CABOT MICROELECTRONICS CORPORATION
NEW CAPITAL MANAGEMENT INITIATIVE TO RETURN VALUE TO SHAREHOLDERS CONFERENCE CALL SCRIPT
DECEMBER 13, 2011

Good morning. With me today are Bill Noglows, Chairman and CEO, and Bill Johnson, Chief Financial Officer.

This morning we announced that our Board of Directors has determined to pursue a new capital management initiative for Cabot Microelectronics Corporation. A copy of our press release is available in the investor relations section of our website, cabotcmp.com, or by calling our investor relations office at 630-499-2600. A webcast of today's conference call and the script of this morning's formal comments will also be available on our website.

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. These risk factors are discussed in our SEC filings, including our report filed on Form 10-K for the fiscal year ended September 30, 2011. We assume no obligation to update any of this forward-looking information.

I will now turn the call over to Bill Noglows.

Thanks, Trisha. Good morning, everyone, and thanks for joining us.

Today is a great day for Cabot Microelectronics! I am very pleased to announce a new capital management initiative that we believe represents the culmination of years of successful implementation of our business strategies, strong operational management, and careful management of our balance sheet. This morning, we announced our plans to implement a leveraged recapitalization with a sizeable, special cash dividend that will distribute to our shareholders approximately 37 percent of our current market value, based on yesterday's closing share price. Additionally, our Board has approved an increase in the authorization level of our share repurchase program to $150 million. We believe this new capital management initiative is noteworthy and a testament to our successful business model and strong financial performance. As we have invested in and pursued our business and growth strategies over time, we have accumulated cash in excess of what is needed to fund our operations and what we believe is required to invest in the future growth of Cabot Microelectronics. We intend to continue to execute our business strategies and manage our company profitably and we are confident that we will continue to provide additional value to our shareholders.

The proposed capital management initiative includes payment of a special cash dividend of $15 per share, or approximately $345 million in total, to our shareholders. Approximately half of the special dividend is expected to be paid using the company's cash balance and the remaining amount is expected to be funded with borrowings under a new term loan facility. We intend to pay the special cash dividend during the first quarter of calendar year 2012, conditioned upon arranging the financing with terms and conditions that are acceptable to the company.

We believe this new capital management initiative represents a more efficient approach to capital allocation for our company that will provide significant value to our shareholders. While this represents a significant departure from our historical capital allocation approach, we do not expect it to change our fundamental business strategies. We will continue to focus on strengthening and growing our core CMP consumables business, as well as further developing our Engineered Surface Finishes business, and also considering attractive acquisition opportunities that can leverage our existing capabilities and contribute to profitably growing our company.

Since we became a public company over eleven years ago, we have maintained solid revenue growth, a consistent level of profitability, and strong and consistent free cash flow. As a result, we have built a sizeable cash balance over time to slightly over $300 million as of September 30, 2011, and we have no debt outstanding. Our cash balance has grown even while we have made strategic investments to grow our business, and provided additional value to shareholders through share repurchase programs.

Over the years, we have continuously invested in expanding our capabilities and facilities around the world, particularly in the Asia Pacific region, where over 80 percent of our revenue was generated last year. Over the past 10 years, we have invested approximately $185 million in capital expenditures to improve our capabilities and grow our business. During this same period, we also invested approximately $85 million in three acquisitions, the largest of which was Epoch Material Company, a Taiwan-based Copper CMP slurry provider. In addition, we have actively executed various share repurchase programs, having repurchased over $180 million of our stock since we initiated our first share repurchase program in 2004.

As our cash balance has grown, we have continued to look for significant acquisitions in closely related business areas that would represent productive uses of our capital. We remain interested in appropriate acquisitions and intend to continue to pursue “tuck-in” or “bolt-on” type acquisitions, either within the CMP consumables space or in the broader field of electronic materials, where we believe we can leverage our global infrastructure and capabilities to better position us to meet the evolving needs of our customers. We believe these types of acquisitions could be completed in the future using our cash balance and our revolving credit facility.

Our current cash balance reflects our strong cash-generating ability. We historically have demonstrated a resilient cash flow model, even during industry cycles and economic downturns. For example, during the severe global recession and industry contraction in 2009, we operated on an essentially breakeven basis with regard to cash flow from operations through the most severe period of the downturn, which we experienced during the first half of our fiscal year 2009. During the worst recession in generations, we did not bleed cash, but prudently managed our expenses and continued to invest in our business in terms of research and development, supply chain capabilities and people, to position our company for future growth. We believe that our financial strength, effective business management, and strong cash flow generating model will continue to allow us to grow our business while providing value to shareholders.

Given these factors, we believe that the company is well-positioned to adopt and support a new capital structure, including maintaining a modest amount of leverage on an ongoing basis. This new capital structure allows us to distribute a substantial amount of capital to our shareholders through the proposed special cash dividend and supports potential ongoing share repurchases.

Now let me turn the call over to Bill Johnson to provide some additional insights.

Thanks, Bill.

I would like to provide a bit more detail on the elements of our new capital management initiative, first with respect to the planned leveraged recapitalization with a special cash dividend. As Bill mentioned before, we expect to pay the $15 per share special cash dividend, or approximately $345 million in total, using roughly $170 million of our available cash, plus $175 million to be drawn from a new term loan facility with a five year maturity, contingent upon acceptable terms. In addition, we plan to arrange a $100 million revolving credit facility, which initially is intended to be undrawn but will be available over time as an additional source of liquidity for share repurchases, acquisitions and other general corporate purposes. We are currently in discussions with a number of commercial banks on the new term loan and revolving credit facility. Assuming successful completion of the financing negotiations, we would expect to formally declare the dividend during the first quarter of calendar 2012 and pay the dividend shortly thereafter.

The leverage associated with the planned recapitalization is relatively modest, representing less than 1.75 times our trailing four quarters EBITDA. In addition, we believe that having debt on our balance sheet will result in a lower overall cost of capital for our company.

Based on our current stock price of approximately $40 per share, our planned $15 per share special cash dividend is significant, and represents a return of approximately 37 percent of our current stock value.

In addition to our planned leveraged recapitalization with the associated special cash dividend, our Board of Directors also approved an increased authorization under our ongoing share repurchase program to $150 million from the current remaining authorization level of approximately $83 million. With the approximately $70 million increase in share repurchase authority, we expect to continue to repurchase shares from time to time in open market transactions, depending upon market conditions, at management’s discretion.

In conclusion, our new capital management initiative is an indication of our confidence in our strategic direction for the future, as well as our financial strength and solid balance sheet. We see this planned special dividend as an important means of sharing profits with and providing additional value to our investors now, and our expanded share repurchase program represents an opportunity to continue to distribute capital to shareholders on an ongoing basis. Further, given our company's strong financial model and substantial cash generation capability, we expect to implement this new capital management approach while still retaining the financial resources and flexibility to continue investing in our business through research and development, capital expenditures and acquisitions that can profitably grow our company.

Before opening the call to your questions, I would like to provide a few comments on current industry and business conditions. We last talked about business conditions on October 27, during our conference call to report results for our fourth quarter and full fiscal year 2011. At that time, we cited industry analyst projections that softness in semiconductor industry demand, which we had experienced during the second half of fiscal 2011, was expected to continue through the first half of our fiscal 2012. We are experiencing this continued softness currently. Typically, we experience some seasonal softness in demand during the December quarter versus the September quarter, and we would characterize the current environment as slightly softer than normal seasonality. More specifically, through the first two months of the first fiscal quarter, our revenue is running approximately five percent lower than last quarter. While the strong start to holiday shopping in the U.S. may offer some encouragement of industry strengthening, we remain cautious, particularly given global macroeconomic uncertainty.

Thank you for your time this morning and your interest in Cabot Microelectronics.