

Fiscal Year 2018 Fourth Quarter Earnings Call

October 25, 2018

FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements, which address a variety of subjects including, for example, future sales and operating results; growth or contraction, and trends in the industry and markets in which the company participates; the company's management; various economic or political factors and international or national events, including related to the enactment of trade sanctions, tariffs, or other similar matters; product performance; the generation, protection and acquisition of intellectual property, and litigation related to such intellectual property or third party intellectual property; new product introductions; development of new products, technologies and markets; the company's supply chain; the financial conditions of the company's customers; natural disasters; the acquisition of, investment in, or collaboration with other entities; uses and investment of the company's cash balance, including dividends and share repurchases, which may be suspended, terminated or modified at any time for any reason by the company, based on a variety of factors; financing facilities and related debt, pay off or payment of principal and interest, and compliance with covenants and other terms; the company's capital structure; the company's current or future tax rate, including the effects of tax reform in the U.S.; the operation of facilities by Cabot Microelectronics; the expected timetable for closing of the proposed transaction between Cabot Microelectronics and KMG; the expected benefits and synergies of the proposed transaction between Cabot Microelectronics and the capital structure of the combined company. Statements that are not historical facts, including statements about Cabot Microelectronics' beliefs, plans and expectations, are forward-looking statements. Such statements are based on current expectations of Cabot Microelectronics' management and are subject to a number of factors and uncertainties, which could cause actual results to differ materially from those described in the forward-looking statements. For information about factors that could cause actual results to differ materially from those described in the forward-looking statements, please refer to both Cabot Microelectronics' and KMG's filings with the Securities and Exchange Commission ("SEC"), including the risk factors contained in each of Cabot Microelectronics' and KMG's most recent Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K and the registration statement of Cabot Microelectronics on Form S-4 registering the common stock of Cabot Microelectronics to be issued in the proposed transaction between Cabot Microelectronics and KMG. Except as required by law, Cabot Microelectronics undertakes no obligation to update forward-looking statements made by it to reflect new information, subsequent events or circumstances.

IMPORTANT ADDITIONAL INFORMATION AND WHERE TO FIND IT

In connection with the proposed transaction, Cabot Microelectronics has filed with the SEC a registration statement of Cabot Microelectronics on Form S-4 (the "registration statement") that includes a proxy statement of KMG and that also constitutes a prospectus of Cabot Microelectronics (the "proxy statement/prospectus"). KMG has mailed the proxy statement/prospectus to its shareholders in connection with the proposed transaction. **INVESTORS AND SECURITY HOLDERS ARE URGED TO CAREFULLY READ THE ENTIRE REGISTRATION STATEMENT, PROXY STATEMENT/PROSPECTUS AND OTHER RELEVANT INFORMATION FILED WITH THE SEC WHEN THEY BECOME AVAILABLE, BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT CABOT MICROELECTRONICS, KMG AND THE PROPOSED TRANSACTION.** The registration statement, proxy statement/prospectus and other documents filed by Cabot Microelectronics with the SEC may be obtained free of charge at Cabot Microelectronics' website at www.cabotcmp.com or at the SEC's website at www.sec.gov. These documents may also be obtained free of charge from Cabot Microelectronics by requesting them by mail at Cabot Microelectronics Corporation, 870 North Commons Drive, Aurora, Illinois 60504, Attention: Investor Relations, or by telephone at (630) 499-2600. The proxy statement/prospectus and other documents filed by KMG with the SEC may be obtained free of charge at KMG' website at www.kmgchemicals.com or at the SEC's website at www.sec.gov. These documents may also be obtained free of charge from KMG by requesting them by mail at KMG Chemicals, Inc., 300 Throckmorton Street, Fort Worth, TX 76102, Attention: Investor Relations, or by telephone at (817) 761-6100.

PARTICIPANTS IN THE SOLICITATION

KMG, Cabot Microelectronics, their respective directors and certain of their executive officers and employees may be deemed participants in the solicitation of proxies from KMG shareholders in connection with the proposed transaction under SEC rules. Information regarding Cabot Microelectronics' directors and executive officers is available in its Annual Report on Form 10-K filed with the SEC on November 15, 2017, and in its definitive proxy statement filed with the SEC on January 23, 2018 in connection with its 2018 annual meeting of stockholders. Information regarding KMG's directors and executive officers is available in its Annual Report on Form 10-K filed with the SEC on October 1, 2018, in its definitive proxy statement filed with the SEC on November 3, 2017 in connection with its 2017 annual meeting of shareholders and in the proxy statement/prospectus. Information regarding the persons who may be deemed to be participants in the solicitation of KMG shareholders in connection with the proposed transaction, including a description of their direct or indirect interests, by security holdings or otherwise, is included in the proxy statement/prospectus.

Fourth Quarter and Full Fiscal Year 2018 Highlights

- **Fourth Fiscal Quarter 2018:**

- **Record Revenue of \$157M; exceeded prior year by \$20M, or 15%**
 - › Driven by continued strong industry demand in memory and logic
 - › Record quarterly revenue in tungsten slurries, dielectrics slurries and polishing pads
- **Record Net Income of \$48.2M; exceeded prior year by \$21.7M, or 82%**
 - › Non-GAAP Net Income of \$38.7M, up 41% and represents 25% of revenue
- **Record EPS of \$1.84; exceeded prior year by \$0.81, or 79%**
 - › Non-GAAP EPS of \$1.48, up 38%

- **Full Fiscal Year 2018:**

- **Revenue of \$590M; exceeded prior year by \$83M, or 16%**
- **Net Income of \$110.0M; exceeded prior year by \$23.1M , or 27%**
 - › Non-GAAP Net Income of \$137.0M, up 50%, and represents 23% of revenue
- **EPS of \$4.19; exceeded prior year by \$0.79, or 23%**
 - › Non-GAAP EPS of \$5.22, up 47%

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

Fourth Quarter Fiscal Year 2018 Revenue Overview

	2018 Q4*	2017 Q4*	% Change from Prior Year*		Comments
Total Revenue	\$157M	\$137M	↑	15%	› Continued execution of our strategic initiatives and growing global semiconductor industry demand
<i>Tungsten Slurries</i>	\$65M	\$60M	↑	10%	› Continued strong demand in memory and logic applications
<i>Dielectrics Slurries</i>	\$37M	\$33M	↑	12%	› Growth in our high performing advanced dielectrics slurries and memory applications
<i>Polishing Pads</i>	\$22M	\$18M	↑	26%	› Driven by our NexPlanar line of products
<i>Other Metals Slurries</i>	\$18M	\$16M	↑	10%	› Metals slurry products other than tungsten
<i>Engineered Surface Finishes/Other</i>	\$14M	\$10M	↑	40%	› Includes QED Technologies

* Data represented by rounded values

Fourth Quarter Fiscal Year 2018 Financial Details

	GAAP Results*		Non-GAAP Results*		Comments on Results
	2018 Q4	2017 Q4	2018 Q4	2017 Q4	
Revenue	\$156.7M	\$136.8M	↑ Record Revenue in the last six quarters
Gross Margin	53.8%	51.2%	54.7%	52.1%	↑ Driven by increased volume, high-value product mix and higher selling prices
Operating Margin	28.1%	24.2%	31.7%	25.4%	↑
Net Income	\$48.2M	\$26.5M	\$38.7M	\$27.6M	↑
Diluted EPS	\$1.84	\$1.03	\$1.48	\$1.07	↑

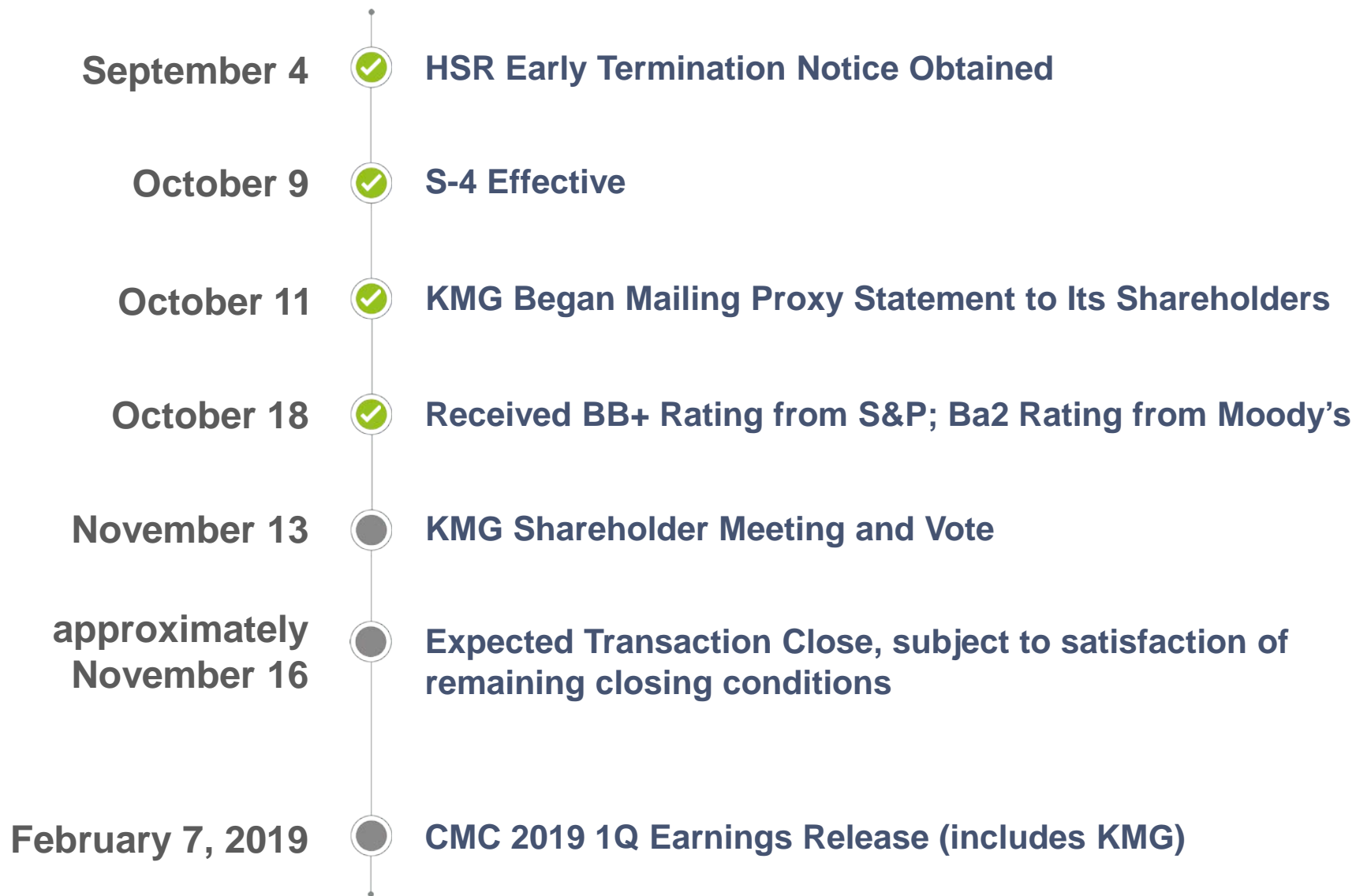
} **Record Net Income in 2018 4Q**
Increases reflect operating leverage driven by revenue growth, combined with ongoing attention to controlling costs

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

Balance Sheet and Cash Flow

- **Cash balance of \$353M**
- **Total Debt of \$0M**
 - › Plan to incur \$1.1B in debt to finance KMG acquisition
- **Operating Cash Flow was \$64.9M**
 - › Capital Expenditures were \$6.1M
- **Free Cash Flow¹ was \$58.8M**
- **During the fiscal year, the company returned \$72M, or 60%, of our FY17 Free Cash Flow to shareholders by way of dividends and share repurchases**
 - › Exceeds our FY18 target to return at least 50% of prior fiscal year free cash flow

Pending KMG Acquisition Key Milestones



Fourth Quarter Fiscal 2018 Closing Remarks

- **Sixth consecutive quarter of record revenue**
- **Revenue of \$157M increased by approximately \$20M, or 15%, from last year, driven by growth across all product areas**
- **Non-GAAP Net Income of \$38.7M increased by approximately \$11.2M, or 41%, from last year**
 - › Benefited from revenue growth, margin expansion and continued operating expense discipline
- **Revenue increased by approximately \$20M, while Operating Income increased by approximately \$15M, compared with prior year, excluding acquisition-related expenses**
 - › This implies 75% operating leverage on the incremental revenue
- **We remain confident in our ability to drive continued revenue growth, sustained gross margin performance, and disciplined management of operating costs**
 - › 2019 1Q expectation is currently for a low to mid single digit sequential increase in revenue for IC CMP consumables
- **On track to close KMG transaction in mid November, subject to satisfaction of closing conditions**
 - › Optimistic about the power of the combined company to provide innovative, high quality solutions

Current Financial Guidance



(Cabot Microelectronics current business only, excludes impact of proposed acquisition of KMG)

	Quarter Guidance	Full Year Guidance
	<u>FY2019 Q1</u>	<u>GAAP</u>
Revenue (IC CMP Consumables)	Expect low to mid single digit sequential increase over Q4	
Gross Margin		53%-55%
Operating Expense		\$154-\$158M
Tax Rate		21%-24%
Capital Spending		\$23-\$26M



Appendix

Full Fiscal Year 2018 Revenue Overview

	2018*	2017*	% Change from Prior Year*
Total Revenue	\$590M	\$507M	 16%
<i>Tungsten Slurries</i>	\$253M	\$221M	 14%
<i>Dielectrics Slurries</i>	\$140M	\$120M	 16%
<i>Polishing Pads</i>	\$83M	\$69M	 21%
<i>Other Metals Slurries</i>	\$69M	\$63M	 10%
<i>Engineered Surface Finishes/Other</i>	\$45M	\$34M	 33%

* Data represented by rounded values

Full Fiscal Year 2018 Financial Details

	GAAP Results*		Non-GAAP Results*		
	2018	2017	2018	2017	
<i>Revenue</i>	\$590.1M	\$507.2M	↑
<i>Gross Margin</i>	53.2%	50.1%	54.1%	51.1%	↑
<i>Operating Margin</i>	27.1%	22.1%	29.0%	23.4%	↑
<i>Net Income</i>	\$110.0M	\$87.0M	\$137.0M	\$91.2M	↑
<i>Diluted EPS</i>	\$4.19	\$3.40	\$5.22	\$3.56	↑

* Data represented by rounded values

U.S. GAAP to Non-GAAP Reconciliation

(in millions except EPS)

FY2018 Q4	GAAP	Adjustment	Non-GAAP
Gross Profit (1)	\$84.3	\$1.3	\$85.7
Operating Income (2)	\$44.0	\$5.6	\$49.6
Net Income (3)	\$48.2	(\$9.5)	\$38.7
Diluted EPS (4)	\$1.84	(\$0.36)	\$1.48

Adjustments:

- (1) excludes \$1.3 million of NexPlanar amortization expense
- (2) excludes items above (1) and \$0.5 million of NexPlanar amortization expense and \$3.9 million of acquisition and integration related costs incurred in connection with KMG acquisition recorded in operating expenses
- (3) Excludes items above (1,2) and \$14.4 million change in estimated transition tax, withholding taxes and re-measurement of U.S. deferred tax assets and liabilities recorded in the first nine months of fiscal 2018 related to U.S. Tax Cuts and Jobs Act (Tax Act) enacted on December 22, 2017, a \$0.5 million increase in the provision for income taxes related to excluding NexPlanar amortization, and a \$0.3 million increase in the provision for income taxes related to excluding the acquisition and integration related costs incurred in connection with KMG acquisition.
- (4) Non-GAAP diluted earnings per share is calculated based upon Non-GAAP net income. The impact of the Tax Act increased diluted earnings per share by \$0.55 for the three months ended September 30, 2018.



Thank you for your interest in Cabot Microelectronics Corporation

**For additional information,
please contact:**

✉ investor_relations@cabotcmp.com

☎ 630.499.2600

