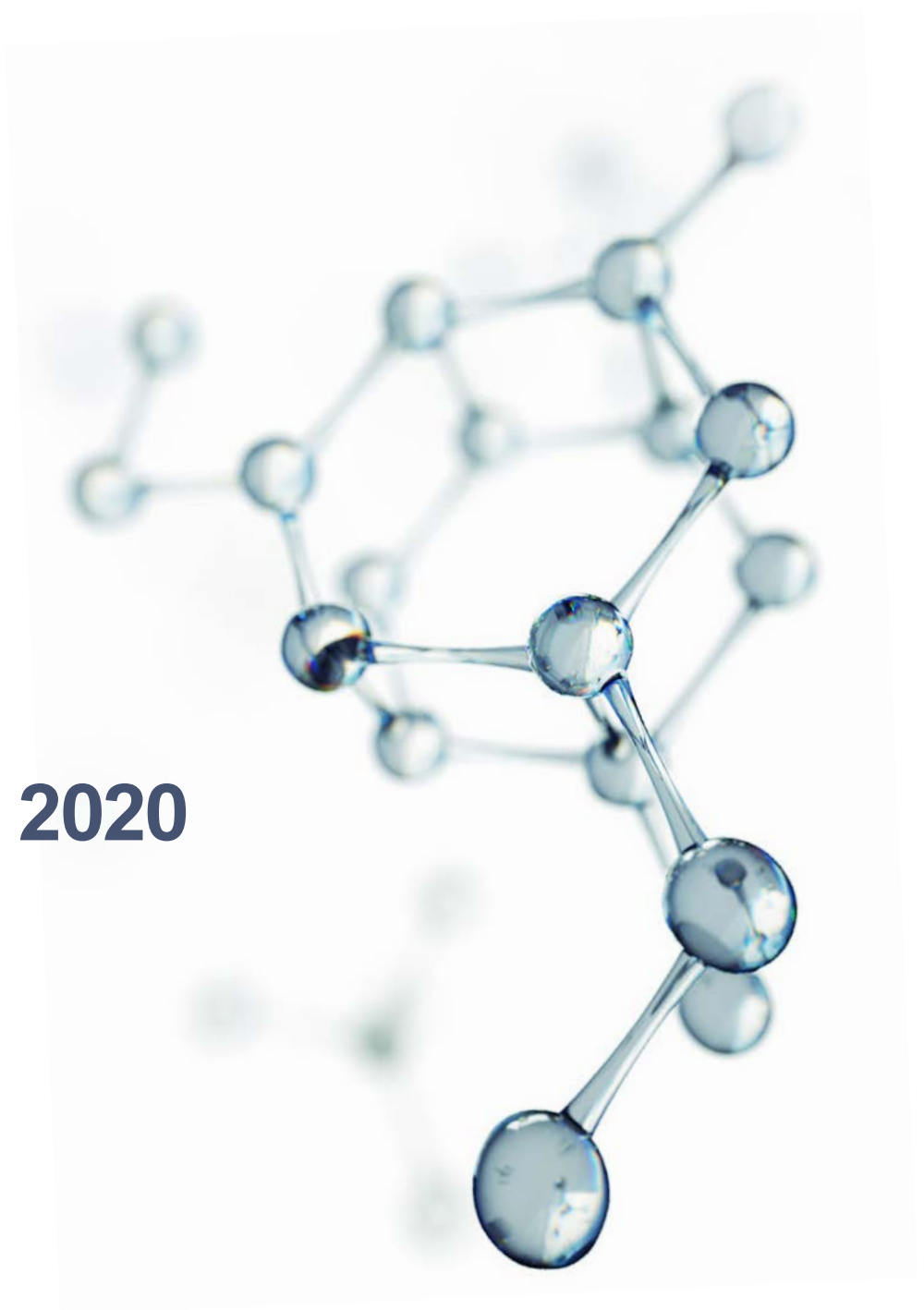


First Quarter of Fiscal 2020 Earnings Call

February 6, 2020



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

- › **Record revenue of \$283M, up 28% versus prior year**
 - Driven primarily by the acquisition of KMG Chemicals, Inc. (“KMG”)
- › **Revenue was essentially flat compared with pro forma revenue last year ***
 - Performance Materials revenue increased due to strong growth in pipeline performance products
 - Electronic Materials revenue declined due to softer semiconductor industry demand, particularly in memory
- › **Revenue increased 2% sequentially**
 - Driven by strong results in CMP slurries
 - Growth in foundry and logic, and stabilization of demand from memory customers
 - Continued strong growth in pipeline performance products, specifically drag reducing agents (DRAs)
- › **Net Income was \$38.5M or \$1.30 per diluted share; adjusted diluted EPS * of \$1.92 was 2% lower than adjusted pro forma EPS in the prior year ***
- › **Adjusted EBITDA* of \$95M, up 7% year over year**
 - Profitability improvement was driven by reduced SG&A expenses, primarily from synergies
- › **Improving Semiconductor Industry Outlook**
 - Optimistic near-term outlook from several large customers
 - Industry analysts expect growth to resume in 2020
 - Memory chip inventories continue to normalize
 - Some uncertainty over novel coronavirus impact

Data reflects rounded values

**Refer to the Company's first quarter fiscal 2020 press release for information about these non-GAAP financial measures and reconciliations of these non-GAAP measures to their most comparable GAAP measure.*

First Quarter Financial Details

	Reported		Adjusted Results*		Comments on Adjusted Results
	2020 Q1	2019 Q1	2020 Q1	2019 Q1	
Revenue	\$283.1M	\$221.8M	\$283.1M	\$283.8M	↔ Higher revenue in Performance Materials offset lower revenue in Electronic Materials
Gross Margin	45.4%	44.8%	46.8%	46.5%	↑ (+) Timing of certain manufacturing costs (-) Less favorable product mix
Net Income	\$38.5M	\$13.4M	\$57.2M	\$57.1M	↔ (+) Lower selling, general and administrative expenses, primarily from synergies (+) Lower interest expense (-) Lower tax expense in the prior year
Diluted EPS	\$1.30	\$0.48	\$1.92	\$1.95	↓
EBITDA	-----	-----	\$95.3M	\$88.9M	↑ (+) Lower selling, general and administrative expenses, primarily from synergies
EBITDA Margin	-----	-----	33.6%	31.3%	↑

Data reflects rounded values

* Refer to the Company's first quarter fiscal 2020 press release for information about these non-GAAP financial measures and reconciliations of these non-GAAP measures to their most comparable GAAP measure.

First Quarter Segment and Business Revenue

	Reported		Reported vs. Pro Forma*			
	2020 Q1	2019 Q1		2020 Q1	2019 Q1 Pro Forma	
Total Revenue	\$283M	\$222M	↑	\$283M	\$284M	↔
Electronic Materials	\$221M	\$191M	↑	\$221M	\$231M	↓
CMP Slurries	\$122M	\$126M	↓	\$122M	\$126M	↓
CMP Pads	\$21M	\$24M	↓	\$21M	\$24M	↓
Electronic Chemicals	\$78M	\$40M	↑	\$78M	\$80M	↓
Performance Materials	\$62M	\$31M	↑	\$62M	\$53M	↑

Quarter Highlights:

- › CMP slurries revenue faced difficult comparisons versus strong demand from memory customers in the prior year
- › CMP pads revenue was negatively impacted by industry softness and reduced customer demand
- › Electronic chemicals revenue was driven by advanced nodes, but offset by lower demand from legacy applications
- › Performance Materials revenue growth was driven by pipeline performance products, primarily DRAs

Data reflects 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

	2020 Q1	2019 Q1
Electronic Materials Revenue	\$221M	\$191M
Adjusted EBITDA*	\$81M	\$75M
Adjusted EBITDA Margin	37%	39%

Performance Materials Revenue	\$62M	\$31M
Adjusted EBITDA*	\$27M	\$13M
Adjusted EBITDA Margin	44%	42%

Data reflects 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

as of December 31, 2019

- › **Cash Balance of \$194M**

- › **Operating Cash Flow was \$48M**
 - Capital expenditures were \$26M

- › **Free Cash Flow¹ was \$22M**

- › **Total Debt of \$937M**
 - Refinanced the credit facility, which is expected to reduce annual interest expense by approximately \$2M
 - Continued appropriate deleveraging of the balance sheet remains a priority
 - Still targeting 2x Net Debt/EBITDA by the end of FY20

Data reflects rounded values

¹Free Cash Flow is operating cash flow less capital expenditures

Current Financial Guidance

		2020 Q2	FY2020
Segment	Electronic Materials Revenue	Approximately flat to up low single digits*	
	Performance Materials Revenue	Up low single digits*	
Total Company	Revenue	Approximately flat to up low single digits*	
	Adjusted EBITDA		\$350M-\$380M
	Depreciation and Amortization**		\$40M-\$45M
	Interest Expense	~\$12M	\$45M-\$46M
	Tax Rate***		22%-25%
	Capital Spending		\$100M-\$130M

Data reflects rounded values

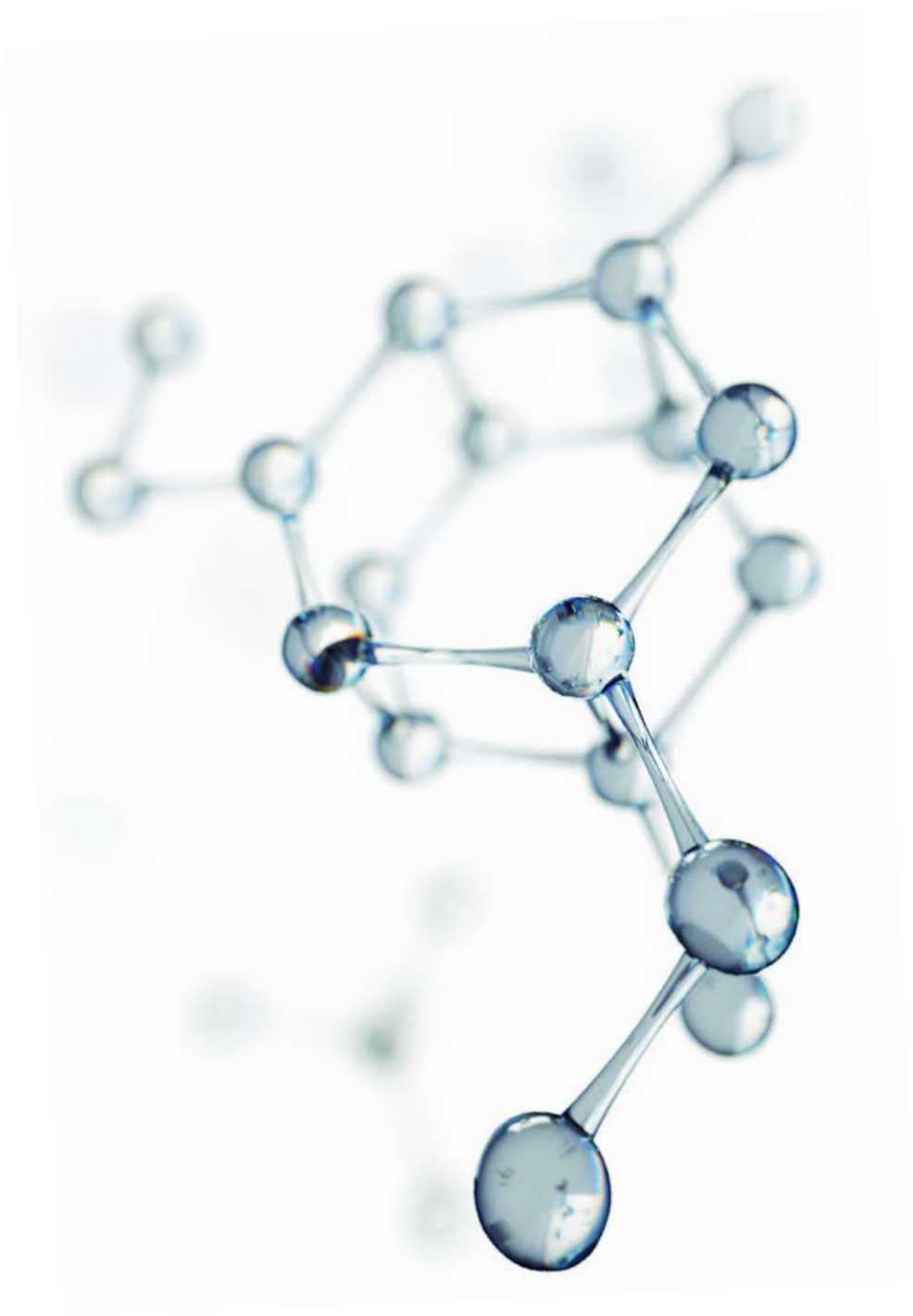
*Based on sequential changes compared to first quarter of fiscal 2020

**Excludes approximately \$90 million in amortization of intangibles related to acquisitions

***Excludes tax impact from acquisition-related expenses



Appendix



Reconciliation of Selected GAAP Financial Data to Adjusted Financial Data

<i>Three Months Ended</i> <i>(in thousands, except percentage and per share data)</i>	December 31, 2019
Reported gross profit	\$128,682
Reported gross margin	45.4%
Adjustments ⁽¹⁾	3,730
Adjusted gross profit	\$132,412
Adjusted gross margin	46.8%
Operating expenses	\$67,250
Adjustments ⁽¹⁾	(\$20,227)
Adjusted operating expenses	\$47,023
Reported net income	\$38,549
Adjustments ⁽¹⁾	18,610
Adjusted net income	\$57,159
Reported diluted earnings per share	\$1.30
Adjustments ⁽¹⁾	0.62
Adjusted diluted earnings per share	\$1.92
EBITDA	\$92,677
Adjustments ⁽¹⁾	2,596
Adjusted EBITDA	\$95,273

¹ Primarily reflects the elimination of the impact of non-recurring acquisition and integration related costs, acquisition-related amortization expenses, the effect of the enactment of the Tax Cuts and Jobs Act in December 2017 in the United States ("tax act") and the newly issued final regulations related to the tax act, the effect of certain costs related to a warehouse fire at KMG-Bernuth in Tuscaloosa, Alabama, and restructuring charges related to the company's wood treatment business (recorded in first quarter of fiscal 2020).



Reconciliation of Selected GAAP Financial Data to Adjusted Pro Forma¹ Financial Data

<i>Three Months Ended</i> <i>(in thousands, except percentage and per share data)</i>	December 31, 2018
Pro forma gross profit	\$128,541
Pro forma gross margin	45.3%
Adjustments ⁽²⁾	3,470
Adjusted pro forma gross profit	\$132,011
Adjusted pro forma gross margin	46.5%
Pro forma operating expenses	\$72,059
Adjustments ⁽²⁾	(\$20,773)
Adjusted pro forma operating expenses	\$51,286
Pro forma net income	\$38,356
Adjustments ⁽²⁾	18,784
Adjusted pro forma net income	\$57,140
Pro forma diluted earnings per share	\$1.31
Adjustments ⁽²⁾	0.64
Adjusted pro forma diluted earnings per share	\$1.95
Pro forma EBITDA	\$87,535
Adjustments ⁽²⁾	1,331
Adjusted pro forma EBITDA	\$88,866

¹ Pro forma adjustments are related to non-recurring items directly attributable to the transaction as well as recurring differences related to depreciation, amortization or financing costs that were included as if the companies were combined as of October 1, 2017.

² Primarily reflects the elimination of the impact of non-recurring acquisition and integration related costs, acquisition-related amortization expenses, the effect of the enactment of the Tax Cuts and Jobs Act in December 2017 in the United States ("tax act") and the newly issued final regulations related to the tax act, the effect of certain costs related to a warehouse fire at KMG-Bernuth in Tuscaloosa, Alabama, and restructuring charges related to the company's wood treatment business (recorded in first quarter of fiscal 2020).

Thank you for your interest in Cabot Microelectronics Corporation

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