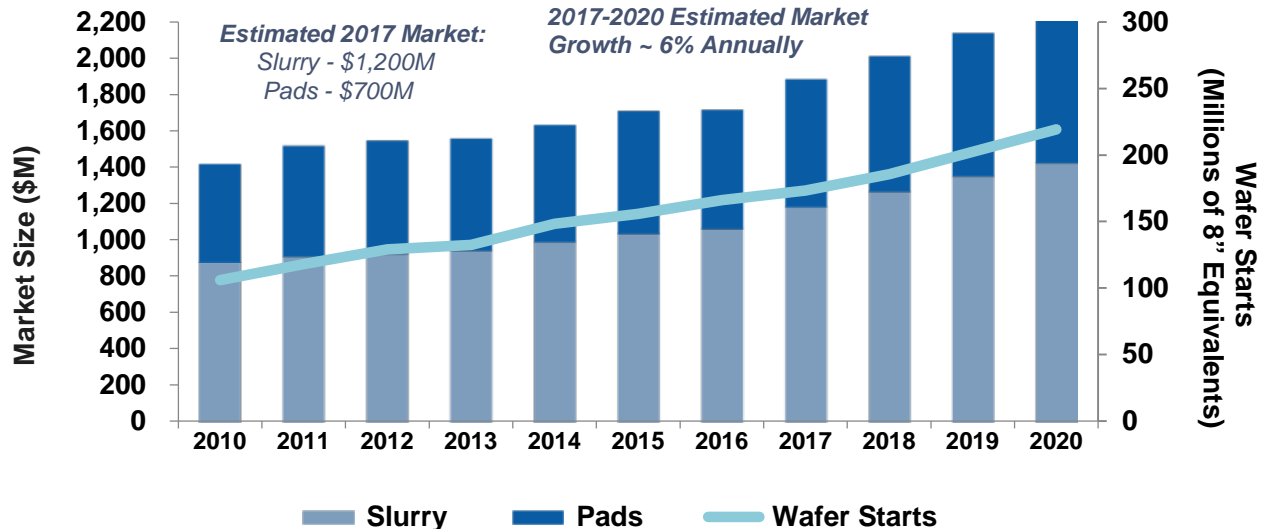


Expect our revenue to grow faster than the IC CMP consumables market



## Revenue Drivers:

- › Growth in memory and advanced logic applications
- › Industry investments in China and Korea
- › Emerging technologies such as VR, IoT, HPC, Cloud, and Automotive





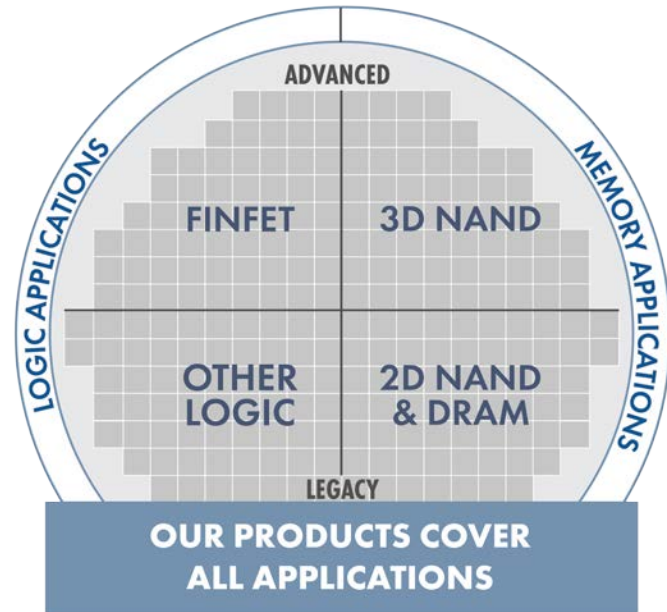
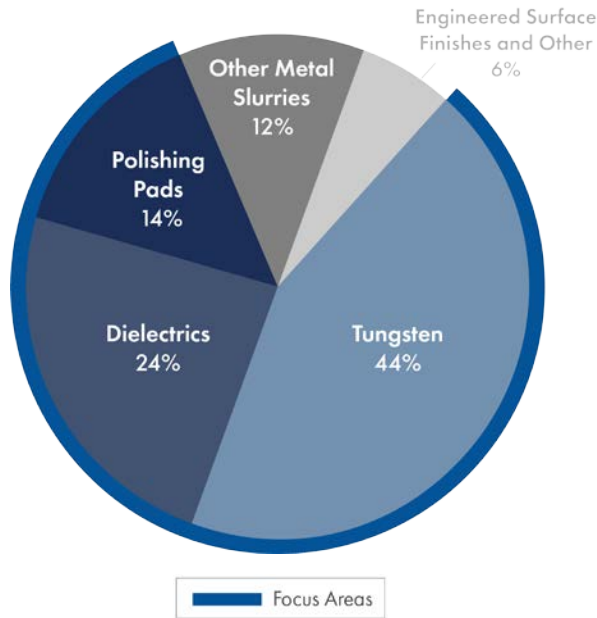


# Robust CMP Consumables Portfolio



*Serving virtually all semiconductor suppliers in the world with a broad product portfolio*  
*Providing solutions for all applications and nodes that improve performance and cost of ownership*

 **FY17 Revenue by Product Area**



**Our diverse solutions and global capabilities differentiate our company among leading suppliers of specialty materials to the semiconductor industry**



# CMP Slurries

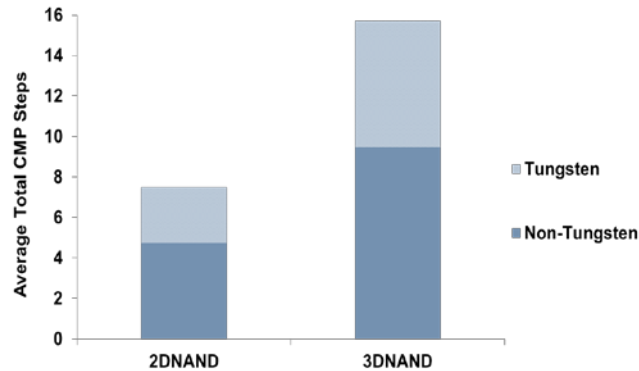


Technology advances and emerging applications expected to be continued growth drivers for our CMP slurries

## » MEMORY

### Shift from 2D to 3D NAND

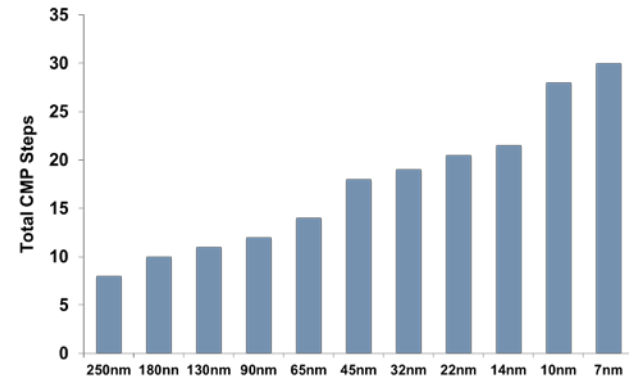
- › Approximately twice the number of CMP steps, primarily tungsten
- › We currently estimate that approximately 50% of 2D to 3D NAND wafer capacity conversion has occurred
- › Expect the industry transition will continue over the next several years, driving demand for our tungsten and dielectrics slurries



## » LOGIC

### FinFET logic at 14, 10 and 7 nm

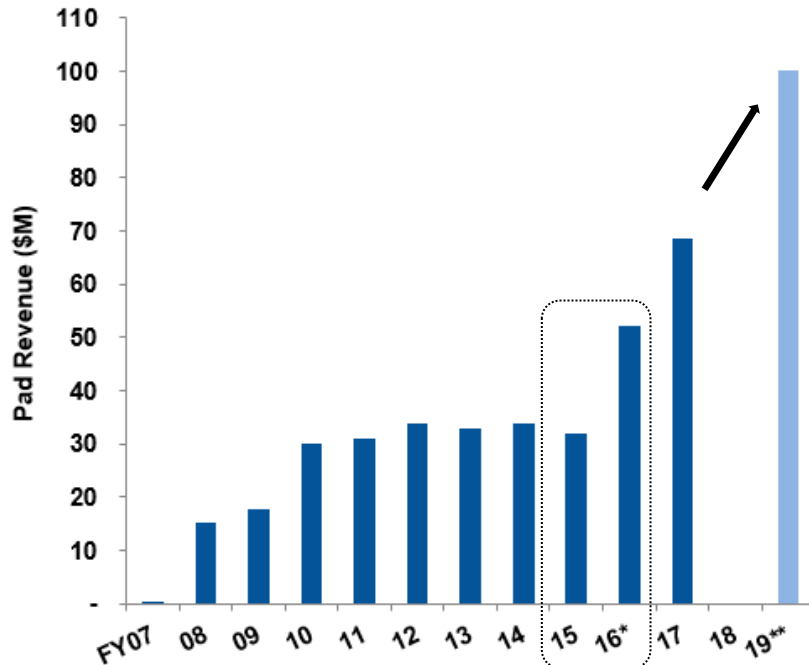
- › As technology advances, CMP intensity has increased
- › Advanced logic IC devices may require new materials to be polished, offering growth opportunities



# CMP Pads



*CMP polishing pads continue to represent significant organic growth opportunity for our company*

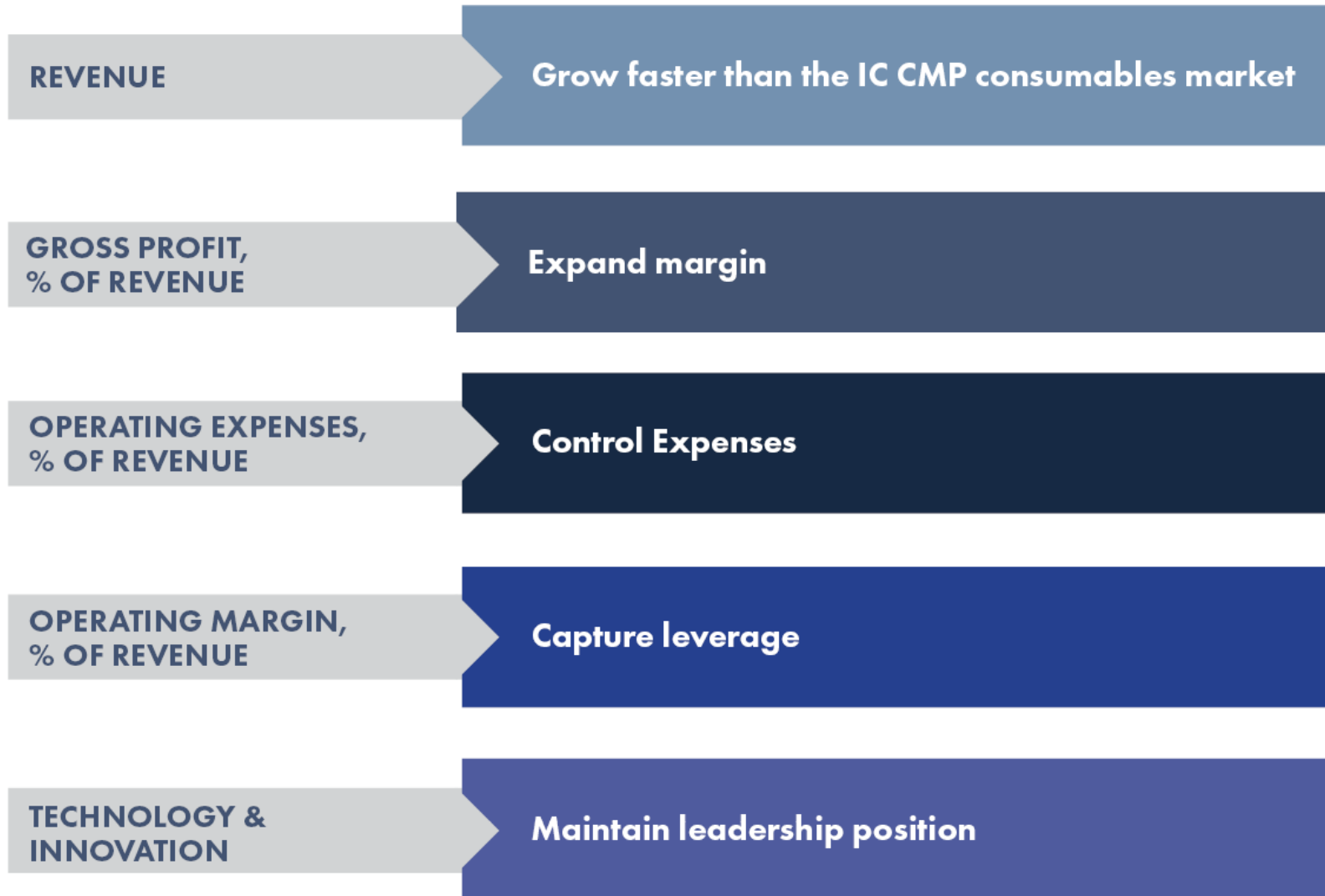


\*FY16 benefited from the October, 2015 NexPlanar acquisition  
\*\*Represents internal revenue goal

- › Leveraging our technical expertise, global infrastructure, and supply chain capabilities to drive CMP pads revenue
- › Pads represent a large and closely adjacent opportunity to slurries
- › The 2015 NexPlanar acquisition provided innovative technology, improved product performance, and lower cost of ownership
- › Pads and slurries used together in a consumable set represents a potential growth opportunity

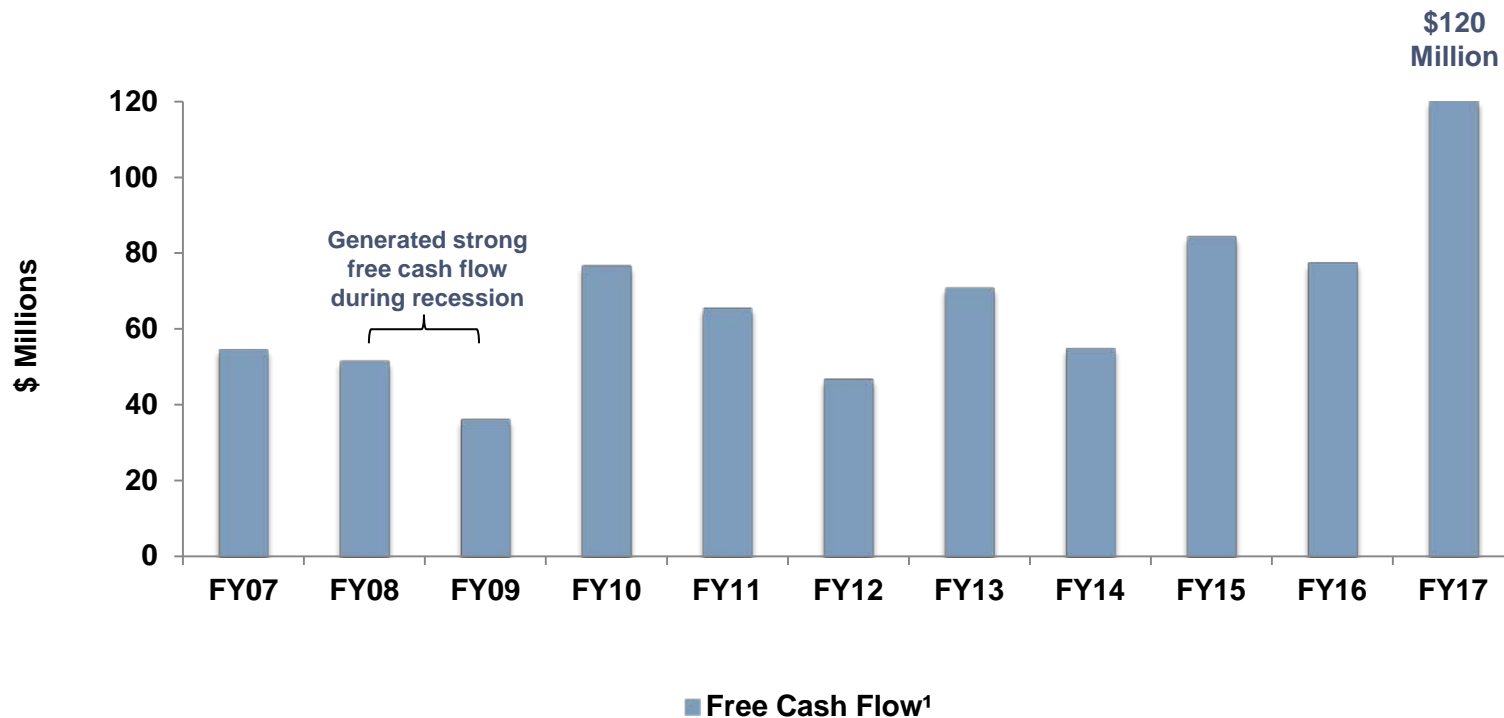
**We continue to focus on our goal to grow our pads revenue to over \$100 million in FY19, reflecting CAGR of ~20% since FY17**

# Multi-Year Corporate Objectives



# Strong Free Cash Flow Generation

 *Our strong free cash flow has enabled us to invest internally and return cash to shareholders*



# Capital Deployment Program



Since the IPO in 2000, Cabot Microelectronics has distributed approximately \$760 million to shareholders through a combination of cash dividends and share repurchases



Doubled regular quarterly cash dividend to \$0.40

- › 100% increase over the prior regular quarterly cash dividend of \$0.20 per share
- › Represents \$40M annually



Intention to distribute at least 50 percent of prior fiscal year free cash flow (FCF) to shareholders

- › Ongoing through a combination of cash dividends and share repurchases
- › Represents at least \$60M in FY 2018 based on FY 2017 FCF of \$120M



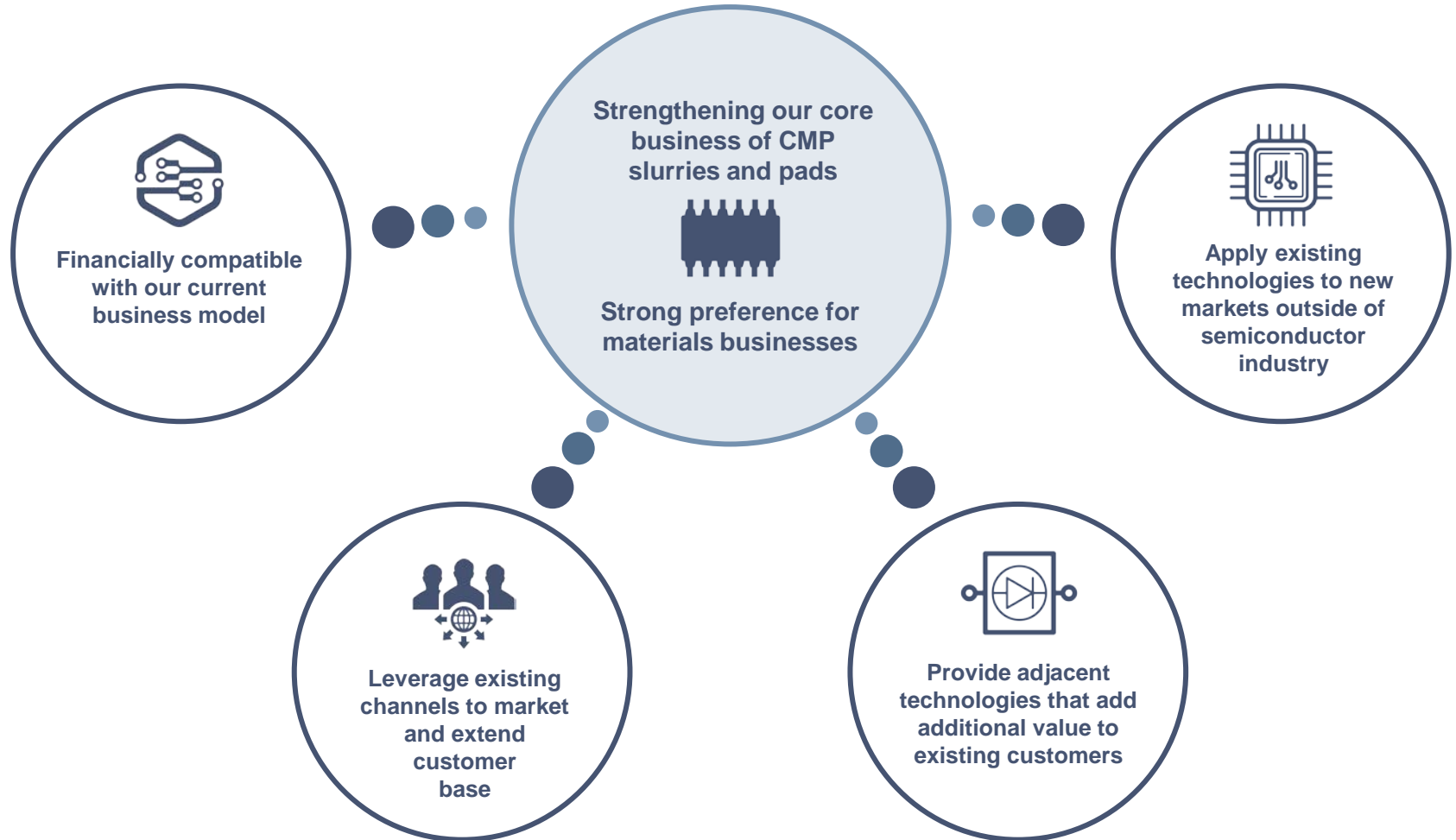
Completed significant repatriation of overseas cash and paid off term loan of \$138M in April '18

- › Expect to save \$4M interest expense annually starting FY 2019
- › \$2M savings expected in FY 2018

# Merger & Acquisition Strategy



*Our balance sheet is strong and we remain disciplined in our approach to M&A*





# Customer Awards



We have earned a number of awards from customers over the years for delivering innovative, high-quality, high-performing and reliable CMP products and solutions



# Investment Thesis Recap

 *Consumables-based business, historically less cyclical than semiconductor equipment sector*

## GROWING AREAS TO SUPPORT MEMORY & LOGIC

- Virtual Reality (VR)
- Internet of Things (IoT)
- High Performance Computing (HPC)
- Cloud Applications
- Automotive

## LEADING POSITION

- World's leading supplier of chemical mechanical planarization (CMP) polishing slurries
- Second largest CMP pads supplier to the semiconductor industry
- Our technical expertise, global infrastructure, and supply chain excellence drive CMP revenue
- Collaborative partnership with our customers supports robust results

## STRONG FINANCIAL PERFORMANCE

- Record Revenues in FY17
- Strong Gross Margins
- Operating Leverage
- Solid Free Cash Flow Generation
- Strong Balance Sheet

## CAPITAL DEPLOYMENT

- Internal Investments
- Dividends
- Mergers & Acquisitions
- Share Repurchases



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