Cabot Corporation (CBT)

Updated June 30th, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	$75	**5 Year CAGR Estimate:**	18.0%	**Market Cap:**	$4.11 B
Fair Value Price:	$110	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	08/29/25[1]
% Fair Value:	68%	**5 Year Valuation Multiple Estimate:**	7.9%	**Dividend Payment Date:**	09/12/25[2]
Dividend Yield:	2.4%	**5 Year Price Target**	$161	**Years Of Dividend Growth:**	12
Dividend Risk Score:	C	**Sector:**	Materials	**Rating:**	Hold

Overview & Current Events

Cabot Corp (CBT) manufactures and sells a variety of chemicals, materials, and chemical-based products. The company organizes itself into two segments based on the product type. The reinforcement materials segment, which generates more revenue than any other segment, sells rubber-grade carbon black products used in hoses and belts in automobiles. The performance chemicals segment sells ink-jet colorants and metal oxides used in the automotive and construction industries.

On May 5th, 2025, the company announced results for the second quarter of 2025. Cabot reported non-GAAP EPS of $1.90, which beat estimates by $0.04.

This beat comes despite net sales dipping to $936 million from $1,019 million in the same quarter last year. Net income rose to $94 million, up from $84 million, showcasing the company's focus on cost discipline and operational agility. The Performance Chemicals segment delivered a standout 61% EBIT growth, driven by stronger demand for fumed metal oxides used in construction and semiconductors, a bright spot that offset weaker results in Reinforcement Materials, where lower tire demand and contract challenges weighed on performance.

Cabot returned $70 million to shareholders through dividends and buybacks, even bumping its quarterly dividend up by 5% to $0.45 per share, a move signaling confidence despite market uncertainty. CEO Sean Keohane highlighted the team's ability to adapt amid shifting global dynamics and noted that while tariffs may dampen customer demand in the second half, the company still expects Adjusted EPS for fiscal 2025 to land between $7.15 and $7.50. All in all, Cabot's resilience shines through: balancing strategic investments and cost controls while staying nimble enough to weather macro headwinds.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	-$5.27	$2.32	$3.91	-$1.85	$2.63	-$4.21	$4.34	$3.62	$7.73	$6.82	***$7.30***	***$10.73***
DPS	$0.88	$1.04	$1.23	$1.29	$1.36	$1.40	$1.40	$1.48	$1.54	$1.66	***$1.80***	***$2.30***
Shares[3]	63.4	62.9	62.7	61.7	58.8	56.6	56.8	56.9	56.5	55.7	***54.8***	***50.5***

Cabot's growth was propelled by strategic enhancements in its product offerings and geographical expansion. The Reinforcement Materials segment benefited from favorable customer agreements and increased demand in key regions, particularly Asia and Europe, which saw volume increases of 21% and 4%, respectively. Despite an 8% volume decline in the Americas, the segment's overall performance remained strong due to higher pricing and an improved product mix. The Performance Chemicals segment's growth was driven by increased volumes in specialty carbons and specialty compounds.

We have set our EPS estimate for 2025 in-line with the management's estimates. Thus, we expect the company to post EPS of $7.30 in 2025. Additionally, we estimate an EPS growth of 8.0% over the next five years, leading to our estimated

[1] Estimated ex-dividend date
[2] Estimated dividend payment date
[3] Shares in million.
Disclosure: This analyst has a long position in the security discussed in this research report.

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EPS of $10.73 by 2030. Moreover, the company has a solid record of paying dividends and has paid an increasing dividend for the past 12 years. We expect the company to maintain its dividend growth and have forecasted a dividend CAGR of 5.0%, leading to a dividend of $2.30 in 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	-7.5	20.8	14.6	-31.4	17.0	-8.8	12.3	19.0	9.5	13.1	***10.3***	***15.0***
Avg. Yld.	2.2%	2.2%	2.2%	2.2%	3.0%	3.8%	2.6%	2.2%	2.1%	1.9%	***2.4%***	***1.4%***

The company currently trades at a forward P/E of 10.3, but we believe a target P/E of 15.0, which is closer to the sector's median, is a fair reflection of its value. Thus, with the forecasted EPS of $10.73 by 2030 and a 15.0 multiple, our target stock price is $161.

Safety, Quality, Competitive Advantage, & Recession Resiliency

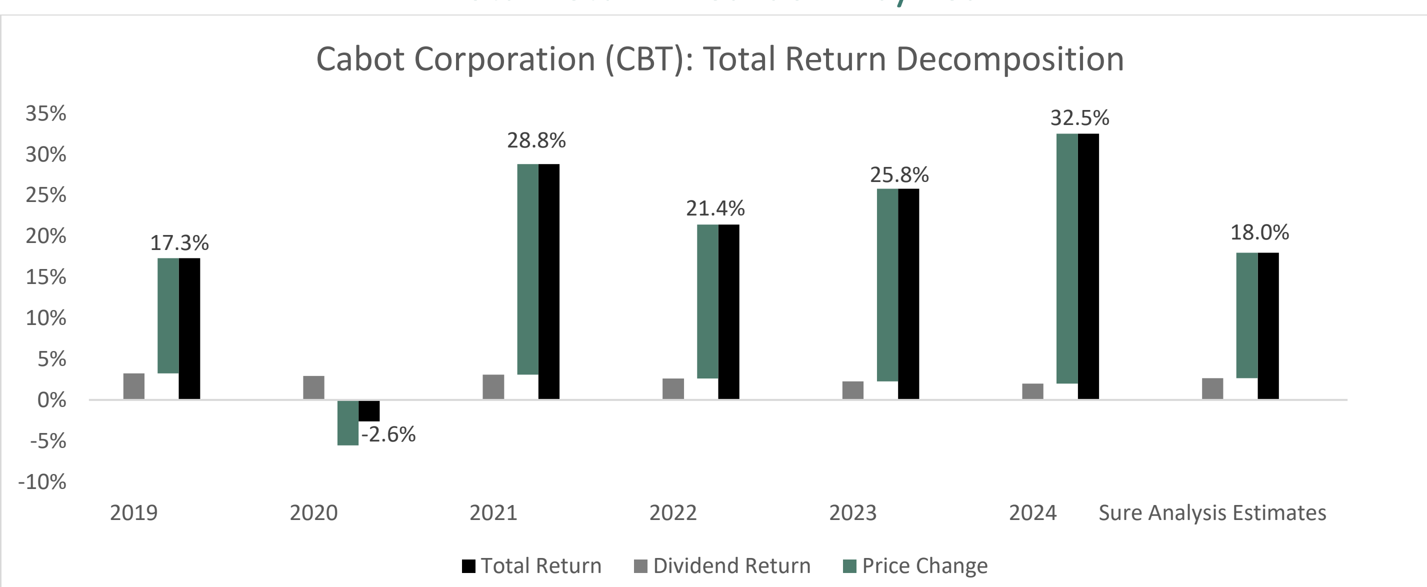
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	-17%	45%	31%	-70%	52%	-33%	32%	41%	20%	24%	***25%***	***21%***

Cabot Corporation's competitive advantage lies in its advanced material solutions and strong customer relationships, driving sustained growth. Its robust performance during economic downturns showcases resilience, supported by diversified product lines and geographic presence. In Q2 2025, Cabot Corporation reinforced shareholder value this quarter by repurchasing $47 million worth of its own shares, underscoring its commitment to returning capital even in a choppy market. As of Q2, Cabot Corporation maintained a robust liquidity position with over $1 billion in total liquidity, including $213 million in cash on hand, providing solid financial flexibility for both strategic investments and continued shareholder returns.

Final Thoughts & Recommendation

Cabot Corporation demonstrates strong financial health, strategic growth, and resilience, making it a solid investment. With robust EPS growth, prudent debt management, and shareholder-friendly policies, CBT is well-positioned for continued success. Thus, we maintain our buy rating premised upon the 18.0% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 8.0%, the 2.4% dividend yield, and a valuation tailwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2,411	2,717	3,242	3,337	2,614	3,409	4,321	3,931	3,994
Gross Profit	575	657	772	685	500	799	885	839	960
Gross Margin	23.8%	24.2%	23.8%	20.5%	19.1%	23.4%	20.5%	21.3%	24.0%
SG&A Exp.	275	262	308	290	292	289	258	253	283
D&A Exp.	161	155	149	148	158	160	146	144	151
Operating Profit	247	338	398	335	151	454	572	529	614
Op. Margin	10.2%	12.4%	12.3%	10.0%	5.8%	13.3%	13.2%	13.5%	15.4%
Net Profit	147	248	(113)	157	(238)	250	209	445	380
Net Margin	6.1%	9.1%	-3.5%	4.7%	-9.1%	7.3%	4.8%	11.3%	9.5%
Free Cash Flow	280	201	69	139	177	62	(111)	351	451
Income Tax	33	33	193	70	191	123	102	(28)	111

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3,035	3,338	3,244	3,004	2,781	3,306	3,525	3,604	3,736
Cash and Equiv.	200	280	175	169	151	168	206	238	223
Accts Receivable	456	527	637	530	418	645	836	695	733
Inventories	342	433	511	466	359	523	664	585	552
Goodwill	292	291	191	186	237	240	192	194	186
Total Liabilities	1,663	1,713	1,965	1,870	1,967	2,216	2,493	2,197	2,146
Accounts Payable	259	339	446	390	316	480	533	438	676
Long Term Debt	922	924	1,003	1,064	1,115	1,162	1,443	1,276	1,140
Book Value	1,274	1,504	1,154	998	691	947	898	1,264	1,425
LTD to Equity Ratio	0.72	0.61	0.87	1.07	1.61	1.23	1.61	1.01	0.80

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.8%	7.8%	-3.4%	5.0%	-8.2%	8.2%	6.1%	12.5%	10.4%
Return on Equity	10.8%	16.5%	-7.8%	13.0%	-24.4%	26.3%	19.7%	36.5%	25.4%
ROIC	6.4%	10.2%	-4.7%	7.0%	-11.5%	12.0%	8.8%	17.3%	14.0%
Shares Out.	62.9	62.7	61.7	58.8	56.6	56.8	56.9	56.5	55.7
Revenue/Share	38.33	43.33	52.54	56.75	46.18	60.02	75.94	69.58	71.71
FCF/Share	4.45	3.21	1.12	2.36	3.13	1.09	(1.95)	6.21	8.10

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.