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Cabot Corporation Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator instructions) Your first question comes from the line of David Begleiter with Deutsche Bank. Please proceed.

David Begleiter – Deutsche Bank

Thank you. Good afternoon. Patrick, just on rubber blacks, looking at a normalized profitability of \$47 million in Q3 '08, nearly double what it was in Q3 '07. Please go through what's driven that doubling of normalized profitability ex the contract lag and LIFO impact.

Patrick Prevost

I would say that a large portion of the performance in the third quarter has been driven by a combination of volume and margin improvement and also as we said, the lag that has only been at the level of \$4 million this quarter. So, overall, we are continuing to push prices in line with and in excess of when we can raw material cost and we have maintained a strong volume picture in the rubber blacks business. As I mentioned earlier, our third quarter 2008 was just a tad below the volume of third quarter 2007 which was a highest ever volume quarter. A lot of this is due to our foresights in following our customers into the high growth regions and to a great degree into China and Asia and we're reaping the benefits of these early investments.

David Begleiter – Deutsche Bank

And lastly, given the rise in crude, can you even hazard a guess as to the contract lag and LIFO impact in Q4? This will be above \$10 million obviously.

Patrick Prevost

We're not going to change our position with regard to providing guidance but I did mention a few minutes ago that we did see a significant lag developing in the fourth quarter but, as you certainly understand, the lag is not the whole part of rubber black; the total profitability of the business will be affected by multiple factors such as volume, yield, products mix, as well as by LIFO which could have a certain swing. So, I would at this stage not want to make any prediction but certainly we're significantly watching a large potential for lag in the fourth quarter. I believe that looking at historical lag figures, you can actually develop a range of figures.

David Begleiter – Deutsche Bank

Right. Thank you.

Operator

Your next question comes from the line of Laurence Alexander with Jefferies.

Laurence Alexander – Jefferies

Good afternoon.

Patrick Prevost

Good afternoon.

Laurence Alexander – Jefferies

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