



Second Quarter Fiscal 2018 Earnings Call

April 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.

2018 Second Quarter Highlights

- Record Revenue of \$143M; exceeded prior year by \$24M, or 20%
 - › In-line with general expectations stated in previous quarter
 - › Driven by continued strong industry demand, particularly in memory
- Record Net Income of \$29.7M; exceeded prior year by \$11.5M, or 63%
 - › Approximately 21% of revenue
- Record EPS of \$1.14; exceeded prior year by \$0.43, or 61%
- Recent Announcements:
 - › Update to Capital Deployment Program
 - Doubled regular quarterly cash dividend to \$0.40 per share
 - Intention to distribute 50% or more of prior fiscal year free cash flow to shareholders on an ongoing basis
 - Completed significant repatriation of overseas cash and paid off term loan of \$138M
 - › Collaboration with Fujimi Incorporated for the development of certain advanced IC CMP solutions

Demonstrated performance versus long term financial goals of growth faster than the industry and margin expansion

Revenue Overview

	2018 Q2*	2017 Q2*	% Change from Prior Year*		Comments
Total Revenue	\$143M	\$119M		20%	› Continued execution of our strategic initiatives and global semiconductor industry demand
<i>Tungsten Slurries</i>	\$60M	\$52M		17%	› Strong demand in memory and logic applications
<i>Dielectrics Slurries</i>	\$35M	\$28M		24%	› Winning more business with our higher performing, lower cost, and higher profitability products
<i>Polishing Pads</i>	\$21M	\$17M		23%	› Broad product portfolio and unique product attributes
<i>Other Metals Slurries</i>	\$17M	\$15M		15%	› Metals slurry products other than tungsten
<i>Engineered Surface Finishes/Other</i>	\$10M	\$8M		32%	› Includes QED Technologies

Financial Details

	GAAP Results*		Non-GAAP Results*			Comments on Results
	2018 Q2	2017 Q2	2018 Q2	2017 Q2		
Revenue	\$143.0M	\$119.2M	↑	Record Revenue
Gross Profit, % of revenue	52.5%	50.4%	53.4%	51.4%	↑	<ul style="list-style-type: none"> Driven by increased volume combined with high-value product mix Updated full year GAAP gross profit margin guidance range to 51-53% of revenue
Operating Income, % of revenue	25.9%	20.1%	27.2%	21.5%	↑	Record Net Income Increases reflect operating leverage driven by revenue growth, combined with ongoing attention to controlling costs
Net Income	\$29.7M	\$18.3M	\$31.3 M	\$19.3M	↑	
Diluted EPS	\$1.14	\$0.71	\$1.19	\$0.76	↑	

Balance Sheet and Cash Flow

- Cash and Investments balance of \$461M, increase of \$36M over prior quarter
- Total Debt of \$137.5M
 - › Paid off the remaining outstanding Term Loan in April
- Operating Cash Flow was \$36.5M
 - › Capital Expenditures were \$4.6M
- Free Cash Flow¹ was \$31.9M

¹ Free cash flow is operating cash flow less capital expenditures

Capital Deployment Program

Doubled regular quarterly cash dividend to \$0.40

- › 100% increase over the prior regular quarterly cash dividend paid of \$0.20 per share
- › Represents \$40M annually

Intention to distribute at least 50 percent of prior fiscal year free cash flow (FCF) to shareholders

- › Ongoing through a combination of cash dividends and share repurchases
- › Represents at least \$60M in FY 2018 based on FY 2017 FCF of \$120M

Completed significant repatriation of overseas cash and paid off term loan of \$138M

- › Expect to save \$4M interest expense annually

Return Value to Shareholders

Since becoming a public company in 2000, Cabot Microelectronics has distributed approximately \$760 million to shareholders through a combination of cash dividends and share repurchases

Closing Remarks

- Sustained, strong financial performance
- Revenue of \$143.0M increased by approximately \$24M, or 20.0%, from last year, driven by growth across all product areas
- Net Income of \$29.7M increased by approximately \$11.5M, or 63%, from last year
 - › Benefited from revenue growth, margin expansion and continued operating expense discipline
- Revenue increased by \$24M while Operating Income increased by \$13M, compared with prior year
 - › This implies 54% operating leverage on the incremental revenue
- Our expectations are for continuing firm near-term industry demand, sustained gross margin performance, and disciplined management of operating costs
 - › Q3 expectation is for a low to mid single digit sequential increase in revenue for IC CMP consumables

Appendix

Update on Certain Expectations

	Quarter Guidance	Full Year Guidance	
	Q3FY2018	Previous Communication	Current Communication
Revenue (IC CMP Consumables)	Expect low to mid single digit sequential increase over Q2
Gross Profit Margin (GAAP Basis)	50%-52%	51%-53%
Operating Expense (GAAP Basis)	\$145-\$150M	\$148-\$153M
Tax Rate	21%-24% (For Q2-Q4)	21%-24% (For Q3-Q4)
Capital Spending	\$18-\$22M	\$18-\$22M



Thank you for your interest in Cabot Microelectronics Corporation

For additional information, please contact:

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