CABOT CORP
Form 10-Q
February 05, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2015

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from   to

Commission file number 1-5667

Cabot Corporation

(Exact name of registrant as specified in its charter)

Delaware	04-2271897
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Two Seaport Lane

Boston, Massachusetts	02210-2019
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (617) 345-0100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o (Do not check if smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

As of February 3, 2016 the Company had 62,358,741 shares of Common Stock, par value $1.00 per share, outstanding.

CABOT CORPORATION

INDEX

Part I. Financial Information

Item 1. Financial Statements
CABOT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

UNAUDITED

	Three Months Ended December 31, 2015	2014
	(In millions, except share and per share amounts)	
Net sales and other operating revenues	$ 603	$ 812
Cost of sales	504	655
Gross profit	99	157
Selling and administrative expenses	71	78
Research and technical expenses	16	15
Income from operations	12	64
Interest and dividend income	1	1
Interest expense	(13)	(13)
Other expense	(8)	(1)
(Loss) income from continuing operations	(8)	51
Benefit (provision) for income taxes	5	(3)
Equity in earnings of affiliated companies, net of tax	—	1
Net (loss) income	(3)	49
Net income attributable to noncontrolling interests, net of tax	4	4
Net (loss) income attributable to Cabot Corporation	(7)	45
Weighted-average common shares outstanding, in millions:		
Basic	62.5	64.1
Diluted	62.5	64.6
Income per common share:		
Basic:		
Net (loss) income attributable to Cabot Corporation	$ (0.11)	$ 0.70
Diluted:		
Net (loss) income attributable to Cabot Corporation	$ (0.11)	$ 0.69
Dividends per common share	$ 0.22	$ 0.22

The accompanying notes are an integral part of these consolidated financial statements.

3

CABOT CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

UNAUDITED

	Three Months Ended December 31, 2015	2014
	(In millions)	
Net (loss) income	$ (3)	$ 49
Other comprehensive loss, net of tax		
Foreign currency translation adjustment (net of tax benefit of $- and $1)	(47)	(103)
Pension and other postretirement benefit liability adjustments		
Pension and other postretirement benefit liability adjustments arising during the period (net of tax provision of $- and $6)	(1)	21
Other comprehensive loss	(48)	(82)
Comprehensive loss	(51)	(33)
Net income attributable to noncontrolling interests	4	4
Noncontrolling interests foreign currency translation adjustment, net of tax	(3)	(2)
Comprehensive income attributable to noncontrolling interests, net of tax	1	2
Comprehensive loss attributable to Cabot Corporation	$ (52)	$ (35)

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION

CONSOLIDATED BALANCE SHEETS

ASSETS

UNAUDITED

	December 31, 2015	September 30, 2015
	(In millions)	
Current assets:		
Cash and cash equivalents	$84	$ 77
Accounts and notes receivable, net of reserve for doubtful accounts of $8 and $7	437	477
Inventories:		
Raw materials	65	69
Work in process	4	1
Finished goods	261	287
Other	39	40
Total inventories	369	397
Prepaid expenses and other current assets	66	54
Deferred income taxes	43	43
Total current assets	999	1,048
Property, plant and equipment, net	1,315	1,383
Goodwill	153	154
Equity affiliates	54	57
Intangible assets, net	149	153
Assets held for rent	90	86
Deferred income taxes	153	152
Other assets	42	42
Total assets	$2,955	$ 3,075

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

UNAUDITED

	December 31, 2015	September 30, 2015
	(In millions, except share and per share amounts)	
Current liabilities:		
Notes payable	$ 7	$ 22
Accounts payable and accrued liabilities	376	389
Income taxes payable	24	28
Deferred income taxes	1	1
Current portion of long-term debt	301	1
Total current liabilities	709	441
Long-term debt	670	970
Deferred income taxes	59	59
Other liabilities	235	240
Redeemable preferred stock	27	27
Commitments and contingencies (Note G)		
Stockholders' equity:		
Preferred stock:		
Authorized: 2,000,000 shares of $1 par value	—	—
Issued and Outstanding : None and none		
Common stock:		
Authorized: 200,000,000 shares of $1 par value		
Issued: 62,596,786 and 62,704,966 shares		
Outstanding: 62,350,493 and 62,458,396 shares	63	63
Less cost of 246,293 and 246,570 shares of common treasury stock	(8)	(8)
Additional paid-in capital	—	—
Retained earnings	1,448	1,478
Accumulated other comprehensive loss	(344)	(299)
Total Cabot Corporation stockholders' equity	1,159	1,234
Noncontrolling interests	96	104
Total stockholders' equity	1,255	1,338
Total liabilities and stockholders' equity	$ 2,955	$ 3,075

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

UNAUDITED

	Three Months Ended December 31, 2015	2014
Cash Flows from Operating Activities:		
Net (loss) income	$ (3)	$ 49
Adjustments to reconcile net (loss) income to cash provided by operating activities:		
Depreciation and amortization	41	45
Long-lived asset impairment charge (Note J)	23	—
Deferred tax benefit	—	(7)
Employee benefit plan settlement	—	18
Equity in net income of affiliated companies	—	(1)
Non-cash compensation	3	4
Other non-cash (income) expense	8	—
Changes in assets and liabilities:		
Accounts and notes receivable	30	23
Inventories	16	7
Prepaid expenses and other current assets	(13)	(2)
Accounts payable and accrued liabilities	(6)	(73)
Income taxes payable	(6)	(2)
Other liabilities	(13)	(14)
Cash dividends received from equity affiliates	3	3
Other	—	6
Cash provided by operating activities	83	56
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(24)	(41)
Proceeds from the sale of land	7	—
Change in assets held for rent	(1)	(3)
Cash used in investing activities	(18)	(44)
Cash Flows from Financing Activities:		
Repayments under financing arrangements	(3)	(3)
Increase (decrease) in notes payable, net	—	1
(Repayments of) proceeds from issuance of commercial paper, net	(11)	117
Repayments of long-term debt	—	(32)
Purchases of common stock	(14)	(47)
Proceeds from sales of common stock	1	2
Cash dividends paid to common stockholders	(14)	(14)
Cash (used in) provided by financing activities	(41)	24
Effects of exchange rate changes on cash	(17)	(15)

Increase in cash and cash equivalents	7	21
Cash and cash equivalents at beginning of period	77	67
Cash and cash equivalents at end of period	$ 84	$ 88

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

UNAUDITED

A. Basis of Presentation

The consolidated financial statements include the accounts of Cabot Corporation ("Cabot" or the "Company") and its wholly owned subsidiaries and majority-owned and controlled U.S. and non-U.S. subsidiaries. Additionally, Cabot considers consolidation of entities over which control is achieved through means other than voting rights. Intercompany transactions have been eliminated in consolidation.

The unaudited consolidated financial statements have been prepared in accordance with the requirements of Form 10-Q and consequently do not include all disclosures required by Form 10-K. Additional information may be obtained by referring to Cabot's Annual Report on Form 10-K for the fiscal year ended September 30, 2015 ("2015 10-K").

The financial information submitted herewith is unaudited and reflects all adjustments which are, in the opinion of management, necessary to provide a fair statement of the results for the interim periods ended December 31, 2015 and 2014. All such adjustments are of a normal recurring nature. The results for interim periods are not necessarily indicative of the results to be expected for the fiscal year.

B. Significant Accounting Policies

Revenue Recognition and Accounts Receivable

Cabot recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collectability is reasonably assured. Cabot generally is able to ensure that products meet customer specifications prior to shipment. If the Company is unable to determine that the product has met the specified objective criteria prior to shipment or if title has not transferred because of sales terms, the revenue is considered "unearned" and is deferred until the revenue recognition criteria are met.

Shipping and handling charges related to sales transactions are recorded as sales revenue when billed to customers or included in the sales price. Taxes collected on sales to customers are excluded from revenues.

The following table shows the relative size of the revenue recognized in each of the Company's reportable segments.

	Three Months Ended December 31, 2015	2014
Reinforcement Materials	51 %	59 %
Performance Chemicals	36 %	29 %
Purification Solutions	12 %	10 %
Specialty Fluids	1 %	2 %

Cabot derives the substantial majority of its revenues from the sale of products in Reinforcement Materials and Performance Chemicals. Revenue from these products is typically recognized when the product is shipped and title and risk of loss have passed to the customer. The Company offers certain of its customers cash discounts and volume rebates as sales incentives. The discounts and volume rebates are recorded as a reduction in sales at the time revenue is recognized and are estimated based on historical experience and contractual obligations. Cabot periodically reviews the assumptions underlying its estimates of discounts and volume rebates and adjusts its revenues accordingly.

Revenue in Purification Solutions is typically recognized when the product is shipped and title and risk of loss have passed to the customer. For major activated carbon injection systems projects, revenue is recognized using the percentage-of-completion method.

Revenue in Specialty Fluids arises primarily from the rental of cesium formate. This revenue is recognized throughout the rental period based on the contracted rental terms. Customers are also billed and revenue is recognized, typically at the end of the job, for cesium formate product that is not returned. The Company also generates revenues from cesium formate sold outside of a rental process and revenue is recognized upon delivery of the fluid.

Cabot maintains allowances for doubtful accounts based on an assessment of the collectability of specific customer accounts, the aging of accounts receivable and other economic information on both a historical and prospective basis. Customer account balances are charged against the allowance when it is probable the receivable will not be recovered. There were no material changes in the allowance for any of the years presented. There is no material off-balance sheet credit exposure related to customer receivable balances.

Intangible Assets and Goodwill Impairment

The Company records tangible and intangible assets acquired and liabilities assumed in business combinations under the acquisition method of accounting. Amounts paid for an acquisition are allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition. Goodwill is comprised of the purchase price of business acquisitions in excess of the fair value assigned to the net tangible and identifiable intangible assets acquired. Goodwill is not amortized, but is reviewed for impairment annually as of May 31, or when events or changes in the business environment indicate that the carrying value of the reporting unit may exceed its fair value. A reporting unit, for the purpose of the impairment test, is at or below the operating segment level, and constitutes a business for which discrete financial information is available and regularly reviewed by segment management. The reporting units with goodwill balances are Reinforcement Materials, Purification Solutions, and Fumed Metal Oxides. The separate businesses included within Performance Chemicals are considered separate reporting units. As such, the goodwill balance relative to Performance Chemicals is recorded in the Fumed Metal Oxides reporting unit.

For the purpose of the goodwill impairment test, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an initial qualitative assessment identifies that it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value, an additional quantitative evaluation is performed under the two-step impairment test. Alternatively, the Company may elect to proceed directly to the quantitative goodwill impairment test. If based on the quantitative evaluation the fair value of the reporting unit is less than its carrying amount, the Company performs an analysis of the fair value of all assets and liabilities of the reporting unit. If the implied fair value of the reporting unit's goodwill is determined to be less than its carrying amount, an impairment is recognized for the difference. The fair value of a reporting unit is based on discounted estimated future cash flows. The fair value is also benchmarked against a market approach using the guideline public companies method. The assumptions used to estimate fair value include management's best estimates of future growth rates, operating cash flows, capital expenditures and discount rates over an estimate of the remaining operating period at the reporting unit level. Should the fair value of any of the Company's reporting units decline below its carrying amount because of reduced operating performance, market declines, changes in the discount rate, or other conditions, charges for impairment may be necessary. Based on the Company's most recent annual goodwill impairment test performed as of May 31, 2015, the fair values of the Reinforcement Materials and Fumed Metal Oxides reporting units were substantially in excess of their carrying values. The fair value of the Purification Solutions reporting unit was less than its carrying amount and an impairment was recorded in the third fiscal quarter of 2015. Due to the impairment recorded as of June 30, 2015, the fair value of the Purification Solutions reporting unit was insignificantly higher than its carrying value as of the last impairment date. No events occurred subsequent to the last impairment evaluation that would suggest that it is more likely than not that the carrying values of any of our reporting units exceeded their fair value.

Nonetheless, the future growth in the Purification Solutions segment is highly dependent on achieving the expected volumes and margins in the activated carbon based mercury removal business. These volumes and margins are highly dependent on demand for mercury removal products and the Company's successful realization of its anticipated share of volumes in this business. The expected demand for mercury removal products significantly depends on: (1) the implementation and enforcement of environmental laws and regulations, particularly those that would require U.S. based coal-fired electric utilities to reduce the quantity of air pollutants they release, including mercury, to comply with the Mercury and Air Toxics Standards ("MATS") issued by the U.S. Environmental Protection Agency ("EPA") and (2) other factors such as the anticipated usage of activated carbon in the coal-fired energy units. The MATS regulation has been subject to legal challenge and, in June 2015, the U.S. Supreme Court held that the EPA unreasonably failed to consider costs in determining whether it is necessary and appropriate to regulate hazardous air pollutants, including mercury, emitted by coal-fired utilities, and remanded the case back to the United States Court of Appeals for the District of Columbia Circuit Court for further proceedings. On December 15, 2015, the D.C. Circuit Court ruled to keep the MATS regulation in place while the EPA works to address the cost analysis required by the U.S. Supreme Court's decision. EPA has indicated that it will complete this work by April 2016.

The Company uses assumptions and estimates in determining the fair value of assets acquired and liabilities assumed in a business combination. The determination of the fair value of intangible assets requires the use of significant judgment with regard to assumptions used in the valuation model. The Company estimates the fair value of identifiable acquisition-related intangible assets principally based on projections of cash flows that will arise from these assets. The projected cash flows are discounted to determine the fair value of the assets at the dates of acquisition.

Definite-lived intangible assets, which are comprised of trademarks, customer relationships and developed technologies, are amortized over their estimated useful lives and are reviewed for impairment when indication of potential impairment exists, such as a significant reduction in cash flows associated with the assets. The Company recognized an impairment on intangible assets associated with the Purification Solutions business in the third fiscal quarter of 2015 and no events have been subsequently identified that would require an additional impairment evaluation.

Long-lived Assets Impairment

The Company's long-lived assets primarily include property, plant and equipment, intangible assets, long-term investments and assets held for rent. The carrying values of long-lived assets are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be recoverable.

To test for impairment of assets, the Company generally uses a probability-weighted estimate of the future undiscounted net cash flows of the assets over their remaining lives to determine if the value of the asset is recoverable. Long-lived assets are grouped with other assets and liabilities at the lowest level for which independent identifiable cash flows are determinable.

An asset impairment is recognized when the carrying value of the asset is not recoverable based on the analysis described above, in which case the asset is written down to its fair value. If the asset does not have a readily determinable market value, a discounted cash flow model may be used to determine the fair value of the asset. In circumstances when an asset does not have separate identifiable cash flows, an impairment charge is recorded when the Company no longer intends to use the asset.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation of property, plant and equipment is calculated using the straight-line method over the estimated useful lives. The depreciable lives for buildings, machinery and equipment, and other fixed assets are twenty to twenty-five years, ten to twenty-five years, and three to twenty-five years, respectively. The cost and accumulated depreciation for property, plant and equipment sold, retired, or otherwise disposed of are removed from the Consolidated Balance Sheets and resulting gains or losses are included in earnings in the Consolidated Statements of Operations. Expenditures for repairs and maintenance are charged to expenses as incurred. Expenditures for major renewals and betterments, which significantly extend the useful lives of existing plant and equipment, are capitalized and depreciated.

Income Tax in Interim Periods

The Company records its tax provision or benefit on an interim basis using an estimated annual effective tax rate. This rate is applied to the current period ordinary income or loss to determine the income tax provision or benefit allocated to the interim period. Losses from jurisdictions for which no benefit can be recognized and the income tax effects of unusual or infrequent items are excluded from the estimated annual effective tax rate and are recognized in the impacted interim period.

Valuation allowances are provided against the future tax benefits that arise from the deferred tax assets in jurisdictions for which no benefit can be recognized. The estimated annual effective tax rate may be significantly impacted by nondeductible expenses and the Company's projected earnings mix by tax jurisdiction. Adjustments to the estimated annual effective income tax rate are recognized in the period when such estimates are revised.

Inventory Valuation

Inventories are stated at the lower of cost or market. The cost of all carbon black inventories in the U.S. is determined using the last-in, first-out ("LIFO") method. Had the Company used the first-in, first-out ("FIFO") method instead of the LIFO method for such inventories, the value of those inventories would have been $28 million and $30 million higher as of December 31, 2015 and September 30, 2015, respectively. The cost of Specialty Fluids inventories, which are classified as assets held for rent, is determined using the average cost method. The cost of other U.S. and non-U.S. inventories is determined using the first-in, first-out (“FIFO”) method.

Cabot reviews inventory for both potential obsolescence and potential declines in anticipated selling prices. In this review, the Company makes assumptions about the future demand for and market value of the inventory, and based on these assumptions estimates the amount of any obsolete, unmarketable, slow moving, or overvalued inventory. Cabot writes down the value of these inventories by an amount equal to the difference between the cost of the inventory and its estimated net realizable value.

Pensions and Other Postretirement Benefits

The Company recognizes the funded status of defined benefit pension and other postretirement benefit plans as an asset or liability. This amount is defined as the difference between the fair value of plan assets and the benefit obligation. The Company is required to recognize as a component of other comprehensive income, net of tax, the actuarial gains/losses and prior service costs/credits that arise but were not previously required to be recognized as components of net periodic benefit cost. Other comprehensive income is adjusted as these amounts are later recognized in income as components of net periodic benefit cost.

Accumulated Other Comprehensive (Loss) Income

Accumulated other comprehensive (loss) income, which is included as a component of stockholders’ equity, includes unrealized gains or losses on available-for-sale marketable securities and derivative instruments, currency translation adjustments in foreign subsidiaries, translation adjustments on foreign equity securities and minimum pension liability adjustments.

Recent Accounting Pronouncements

In May 2014, the FASB issued a new standard related to the “Revenue from Contracts with Customers” which amends the existing accounting standards for revenue recognition. The standard requires entities to recognize revenue when they transfer promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. This standard is applicable for fiscal years beginning after December 15, 2017 and for interim periods within those years and early adoption is permitted for the fiscal years beginning after December 15, 2016. The Company expects to adopt this standard on October 1, 2018. The Company is currently evaluating the impact the adoption of this standard may have on its consolidated financial statements.

In April 2015, the FASB issued a new standard simplifying the presentation of debt issuance costs by requiring debt issuance costs to be presented as a reduction of the corresponding debt liability. This will make the presentation of debt issuance costs consistent with the presentation of debt discounts or premiums. This standard is applicable for fiscal years beginning after December 15, 2015 and for interim periods within those years and early adoption is permitted. The Company expects to adopt this standard on October 1, 2016. The adoption of this standard is not expected to materially impact the Company’s consolidated financial statements.

In November 2015, the FASB issued a new standard that amends the existing accounting standard for Income Taxes and simplifies the presentation of deferred income taxes. This will require that deferred income tax assets and liabilities be classified as noncurrent on the balance sheet. This standard is applicable for fiscal years beginning after December 15, 2016 and for interim periods within those years and early adoption is permitted. The Company is evaluating this standard and the timing of its adoption. The adoption of this standard is not expected to materially impact the Company’s consolidated financial statements.

C. Employee Benefit Plans

Net periodic defined benefit pension and other postretirement benefit costs include the following:

	Three Months Ended December 31,							
	2015		2014		2015		2014	
	Pension Benefits				Postretirement Benefits			
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
	(Dollars in millions)							
Service cost	$—	$ 2	$—	$ 2	$—	$ —	$—	$ —
Interest cost	1	2	2	3	—	—	—	—
Expected return on plan assets	(3)	(3)	(3)	(4)	—	—	—	—
Amortization of prior service credit	—	—	—	—	(1)	—	(1)	—
Amortization of actuarial loss	—	1	—	1	—	—	—	—
Settlement and curtailment cost (credit)	—	—	—	18	(1)	—	—	—
Net periodic (credit) benefit cost	$(2)	$ 2	$(1)	$ 20	$(2)	$ —	$(1)	$ —

Settlement of employee benefit plan

Effective October 1, 2014, the Company transferred the defined benefit obligations and pension plan assets in one of its foreign defined benefit plans to a multi-employer plan. As a result of the transfer, a pre-tax charge of $18 million was recorded in the three months ended December 31, 2014 as reflected in Settlement costs in the table above. The pre-tax charge consists of $27 million released from Accumulated other comprehensive (loss) income ("AOCI") and $2 million of employer contributions at the time of the settlement, partially offset by an $11 million release of the pension liability. The settlement charge has been recorded primarily in Cost of sales in the Consolidated Statements of Operations.

D. Goodwill and Intangible Assets

Cabot had goodwill balances of $153 million and $154 million at December 31, 2015 and September 30, 2015, respectively. The carrying amount of goodwill attributable to each reportable segment with goodwill balances and the changes in those balances during the three month period ended December 31, 2015 are as follows:

	Reinforcement Materials	Performance Chemicals	Purification Solutions	Total
	(Dollars in millions)			
Balance at September 30, 2015	$55	$ 9	$ 90	$154

Foreign currency impact	(1)	—	—	(1)
Balance at December 31, 2015	$54	$ 9	$ 90	$153

The following table provides information regarding the Company's intangible assets:

	December 31, 2015			September 30, 2015		
	Gross Carrying Value	Accumulated Amortization	Net Intangible Assets	Gross Carrying Value	Accumulated Amortization	Net Intangible Assets
	(Dollars in millions)					
Intangible assets with finite lives						
Developed technologies	$48	$ (2)	$ 46	$48	$ (1)	$ 47
Trademarks	15	—	15	16	—	16
Customer relationships	95	(7)	88	96	(6)	90
Total intangible assets	$158	$ (9)	$ 149	$160	$ (7)	$ 153

Intangible assets are amortized over their estimated useful lives, which range from fourteen to twenty-five years, with a weighted average amortization period of approximately nineteen years. Amortization expense for the three months ended December 31, 2015 and 2014 was $2 million and $4 million, respectively, and is included in Cost of sales and Selling and administrative expenses in the Consolidated Statements of Operations. Total amortization expense is estimated to be approximately $9 million each year for the next five fiscal years.

E. Stockholders' Equity

In fiscal 2007, the Board of Directors authorized Cabot to repurchase up to ten million shares of Cabot's common stock in the open market or in privately negotiated transactions. This authorization did not have a set expiration date. During the first quarter of fiscal 2015, Cabot repurchased 925,700 shares of its common stock under this authorization.

In January 2015, the Board of Directors authorized Cabot to repurchase up to five million shares of its common stock in the open market or in privately negotiated transactions and cancelled the previous authorization. Cabot has repurchased 1,594,300 shares of its common stock under this authorization. As of December 31, 2015, 3,405,700 shares remain available for repurchase under the current authorization. The Company retired the repurchased shares and recorded the excess of the purchase price over par value to additional paid-in capital until such amount was reduced to zero and then charged the remainder against retained earnings.

During the first three months of both fiscal 2016 and 2015, Cabot paid cash dividends of $0.22 per share of common stock for a total of $14 million.

Noncontrolling interest

The following table illustrates the noncontrolling interest activity for the periods presented:

	2015	2014
	(Dollars in millions)	
Balance at September 30	$104	$122
Net income attributable to noncontrolling interests	4	4
Noncontrolling interest foreign currency translation adjustment	(3)	(2)
Noncontrolling interest dividends	(9)	—
Balance at December 31	$96	$124

The dividends declared during the three months ended December 31, 2015 were not paid during the period.

F. Accumulated Other Comprehensive Loss

Comprehensive income combines net (loss) income and other comprehensive income items, which are reported as components of stockholders' equity in the accompanying Consolidated Balance Sheets.

Changes in each component of AOCI, net of tax, are as follows:

	Currency Translation Adjustment	Unrealized Gains on Investments	Pension and Other Postretirement Benefit Liability Adjustments	Total
	(Dollars in millions)			
Balance at September 30, 2015, attributable to Cabot Corporation	$(239)	$ 2	$ (62)	$(299)
Other comprehensive loss before reclassifications	(47)	—	—	(47)
Amounts reclassified from accumulated other comprehensive (loss) income	—	—	(1)	(1)
Net other comprehensive items	(286)	2	(63)	(347)
Less: Noncontrolling interest	(3)	—	—	(3)
Balance at December 31, 2015, attributable to Cabot Corporation	$(283)	$ 2	$ (63)	$(344)

13

The amounts reclassified out of AOCI and into the Consolidated Statements of Operations in the three months ended December 31, 2015 and 2014 are as follows:

	Affected Line Item in the Consolidated Statements of Operations	Three Months Ended December 31, 2015	2014
		(Dollars in millions)	
Pension and other postretirement benefit liability adjustment			
Amortization of actuarial losses	Net Periodic Benefit Cost - see Note C for details	$ 1	$ 1
Amortization of prior service cost	Net Periodic Benefit Cost - see Note C for details	(1)	(1)
Settlement and curtailment (credit) cost	Net Periodic Benefit Cost - see Note C for details	(1)	27
Total before tax		(1)	27
Tax impact	Benefit for income taxes	—	(6)
Total after tax		$ (1)	$ 21

G. Commitments and Contingencies

Purchase Commitments

Cabot has entered into long-term purchase agreements primarily for the purchase of raw materials. Under certain of these agreements the quantity of material being purchased is fixed, but the price paid changes as market prices change. For those commitments, the amounts included in the table below are based on market prices at December 31, 2015.

	Payments Due by Fiscal Year						
	Remainder of Fiscal 2016	2017	2018	2019	2020	Thereafter	Total
	(Dollars in millions)						
Reinforcement Materials	$ 144	$ 136	$ 135				