



Fiscal Year 2018 Third Quarter Earnings Call

July 26, 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.

Fiscal Year 2018 Third Quarter Highlights

- **Record Revenue of \$150M; exceeded prior year by \$22M, or 18%**
 - › At the high end of expectations stated in previous quarter
 - › Driven by continued strong industry demand, particularly in memory
 - › Record revenues in tungsten and dielectrics slurries
 - › Strong growth in Korea and China

- **Record Net Income of \$35M; exceeded prior year by \$15M, or 76%**
 - › Approximately 23% of revenue

- **Record EPS of \$1.34; exceeded prior year by \$0.57, or 74%**

Revenue Overview

	2018 Q3*	2017 Q3*	% Change from Prior Year*		Comments
Total Revenue	\$150M	\$128M	↑	18%	› Continued execution of our strategic initiatives and growing global semiconductor industry demand
<i>Tungsten Slurries</i>	\$64M	\$55M	↑	18%	› Continued strong demand in memory and logic applications
<i>Dielectrics Slurries</i>	\$37M	\$30M	↑	21%	› Growth in our high performing advanced dielectrics slurries and memory applications
<i>Polishing Pads</i>	\$21M	\$18M	↑	19%	› Driven by our NexPlanar line of products
<i>Other Metals Slurries</i>	\$18M	\$16M	↑	13%	› Metals slurry products other than tungsten
<i>Engineered Surface Finishes/Other</i>	\$10M	\$9M	↑	13%	› Includes QED Technologies

* Data represented by rounded values

Financial Details

	GAAP Results*		Non-GAAP Results*			Comments on Results
	2018 Q3	2017 Q3	2018 Q3	2017 Q3		
Revenue	\$150.4M	\$128.0M	↑	Record Revenue in the last five quarters
Gross Margin	53.6%	48.9%	54.5%	49.8%	↑	Driven by increased volume combined with high-value product mix
Operating Margin	27.9%	21.0%	29.1%	22.3%	↑	Record Net Income in 3QFY18 Increases reflect operating leverage driven by revenue growth, combined with ongoing attention to controlling costs
Net Income	\$35.2M	\$19.9M	\$36.0M	\$21.0M	↑	
Diluted EPS	\$1.34	\$0.77	\$1.37	\$0.81	↑	

* Data represented by rounded values

Balance Sheet and Cash Flow

- **Cash and Investments balance of \$311M**
- **Total Debt of \$0M**
 - › Paid off the remaining outstanding Term Loan in April 2018
- **Operating Cash Flow was \$37M**
 - › Capital Expenditures were \$6.4M
- **Free Cash Flow¹ was \$30M**
- **During the fiscal year, the company returned \$51M to shareholders by way of dividends and share repurchases through June 30, 2018**

** Data represented by rounded values*

¹ Free cash flow is operating cash flow less capital expenditures

Closing Remarks

- **Fifth consecutive quarter of record revenue**
- **Revenue of \$150M increased by approximately \$22M, or 18%, from last year, driven by growth across all product areas**
- **Net Income of \$35M increased by approximately \$15M, or 76%, from last year**
 - › Benefited from revenue growth, margin expansion and continued operating expense discipline
- **Revenue increased by approximately \$22M while Operating Income increased by approximately \$15M, compared with prior year**
 - › This implies 67% 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**
 - › Q4 expectation is for a low single digit sequential increase in revenue for IC CMP consumables

Appendix

	Quarter Guidance	Full Year Guidance	
	<u>Q4FY2018</u>	<u>Previous Communication</u>	<u>Current Communication</u>
Revenue (IC CMP Consumables)	Expect low single digit sequential increase over Q3		
Gross Margin (GAAP Basis)		51%-53%	52%-53%
Operating Expense (GAAP Basis)		\$148-\$153M	\$150-\$155M
Tax Rate		21%-24% (For Q3-Q4)	21%-24% (For Q4)
Capital Spending		\$18-\$22M	\$18-\$22M



Thank you for your interest in Cabot Microelectronics Corporation

**For additional information,
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