

CABOT MICROELECTRONICS CORPORATION
ANNUAL MEETING OF STOCKHOLDERS
WEDNESDAY, MARCH 6, 2019
8:00 A.M.

THE CHAIRMAN OF THE MEETING – William P. Noglows
THE SECRETARY – Carol Bernstein

Good morning, I am Bill Noglows, Chairman of the Board of Cabot Microelectronics Corporation, and along with David Li, President and Chief Executive Officer and Director, I am pleased to welcome you to our Annual Meeting of Stockholders.

The script of our Annual Meeting will be available following the meeting through our website at cabotcmp.com. I would like to remind all of you that our conversation today may include statements that constitute forward looking statements. Such statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from these forward looking statements, and we assume no obligation to update them.

Carol Bernstein, the General Counsel and Secretary of our Company, will act as Secretary of the Meeting.

First, I would like to emphasize our appreciation for our Board of Directors, and the advice and guidance provided to our company.

I would like to acknowledge the other members of our Board of Directors who are with us today in person: Rick Hill, Barb Klein, Paul Reilly, Susan Whitney, and Geoff Wild.

The first order of business for our annual meeting is to organize the meeting and determine the presence of a quorum. Will all stockholders present and wishing to vote in person by ballot, and all persons holding proxies not previously filed, please report to the Secretary and deliver their ballots and proxies to her.

On or about January 24, 2019, our Board of Directors sent notice of this meeting to all stockholders of record as of the close of business on January 11, 2019.

The list of stockholders entitled to vote at this meeting has been open to the examination of stockholders at the Company's executive offices for more than ten days prior to this meeting as required by Delaware law.

Colleen Mumford of Cabot Microelectronics has been appointed Judge to tabulate the stockholders' votes.

Various affidavits regarding the mailing of the proxy material and the maintenance of the stockholder lists and the Oath and Certificate of the Judge will be filed with the minutes of this meeting.

I now ask the Secretary to report the number of shares represented at this meeting.

Carol Bernstein

Out of 28,918,694 shares of Common Stock entitled to vote at this meeting, there are present in person or represented by proxy at least 27,187,358 shares, or approximately 94% of such shares.

Bill Noglows

A quorum is present and we may proceed with the business of the meeting:

The next order of business is the election of directors. Our Board is currently comprised of seven directors. The Board is divided into three classes: Class I, whose terms will expire at this meeting, Class II, whose terms will expire at the 2020 annual meeting, and Class III, whose terms will expire at the 2021 annual meeting. At this meeting, we will elect two Class I directors to hold office until the 2022 Annual Meeting of Stockholders. The Secretary will now report on the nominees for Class I directors.

Carol Bernstein

I will ask the two nominees to identify themselves respectively by saying “aye” when I read their names: The Board of Directors has nominated Richard S. Hill, and Susan M. Whitney, each of whom currently serves on our Board, as directors of the Company to serve until the 2022 Annual Meeting of Stockholders or until their successors have been duly elected and qualified. In the Proxy Statement we provided you with information regarding the business experience of each of these individuals. Does anyone second these nominations?

Scott Beamer

I second the nominations.

Bill Noglows

The third order of business is the non-binding advisory vote on our company’s named executive officer compensation, as described in the Compensation, Discussion and Analysis section and related compensation tables of our Proxy Statement. We provided you with information regarding this matter in the Proxy Statement. Our Board of Directors recommends a vote in favor of this proposal. Does anyone second this proposal, which I move.

Scott Beamer

I second the motion.

Bill Noglows

The fourth order of business is the ratification of the selection of PricewaterhouseCoopers LLP as the company's independent auditors for fiscal year 2019. We provided you with information regarding our independent auditors and the services they provide in the Proxy Statement. I will now entertain a motion regarding this proposal.

Carol Bernstein

I so move.

Scott Beamer

I second the motion.

Carol Bernstein

The election of directors, the non-binding advisory vote on executive compensation, and the ratification of the selection of PricewaterhouseCoopers as the company's independent auditors will be put to vote by ballot. The affirmative vote of a plurality of the shares represented in person or by

proxy at this meeting will be necessary for the election of each director. The affirmative vote of a majority of the shares represented in person or by proxy at this meeting will be necessary to approve the non-binding advisory vote on named executive officer compensation and ratify the selection of the company's auditors.

Bill Noglows

While the voting is being completed and the results are tabulated by the Judge, David will provide you with a review of our business.

David Li

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

My comments this morning will be brief, since we covered our fiscal 2018 results and accomplishments at length during our year-end conference call in October and in our 2018 annual report.

Fiscal 2018 was another year of strong execution by our teams globally and we were proud to report record financial performance as well as the announcement of the significant acquisition of KMG at the end of the year.

From a financial perspective, we achieved record revenue, gross margin, diluted earnings per share, and free cash flow as we continued to experience strong demand for our leading technology and high-quality solutions in CMP slurries and pads.

As a result, our revenue grew 16% compared to fiscal 2017. Net Income was \$110 million and Non-GAAP Net Income was \$137 million. Non-GAAP net income increased 50% in the fiscal year, highlighting strong operating leverage of our business.

We also continued our disciplined approach towards capital deployment with a focus on returning cash to our shareholders. During the year, we returned \$72 million, or 60%, of our fiscal 2017 free cash flow to shareholders through dividends and share repurchases, and still had over \$350 million of cash on hand and no debt at the end of the fiscal year. Our strong balance sheet also allowed us to successfully finance the KMG acquisition. Finally, we doubled our quarterly dividend to \$0.40 per share, which represents an annualized rate of \$1.60 per share.

Consistent with our commitment to shareholder return, I am pleased to report that yesterday our Board of Directors declared a quarterly cash dividend of \$0.42 per share on our common stock, which will be payable on or about April 30 to shareholders of record at the close of business on March 21. We believe this 5% increase in our quarterly cash dividend demonstrates our continued confidence in our ability to generate significant cash flow.

In November, we closed on our acquisition of KMG Chemicals, which nearly doubles our revenue, greatly expands our total addressable market, and strengthens our position as a leading materials supplier to the semiconductor industry. KMG's high-purity acids, solvents, and blends expand our portfolio of electronic materials and customer solutions beyond the CMP process, and into adjacent integrated circuit manufacturing steps. In addition, KMG's performance materials business supplies

critical materials that enhance pipeline operations efficiency and protect vital infrastructure which greatly increases our participation into new and exciting industries.

We continue to expect to deliver at least \$25 million in synergies on a run rate basis within the first two years. We have already executed on actions that we expect to deliver \$14 million in synergies annually, which is \$1 million higher than the \$13 million communicated during our first quarter earnings call.

Finally, I would like to comment on our view of overall industry conditions. As we mentioned during our first quarter fiscal 2019 earnings call on February 7, we expect the semiconductor industry to return to a more traditional seasonal pattern with predicted weaker demand in the first half of the fiscal year and our guidance during our earnings call for the quarter was consistent with this trend. Now with the benefit of several more weeks of sales, we believe that our results appear to be trending slightly below the outlook we provided earlier. More specifically, we have now revised our guidance for the second quarter for total company revenue to be down low to mid-single digits on a percentage basis compared to our pro forma revenue of \$284 million for the first quarter of fiscal 2019, versus our previous guidance of down low single digits. We currently expect Electronic Materials second quarter revenue to be down low to mid-single digits on a percentage basis, compared to a low single digit decline in revenue expectations for this segment provided on our first quarter call. We believe this is a short-term headwind for our business based on industry demand conditions and expect some level of recovery in the second half of fiscal year 2019. Performance Materials revenue guidance for the second quarter remains unchanged with revenue expected to be up low single digits on a percentage basis sequentially.

Our full year guidance remains unchanged and we still expect full fiscal year 2019 adjusted EBITDA to be between \$325 million and \$355 million.

We remain optimistic about the long-term semiconductor industry outlook as continued strong demand for both memory and logic devices is driven by new applications such as the internet of things, autonomous driving, industrial automation, cloud and high-performance computing, virtual reality, and 5G, which should drive increased demand for our CMP products and electronic chemicals. At the same time, increasing oil production and aging infrastructure especially in the U.S. should continue to drive strong demand for performance materials particularly drag reducing agents.

Let me conclude my business update today by stating that we are very excited about and committed to building the premier provider of critical materials.

We remain focused on delivering innovative, high-performing and high-quality solutions, which leverage our global resources, quality systems and supply chain capabilities. We believe these attributes, combined with our focused business model, position us to deliver another year of strong performance. On behalf of all our employees around the world, I would like to thank our stockholders for your continued support over the years.

And with that, I will turn the meeting back to Bill.

Bill Noglows

Thank you, David. I now will open the meeting up to questions from the audience. Are there any questions?

At this time I would like to continue with the business of the meeting.

Carol Bernstein

I have received the Report of the Judge and am pleased to announce the vote:

In the election of directors: Each nominee received at least 19,342,201 votes, or approximately 76% of shares voted. Richard S. Hill and Susan M. Whitney therefore have been elected as directors of the Company to serve until the 2022 Annual Meeting of Stockholders or until their successors have been duly elected and qualified.

With respect to the non-binding advisory vote on the Company's named executive officer compensation, at least 23,945,471 votes or approximately 94% of shares cast on this matter, have been voted in favor of approving the Company's named executive officer compensation; therefore, the Company's named executive officer compensation is approved by non-binding advisory vote.

Finally, at least 26,427,623 shares, or approximately 97% of shares cast on this matter, have been voted in favor of ratifying the selection of the company's independent auditors for fiscal year 2019; therefore, the selection of PricewaterhouseCoopers LLP is ratified.

The Report of the Judge will be attached to the minutes of the meeting and the ballots cast will be filed with the records of the meeting.

Bill Noglows

Is there any other business to come before the meeting?

I would now like to introduce Colleen Harrison, a partner with PricewaterhouseCoopers, the Company's independent auditors, who is here with us and would be pleased to respond to appropriate questions. Are there any questions? Thank you, Colleen.

At this time, we have transacted all business to be conducted at this meeting. Is there a motion that the meeting be adjourned?

Scott Beamer

I move that the meeting be adjourned.

Carol Bernstein

I second the motion.

Bill Noglows

All those in favor, say aye.

Opposed?

The meeting is now adjourned. Thank you for attending and supporting Cabot Microelectronics.

SAFE HARBOR STATEMENT

This transcript may include statements that constitute “forward looking statements” within the meaning of federal securities regulations. These forward-looking statements include statements related to: future sales and operating results; growth or contraction, and trends in the industry and markets in which the company participates; the acquisition of, investment in, or collaboration with other entities, including the company’s acquisition of KMG Chemicals, Inc. (“KMG”), and the expected benefits and synergies of such acquisition; new product introductions; development of new products, technologies and markets; product performance; the financial conditions of the company’s customers; competitive landscape; the company’s supply chain; natural disasters; various economic or political factors and international or national events, including related to the enactment of trade sanctions, tariffs, or other similar matters; the generation, protection and acquisition of intellectual property, and litigation related to such intellectual property or third party intellectual property; environmental laws and regulations; the company’s management; foreign exchange fluctuation; the company’s current or future tax rate, including the effects of the Tax Cuts and Jobs Act in the U.S.; cybersecurity threats; and financing facilities and related debt, pay off or payment of principal and interest, and compliance with covenants and other terms; 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; and the operation of facilities by Cabot Microelectronics. These forward-looking statements involve a number of risks, uncertainties, and other factors, including those described from time to time in Cabot Microelectronics’ filings with the SEC, that could cause actual results to differ materially from those described by these forward-looking statements. In particular, see "Risk Factors" in the company’s annual report on Form 10-K for the fiscal year ended September 30, 2018, and its quarterly report on Form 10-Q for the quarter ended December 31, 2018, filed with the SEC. Cabot Microelectronics assumes no obligation to update this forward-looking information.