

**CABOT MICROELECTRONICS CORPORATION**  
**ACQUISITION OF KMG CHEMICALS CALL SCRIPT**  
**August 15, 2018**

Good morning and thank you for joining us to discuss this morning's announcement.

With me today are David Li, President and CEO of Cabot Microelectronics, Scott Beamer, Vice President and CFO of Cabot Microelectronics and Chris Fraser, Chairman and CEO of KMG Chemicals.

This morning we announced that Cabot Microelectronics Corporation has entered into a definitive agreement to acquire all outstanding shares of KMG. Whether you're joining us online or over the phone, we encourage you to review the investor slide presentation that we've made available under the Events and Presentations section of the Investor Relations center on our website, [cabotcmp.com](http://cabotcmp.com).

A webcast of today's conference call and the script of this morning's prepared comments will also be available on our website shortly after this live conference call. You may also request any of the information by calling our CMC's investor relations office at 630-499-2600 or KMG's investor relations office at 817-761-6100.

Please remember that our discussions today may include "forward-looking statements" that involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from these forward-looking statements, including statements relating to the completion of the proposed transaction and the realization of the synergies and other anticipated benefits of the transaction. These risk factors are discussed in our SEC filings, including our Form 10-K for the fiscal year ended September 30, 2017, and the press release that is the subject of today's call. We assume no obligation to update any of this forward-looking information.

I would also like to inform you that Cabot Microelectronics will file a Form S-4 registration statement with the SEC that includes a proxy statement/prospectus regarding the transaction. You are urged to read the proxy statement/prospectus and other documents relating to the transaction when they become available, because they will contain important information about the transaction. In addition, Cabot Microelectronics and KMG and their directors and officers may be deemed to be participating in a solicitation of proxies in favor of the proposed transaction.

You can find information about the Cabot Microelectronics and KMG directors and executive officers in each company's proxy statement filed with the SEC. You may obtain a copy of these documents when they become available through the SEC's website, the Cabot Microelectronics' and KMG websites or by requesting a copy from either company's investor relations department. More information on how to request these documents is available in the investor presentation.

I will now turn the call over to Dave.

Thanks, Colleen.

Good morning, everyone, and thanks for joining us.

Before I get to the exciting announcement of the day, let me first provide a quick update on our expectations for our current quarter which ends in September. More specifically, during our last earnings conference call, we discussed expectations for our CMP consumables business for this quarter to be up low single digits compared to the prior quarter which was our fifth consecutive record

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revenue quarter – we are now increasing our expectation for the quarter and expect revenue from our CMP consumables business to be up low to mid-single digits compared to the prior quarter.

And now turning to the announcement we released earlier, I'm excited to be here today, joined by KMG's CEO and Chairman, Chris Fraser to discuss the combination of our two companies in a highly strategic and synergistic transaction. As you've likely seen already, Cabot Microelectronics and KMG announced this morning the signing of a definitive agreement under which Cabot Microelectronics will acquire all of KMG's outstanding shares in a cash and stock transaction. The transaction is the largest in CMC's history and is both an exciting extension of our industry leading electronic materials business, and the addition of a portfolio of highly attractive specialty materials businesses. The transaction, which has been unanimously approved by both companies' Boards of Directors, is subject to approval by KMG stockholders and other normal closing conditions, including regulatory clearance. We expect the transaction to close near the end of calendar year 2018.

After the transaction is completed, the combined product portfolios, technologies, and teams will work together seamlessly in what we believe will be the preeminent, independent, semiconductor consumables platform in the world. The combination will enhance our current product offerings with additional, mission critical materials, allowing us to better support our customers and aid in our goal to continue to profitably grow faster than the industries we serve. The transaction will also add KMG's highly attractive, industry leading performance materials portfolio which provides critical solutions and services to the energy and infrastructure sectors.

From a financial perspective, this transaction is expected to be significantly accretive to cash flow and accretive to earnings in year one, excluding one-time acquisition related costs. Additionally, the combination is expected to generate returns substantially above our cost of capital over time. We also have identified \$25 million of cost-based synergies, which we expect to achieve fully with a high degree of confidence by the end of 2020. Scott will talk more about these in a few minutes.

As Colleen mentioned, we have posted a supporting slide presentation on our website, which provides additional information about the transaction, and my remaining remarks generally will follow those slides.

Let me start by providing an overview of some highlights and strategic benefits of this acquisition, which are outlined on pages 3 through 7 of our slide presentation. Scott and Chris will provide additional details about the transaction and KMG's businesses later in the call.

Chris and the team at KMG have built a fantastic franchise that we believe will be highly complementary to our own high growth, high profitability, electronic materials business. As most of you are aware, CMC has looked at a large number of complementary businesses in our core markets and we are very pleased to have found an opportunity that matches both our strategic and financial criteria. When we have talked about inorganic growth opportunities in the past, it has always been with a strong preference for materials-related businesses that enable performance in critical applications while representing a relatively small portion of our customers' overall spend. In that regard, the portfolios of both companies are extremely complementary. Combining KMG's industry leading high purity electronic chemicals business with our CMP business will allow for many more touchpoints into our customers' processes, including etching, stripping, and cleaning. In addition, this will offer us unique

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insights into customers' future materials needs while also allowing us to leverage our existing sales channels.

As we have previously discussed, we continue to see a bright future for the semiconductor industry, both in logic and memory, to support the growing needs for a variety of end use applications including mobility, industrial automation, artificial intelligence, and automotive. Also, we believe that increasing semiconductor device complexity will continue to drive the need for innovative, high quality, and robust materials, which should play into the strengths that both companies have built over the years and allow us to provide best in class solutions to our customers.

In addition to increasing our presence in the semiconductor industry, we have also discussed our desire to participate in new high growth specialty materials businesses. In that regard, this transaction also provides us with leading positions in the exciting and attractive infrastructure and energy industries as a leading player in drag-reducing agents and other critical pipeline performance solutions as well as utility pole preservation. These are highly profitable solutions with strong near-term growth trajectories and attractive market structures, that we expect will not only strengthen our portfolio, but also provide additional opportunities for growth over time

Finally, we thought it extremely important to find an opportunity that would be financially compatible and consistent with our "capital light," high free cashflow conversion, value driven business model. We believe that KMG's portfolio, with its demonstrated growth and profitability, will only enhance our financial performance and cash flow generation capability over time.

We welcome KMG's employees to our team and look forward to our future together as one company. And with that, I will ask Chris Fraser, Chairman and CEO of KMG Chemicals, to share his perspective on our exciting announcement today.

Thank you, Dave, and good morning everyone. This is an exciting and historic day for KMG, as we join with Cabot Microelectronics to create a premier electronic chemicals and performance materials company focused on delivering unparalleled product quality, innovation and supply reliability to our global customers. For KMG shareholders, this transaction creates significant and immediate value while also providing participation in the future growth of the combined company.

Over the past several years KMG has achieved tremendous progress operationally, financially and strategically, growing and evolving to become a world-class company. We have expanded and strengthened our electronic chemicals business while building a robust growth platform in performance materials. Our achievements and success reflect the dedication and passion of our global employees who have demonstrated an enduring commitment to excellence through a consistent focus on execution and efficiency.

KMG's combination with Cabot Microelectronics is a natural next step in our evolution to achieve even greater performance and enhanced capabilities. United by our shared vision and aligned cultures, KMG and Cabot Microelectronics together are strongly positioned for future growth and success.

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We look forward to joining the CMC team and working together to leverage our strengths and realize our full potential as a world leader in electronic chemicals and performance materials.

With that, let me turn the call to Scott Beamer, Cabot Microelectronics' CFO.

Thanks, Chris, and good morning everyone.

Adding to Chris' comments, upon closing of this acquisition, our combined company will nearly double in size and significantly increase in scale. KMG's expected revenues for fiscal 2018, which ended on July 31<sup>st</sup>, of approximately \$460 million combined with approximately \$570 million reported by Cabot Microelectronics in the last four quarters ended June 30<sup>th</sup>, will result in an annual run rate of slightly over one billion for the combined company.

Combined adjusted EBITDA is expected to be around \$320 million, including \$25 million in cost synergies, that we expect to achieve within the next two years, further enhancing the value of the combined companies.

Regarding specific terms of the agreement, Cabot Microelectronics is acquiring KMG in a cash and stock transaction. Under the terms of the transaction, KMG shareholders will receive a combination of \$55.65 in cash and 0.2000 shares of Cabot Microelectronics common stock per share of KMG common stock, which represents an implied per share value of \$79.50 based on the volume weighted average closing price of Cabot Microelectronics common stock over the 20-day trading period ended on August 13.

This transaction values KMG at a total enterprise value of around \$1.6 billion, or approximately 10.9 times its estimated EBITDA for fiscal 2018, including annual synergies of around \$25 million.

We have committed financing and will finance the transaction through a combination of cash on hand, newly raised debt, and Cabot Microelectronics equity. Once the acquisition closes, we expect our leverage to be 3 times EBITDA for the combined entity.

Now please refer to slide 8, which provides some higher-level details of KMG's product portfolio.

The Electronic Chemicals business represents approximately two thirds of KMG's sales. As Dave mentioned, the KMG portfolio is extremely complementary to our CMP consumables products, adding a variety of high purity materials used in the semiconductor manufacturing process. In addition, KMG is a leading manufacturer of drag-reducing agents, or DRAs, as well as valve lubricants and sealants, to pipeline operators. These materials provide value to customers by improving throughput and enhancing efficiency and reducing operating costs. KMG is also a leader in wood treatment solutions that significantly increase the useful life of utility poles and crossarms.

Slide 10 provides an overview of the combined company's value-added product portfolio. Electronic Materials represents a significant portion of revenue for the combined company. This area includes IC consumables and high purity process chemicals, including acids, bases, solvents and blends.

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Following the acquisition, we intend to remain heavily concentrated in the semiconductor materials business, which we expect will continue to benefit from favorable memory and logic industry trends. We also plan to remain focused only to the materials side of semiconductor manufacturing, with no exposure to capital equipment, which we believe is important given cyclicity of equipment spending.

Slide 11 illustrates the combined company's geographic breadth. The acquisition of KMG expands our geographic footprint in the US and Europe, while complementing our already strong presence in Asia.

Slide 12 is a comparison of key metrics for our combined company versus our peer group, which illustrates how this acquisition positions Cabot Microelectronics as one of the leading suppliers in the semiconductor materials space.

On slide 13 we provided an update on our capital deployment program.

As a reminder, our cash deployment priorities remain: organic growth, dividends, M&A, and share repurchases.

In particular, we remain committed to investments in new products and services that support our strong pipeline of organic opportunities.

Over the next year, we intend to focus on integrating KMG and streamlining our operations and will prioritize deleveraging the balance sheet to more normalized levels of debt.

In summary, we are very excited about the opportunities this acquisition creates. We expect our shareholders, employees, and customers to benefit from improved scale, broader product offerings, and growth.

In addition, our businesses remain strong and our cash flow is expected to increase from the addition of KMG's product lines. We are optimistic about our future financial strength and committed to value creation and returning cash to our shareholders.

With that, I'll turn the call back to the operator, as we prepare to take your questions.

That is all the questions we have this morning. Thank you for your time and your interest in Cabot Microelectronics