

# Agilent Technologies

## Q1'15 Results Presentation



# Safe Harbor

This presentation contains forward-looking statements (including, without limitation, information and future guidance on the company's goals, priorities, revenues, demand, growth opportunities, customer service and innovation plans, new product introductions, financial condition, earnings, share repurchases, the company's ability to pay dividends, ability to access capital markets, the continued strengths and expected growth of the markets the company sells into, operations, operating earnings, and tax rates) that involve risks and uncertainties that could cause results of Agilent to differ materially from management's current expectations. The words "anticipate," "plan," "estimate," "expect," "intend," "will," "should" "forecast" "project" and similar expressions, as they relate to the company, are intended to identify forward-looking statements.

In addition, other risks that the company faces in running its operations include the ability to execute successfully through business cycles; the ability to successfully adapt its cost structures to continuing changes in business conditions; ongoing competitive, pricing and gross margin pressures; the risk that our cost-cutting initiatives will impair our ability to develop products and remain competitive and to operate effectively; the impact of geopolitical uncertainties on our markets and our ability to conduct business; the ability to improve asset performance to adapt to changes in demand; the ability to successfully introduce new products at the right time, price and mix; the risk that the rationales for the separation will not be realized, and other risks detailed in the company's filings with the Securities and Exchange Commission, including our annual report on Form 10-K for the year ended October 31, 2014.

The company assumes no obligation to update the information in these presentations. These presentations and the Q&A that follows include non-GAAP measures. Non-GAAP measures exclude primarily the impacts of acquisition and integration costs, future restructuring costs, asset impairment charges, NMR business exit costs, and non-cash intangibles amortization. Also excluded are tax benefits that are not directly related to ongoing operations and which are either isolated or cannot be expected to occur again with any regularity or predictability. Most of these excluded amounts pertain to events that have not yet occurred and are not currently possible to estimate with a reasonable degree of accuracy. Accordingly, no reconciliation to GAAP amounts has been provided.

# Agilent Results Q1'15

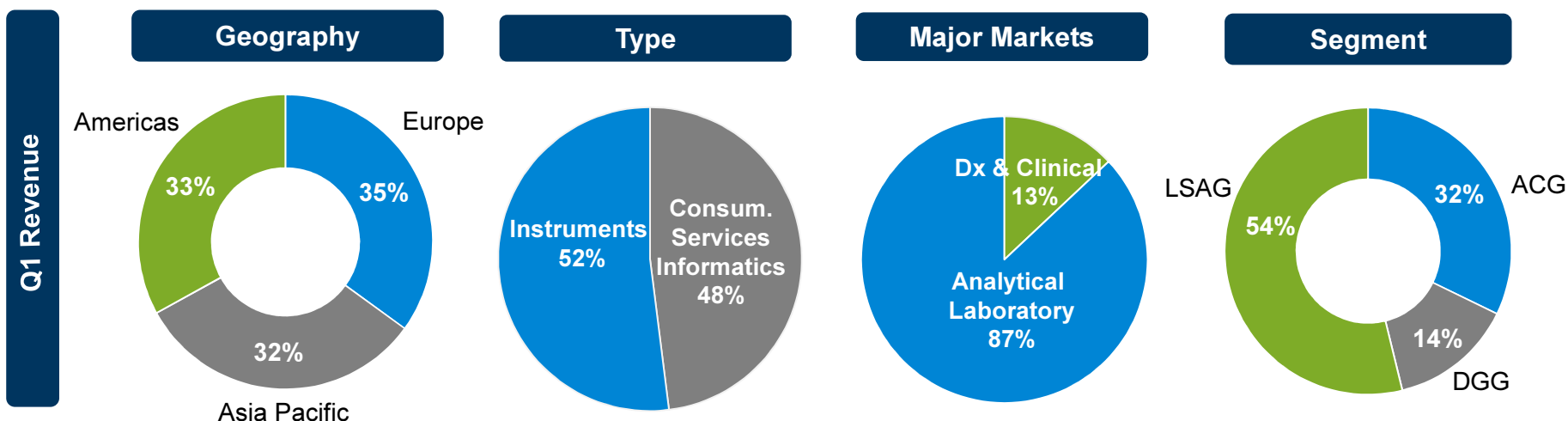
Scale and leading technology across Analytical Laboratories and Clinical & Dx markets

## Q1'15 Financial Metrics

- **Orders:** \$995M, +2% y/y (+6% core)<sup>(1)</sup>
- **Revenues:** \$1.03B, +2% y/y (+6% core)<sup>(1)(2)</sup>
- **Operating Margin:** 17.2% of revenue<sup>(2)</sup>  
(Operating Margin adjusted for Keysight reimbursement: 18.2%<sup>(2)(3)</sup>)
- **EPS:** \$0.41<sup>(2)</sup>

## Q1 Headlines

- Strong Analytical Lab growth led by outstanding Cross Labs performance
- Growth in Analytical Labs offset FX headwinds and delivered solid profitability
- DGG strength in companion diagnostics offset by regulatory remediation expense and manufacturing issues resolved late in the quarter
- FDA warning letter remediation on track



(1) Core growth is reported growth adjusted for the effects of M&A and FX (2) Presented on a non-GAAP basis; reconciliations to closest GAAP equivalent provided.  
(3) Operating margin adjusted for \$11M reimbursement from Keysight for Agilent IT and site services.

# Life Sciences & Applied Markets Group (LSAG)

Instrumentation and Informatics  
for Analytical Laboratories



- **Q1'15 Revenue of \$547M**
- **Y/Y Growth: +2%**
- **Y/Y Core Growth: +5%**

- **Revenue growth broad based** across most product lines and end-markets
- **Operating Margin** for the quarter was 19.6%<sup>(1)(2)</sup>
- Growth continues to be **driven by new offerings**:
  - **1290 Infinity II LC System**, launched in Q4, extremely well received. System sets new benchmark in analytical, instrument and laboratory efficiency.
  - **New spectroscopy products**, such as recently released FTIR imaging hardware and software enhancements are accelerating research through improved workflows, opening up imaging to a wider range of non-spectroscopy customers

(1) Presented on a non-GAAP basis; reconciliations to closest GAAP equivalent provided (2) As reported - excludes adjustment for Keysight reimbursement

# Agilent Cross Lab Group (ACG)

## Analytical Laboratory Consumables and Services



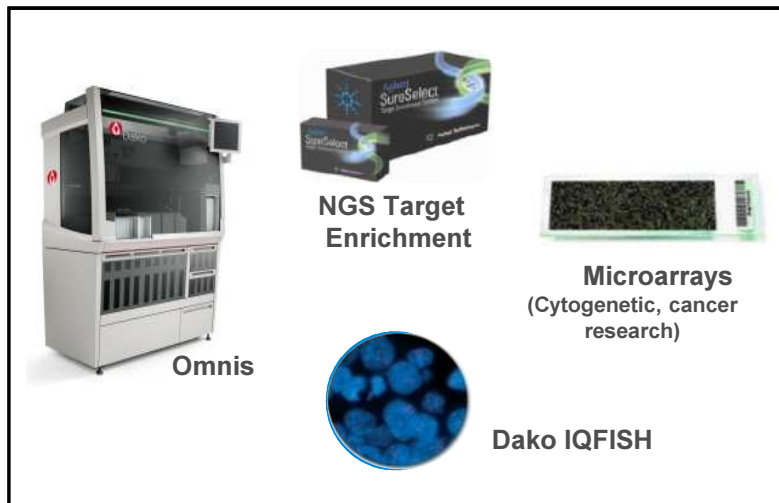
- **Q1'15 Revenue of \$331M**
- **Y/Y Growth: +5%**
- **Y/Y Core Growth: +10%**

- **Revenue growth** strong across consumable supplies, columns, sample prep and services
- **Operating Margin** in the quarter was 20.7%<sup>(1)(2)</sup>
- Performance reflects the **innovative products** Agilent is bringing to market and the **customer value proposition** of our CrossLab strategy:
  - Exceptional growth and demand for **QuEChERS sample prep kits**
  - Introduction of **RFID Inventory Management services** seeing strong acceptance in the market

(1) Presented on a non-GAAP basis; reconciliations to closest GAAP equivalent provided (2) As reported - excludes adjustment for Keysight reimbursement

# Diagnostics and Genomics Group (DGG)

Pathology, Genomics, and  
Nucleic Acid Manufacturing



- **Q1'15 Revenue of \$148M**
- **Y/Y Growth: -6%**
- **Y/Y Core Growth: -1%**

- **Operating Margin** for the quarter was 0.5%<sup>(1)(2)</sup>
- Strength in **companion diagnostics** offset by **regulatory remediation expense** and **manufacturing issues** resolved late in the quarter
- Growth highlights include **SureSelect NGS Target Enrichment** and record placements of **Omnis Instruments**. Announced strategic **partnership with Cell Signaling Technology** to supply antibodies for use with Dako-branded diagnostics products.
- **FDA warning letter remediation** efforts going well, on track to be complete by Q4
- DGG expected to **return to double-digit operating margin** in Q2, driven by recently announced restructuring and return to normal manufacturing operations

(1) Presented on a non-GAAP basis; reconciliations to closest GAAP equivalent provided (2) As reported - excludes adjustment for Keysight reimbursement

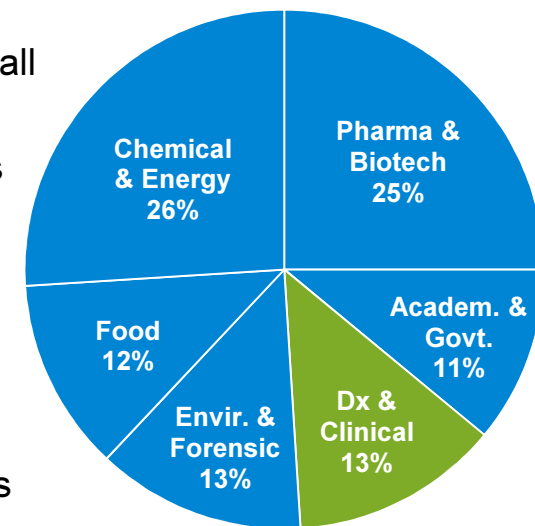
# Growth in a \$44B Market – Q1'15 Results by End Market

*Growth across most markets led by performance in the Analytical Laboratory*

## Analytical Laboratory End Markets

- Q1'15 revenues: +3% y/y growth
  - Pharma & Biotech: Up 6% on technology refresh, mid to small sized pharma demand and sustained after market growth
  - Food: Up 5% on solid worldwide demand from governments & major food manufacturers
  - Environmental & Forensics: Up 2% driven by China's focus on environmental clean-up
  - Academia & Govt: Up 1%; increased funding from China and Europe
  - Chemical & Energy: Flat vs last year due to drop in oil prices

**Agilent Revenue by End Market <sup>(1)</sup>**



## Diagnostics and Clinical

- Q1'15 revenues: Down 4% y/y, impacted by internal issues

(1) % of Q115 Agilent revenue. Recast customer mapping beginning in FY15 due to implementation of new tracking system.

# Profitable Growth: Aggressively Improving Operating Margins to 22% by FY17<sup>(1)</sup>

Drive annual operating margin incrementals over 30% on core<sup>(2)</sup> revenue growth of 5% or more

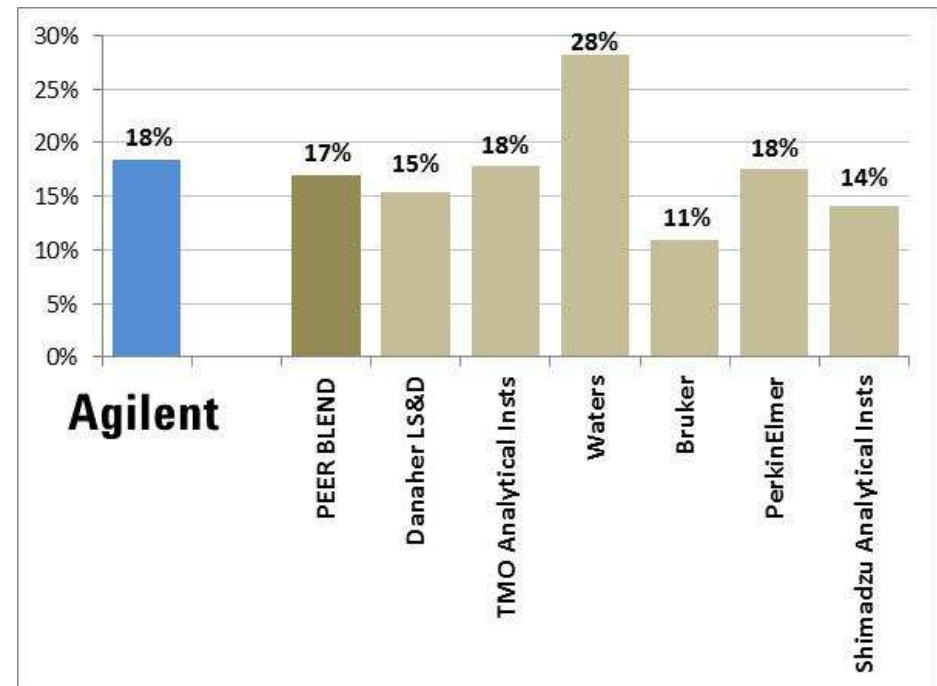
- Leverage current R&D and sales channel investments
- Expand Gross Margins - product engineering, manufacturing excellence
- Reduce dis-synergy costs

## Close operational issues

- China FCPA investigation remediated. Sales team back on track
- Exit of NMR hardware business on track  
Estimated FY15 impact:
  - Operating profit increase of ~\$15M
- Continue work to resolve Dako FDA warning letter issues
  - Estimated ~\$18M in incremental FY15 costs (70% in first half)

*Improving margins 300 basis points over FY14*

## Q1'15 TTM Adjusted Operating Margin Comparison<sup>(3)</sup>



(1) Not guidance. Shown on a non-GAAP basis; (2) Core growth is reported growth less the effects of FX and M&A; (3) Peer margins as self-reported in company press releases or analyst presentations. Agilent figure is Q1'15 adjusted for Keysight reimbursement. - figure will be updated for TTM when Agilent Q2-Q4'15 restatements are completed.



# Agilent Profitable Growth Plan

## Recent Actions

- **Q1'15 Re-organization – streamlining and aligning to strategy**
  - Launched multi-year “Agile Agilent” Program to increase efficiency and customer focus
  - Program Initiatives expected to lower costs by \$50M in FY15
    - New business group structure & portfolio
    - Consolidated Sales Channel
    - Central Research Lab
    - NMR Restructuring
  
- **Portfolio Investments**
  - Exit of NMR Hardware Business proceeding as planned
  - Central Research Lab – reduced investment, now Life Sciences and Diagnostics focus only
  - Ensuring aligning to most attractive growth opportunities
  
- **Innovation Driven Organic Growth**
  - New LC - 1290 Infinity II – September Launch
  - New Spectroscopy offering – 5100 ICP-OES, FTIR Enhancements
  - Strengthening Mass Spectrometry Leadership
    - New ICPMS- 7900
    - LC-MS – new 6495 QQQ 6120 Single Quad and 6560 Q/TOF offerings
    - GC-MS – new 7010 QQQ and 7200 GC Q-TOF

## FY15 Agilent Capital Allocation

- **Forecast FY15 Operating Cash Flow of \$550M**
- **Invest in the Business**
  - *FY15 Capital expenditures of \$120M*
- **Return \$500M in capital to shareholders in FY15**
  - *~\$135M in Dividends*
  - *~\$365M in opportunistic Share repurchases*
- **Maintain investment grade rating**

# Agilent Strategy to Win

## *Creating shareholder value*

- ***Grow organically at the high end of the market***
  - Focus on sustaining share growth within the core Analytical Lab
  - Continue to bring innovative new offerings to the market
  - Expand lab-wide services & consumables with a differentiated customer experience
  - Leverage Analytical Lab strength to drive growth in genomics, clinical research, and diagnostics markets
  
- ***Aggressively expand operating margins from 19% to 22% by FY17***
  - Focus on growing adjusted operating margins through portfolio and order fulfillment transformation programs
  - Leverage SG&A and R&D investments
  - Reduce dis-synergies
  - Execute exit of NMR hardware business. Close Dako FDA warning letter
  
- ***Deploy capital for long term shareholder value***
  - Invest in the business
  - Return unused cash to shareholders
    - Plan to return ~\$500M through combination of dividends( ~\$135M) and opportunistic share buybacks (~\$365M) in FY15
  - Maintain investment grade rating

# Q2'15 and FY15 Guidance and Forward-looking Considerations

Based on January 31, 2015 Exchange Rates

	FY14 Actual <sup>(2)</sup>	FY15 Guidance at mid-point <sup>(1)(2)</sup>
<b>Net Revenue (M\$)</b>	<b>\$4,048</b>	<b>\$4,090</b>
<i>Y/Y Revenue Growth</i>	<i>3.9%</i>	<i>1.0%</i>
<b>Operating Profit (M\$)</b>	<b>\$763</b>	<b>\$ 753</b>
<i>Op Margin %</i>	<i>18.8%</i>	<i>18.4%</i>
<i>Net Interest Expense (M\$)</i>		<i>\$(59)</i>
<i>Other Income (M\$)</i>		<i>\$26</i>
<b>Pre-Tax Income (M\$)</b>		<b>\$ 720</b>
<b>Net Income (M\$)</b>		<b>\$ 576</b>
<b>EPS</b>		<b>\$ 1.70</b>
<i>Outstanding Shares (Diluted) (MM)</i>		<i>338</i>
<b>Adjusted Operating Profit (M\$) <sup>(3)</sup></b>		<b>\$779</b>
<b>Adjusted OM% <sup>(3)</sup></b>		<b>19.0%</b>

(1) As of Feb 17, 2015, based on 1/31/15 exchange rates.

(2) Presented on a non-GAAP basis.

(3) Adjusted for FY15 IT and rental billings to Keysight; directly comparable to FY14 reported figure

## FY15 Guidance

- Revenue: \$4.06B - \$4.12B; growth at mid-point 6.9% core, 1.0% reported <sup>(1)</sup>
- EPS: \$1.67 - \$1.73, assumed diluted share count 338M <sup>(1)(2)</sup>

## Q2'15 Guidance

- Revenue: \$985M-\$1.005B; growth at mid-point 7.5% core, 0.7% reported <sup>(1)</sup>
- EPS: \$0.37-\$0.41, assumed diluted share count 338M <sup>(1)(2)</sup>

## FY15 Company Split Financial Considerations

- **Dis-Synergies: Peak in FY15, a Transition Year.**
- **Transition Services and Operating Margin Impact**
  - About \$26M of Other Income expected to come from transitional services billed to Keysight Technologies:
  - \$12M first half weighted for IT services and \$14M for ongoing rental income
  - Beginning in Q1'15, services billings recognized in Other Income, but costs in SG&A, shifting credit from Operating Margin to Pre-tax Earnings (no net earnings impact)
  - FY15 Op Margin forecast of 18.4% at mid-point of guidance is equivalent to 19.0% when adjusted for this shift
- **New Tax Rate:** Non-GAAP Tax Rate of 20%

# Agilent Technologies

## Reconciliations and Appendix



**AGILENT TECHNOLOGIES, INC.**  
**NON-GAAP INCOME FROM CONTINUING OPERATIONS AND DILUTED EPS RECONCILIATIONS**  
(In millions, except per share amounts)  
(Unaudited)  
**PRELIMINARY**

	Three Months Ended January 31,			
	2015	Diluted EPS	2014	Diluted EPS
GAAP Income from continuing operations	\$ 102	\$ 0.30	\$ 121	\$ 0.36
Non-GAAP adjustments:				
Restructuring and other related costs	—	—	(2)	(0.01)
Acceleration of share-based compensation related to workforce reduction	1	—	—	—
Intangible amortization	43	0.13	49	0.14
Transformational initiatives	12	0.04	3	0.01
Acquisition and integration costs	1	—	6	0.02
Pre-separation costs	—	—	2	0.01
Nuclear Magnetic Resonance (NMR) business exit	3	0.01	—	—
Unallocated corporate costs	—	—	10	0.03
Other	1	—	1	—
Adjustment for taxes <sup>(a)</sup>	(24)	(0.07)	(50)	(0.15)
Non-GAAP Income from continuing operations	<u>\$ 139</u>	<u>\$ 0.41</u>	<u>\$ 140</u>	<u>\$ 0.41</u>

<sup>(a)</sup> The adjustment for taxes excludes tax benefits that management believes are not directly related to ongoing operations and which are either isolated or cannot be expected to occur again with any regularity or predictability. For the three months ended January 31, 2015 and 2014, management uses a non-GAAP effective tax rate of 20% and 16%, respectively, that we believe to be indicative of on-going operations.

Historical amounts are reclassified to conform with current presentation.

We provide non-GAAP income from continuing operations and non-GAAP income from continuing operations per share amounts in order to provide meaningful supplemental information regarding our operational performance and our prospects for the future. These supplemental measures exclude, among other things, charges related to the amortization of intangibles, the impact of restructuring charges, acquisition and integration costs, NMR business exit and pre-separation costs. Some of the exclusions, such as impairments, may be beyond the control of management. Further, some may be less predictable than revenue derived from our core businesses (the day to day business of selling our products and services). These reasons provide the basis for management's belief that the measures are useful.

**Restructuring costs** include incremental expenses incurred in the period associated with publicly announced major restructuring programs, usually aimed at material changes in business and/or cost structure. Such costs may include one-time termination benefits, asset impairments, facility-related costs and contract termination fees.

**Transformational initiatives** include expenses incurred in the period associated with targeted cost reduction activities such as manufacturing transfers, small site consolidations, reorganizations, insourcing or outsourcing of activities. Such costs may include move and relocation costs, one-time termination benefits and other one-time reorganization costs.

**Acquisition and Integration costs** include all incremental expenses incurred to effect a business combination which have been expensed during the period. Such acquisition costs may include advisory, legal, accounting, valuation, and other professional or consulting fees. Such integration costs may include expenses directly related to integration of business and facility operations, information technology systems and infrastructure and other employee-related costs.

**Pre-separation costs** include Agilent-specific incremental expenses incurred in order to effect the separation, through November 1, 2014 distribution date.

**Net loss on extinguishment of debt** relates to the early redemption of some of our senior notes.

Our management uses non-GAAP measures to evaluate the performance of our core businesses, to estimate future core performance and to compensate employees. Since management finds this

Our management recognizes that items such as amortization of intangibles, net loss on debt extinguishment and restructuring charges can have a material impact on our cash flows and/or our net

Readers are reminded that non-GAAP numbers are merely a supplement to, and not a replacement for, GAAP financial measures. They should be read in conjunction with the GAAP financial

The preliminary non-GAAP net income and diluted EPS reconciliation is estimated based on our current information.

**AGILENT TECHNOLOGIES, INC.**  
**RECONCILIATIONS OF REVENUE BY SEGMENT AND**  
**REVENUE BY REGION EXCLUDING THE IMPACT OF CURRENCY ADJUSTMENTS (CORE)**  
(in millions)  
(Unaudited)  
**PRELIMINARY**

<u>Revenue by Segment</u>	Year-over-Year						
	GAAP			Currency Adjustments <sup>(a)</sup>	Currency-Adjusted		
	Q1'15	Q1'14	Year-over-Year % Change	Q1'15	Q1'15	Q1'14	Year-over-Year % Change
Life Sciences and Applied Markets Group	\$ 547	\$ 537	2%	\$ (18)	\$ 565	\$ 537	5%
Diagnostics and Genomics Group	148	157	-6%	(8)	156	157	-1%
Agilent Crosslab Group	331	314	5%	(14)	345	314	10%
Agilent	<u>\$ 1,026</u>	<u>\$ 1,008</u>	2%	<u>\$ (40)</u>	<u>\$ 1,066</u>	<u>\$ 1,008</u>	6%

<u>Revenue by Region</u>	Year-over-Year						
	GAAP			Currency Adjustments <sup>(a)</sup>	Currency-Adjusted		
	Q1'15	Q1'14	Year-over-Year % Change	Q1'15	Q1'15	Q1'14	Year-over-Year % Change
Revenue	\$ 1,026	\$ 1,008	2%	\$ (40)	\$ 1,066	\$ 1,008	6%
Americas	342	334	3%	(3)	345	334	4%
Europe	361	353	2%	(26)	387	353	10%
Japan	54	67	-19%	(9)	63	67	-6%
Other Asia Pacific	269	254	6%	(2)	271	254	6%
Total Revenue	<u>\$ 1,026</u>	<u>\$ 1,008</u>	2%	<u>\$ (40)</u>	<u>\$ 1,066</u>	<u>\$ 1,008</u>	6%
Asia Pacific	\$ 323	\$ 321	1%	\$ (11)	\$ 334	\$ 321	4%

<sup>(a)</sup> We compare the year-over-year change in revenue excluding the effect of foreign currency rate fluctuations to assess the performance of our underlying business. To determine the impact of currency fluctuations, current period results for entities reporting in currencies other than United States dollars are converted into United States dollars at the actual exchange rate in effect during the respective prior periods.

The preliminary reconciliation of GAAP revenue adjusted for the impact of currency is estimated based on our current information.

**AGILENT TECHNOLOGIES, INC.**  
**RECONCILIATION OF INCOME FROM OPERATIONS TO REPORTABLE SEGMENT INCOME**  
**FROM OPERATIONS AND OPERATING MARGINS**  
(In millions, except margin data)  
(Unaudited)  
**PRELIMINARY**

	Q1 2015	Operating Margin %
<b>Revenue:</b>		
Life Sciences and Applied Markets Group	\$ 547	
Agilent Crosslab Group	331	
Diagnostics and Genomics Group	148	
<b>Agilent</b>	<b>\$ 1,026</b>	
<b>Income from operations:</b>		
<b>GAAP Income from operations</b>	<b>\$ 115</b>	
Amortization of intangible assets	43	
Transformational programs	12	
Acquisition and integration costs	1	
Nuclear Magnetic Resonance (NMR) business exit	3	
Accelerated shares-based compensation expense	1	
Other	1	
<b>Non - GAAP reportable segment income from operations</b>	<b>\$ 176</b>	17.2%
Reimbursement from Keysight for services <sup>(a)</sup>	<b>11</b>	
Non-GAAP income from operations excluding reimbursement from Keysight	<b>\$ 187</b>	18.2%
<b>Breakdown of reportable segment income from operations:</b>		
Life Sciences and Applied Markets Group	\$ 107	19.6%
Agilent Crosslab Group	68	20.7%
Diagnostics and Genomics Group	1	0.5%
<b>Agilent</b>	<b>\$ 176</b>	17.2%

(a) Post separation, Agilent is providing Keysight certain IT and site services. These IT and site services are included in our operating expenses. The amounts billed to Keysight for these services are recorded in other income.

We provide non-GAAP income from operations in order to provide meaningful supplemental information regarding our operational performance and our prospects for the future. These supplemental measures exclude, among other things, charges related to the amortization of intangibles, the impact of restructuring charges, acquisition and integration costs, pre-separation costs and NMR business exit costs. Some of the exclusions, such as impairments, may be beyond the control of management. Further, some may be less predictable than revenue derived from our core businesses (the day to day business of selling our products and services). These reasons provide the basis for management's belief that the measures are useful.

Our management recognizes that items such as amortization of intangibles and restructuring charges can have a material impact on our cash flows and/or our net income. Our GAAP financial statements including our statement of cash flows portray those effects. Although we believe it is useful for investors to see core performance free of special items, investors should understand that the excluded items are actual expenses that may impact the cash available to us for other uses. To gain a complete picture of all effects on the company's profit and loss from any and all events, management does (and investors should) rely upon the GAAP income statement. The non-GAAP numbers focus instead upon the core business of the company, which is only a subset, albeit a critical one, of the company's performance.

Readers are reminded that non-GAAP numbers are merely a supplement to, and not a replacement for, GAAP financial measures. They should be read in conjunction with the GAAP financial measures. It should be noted as well that our non-GAAP information may be different from the non-GAAP information provided by other companies.



# Innovation-driven growth by Agilent

## Recent new Agilent offerings



7890B-5977A GC-Q/MS



7010 GC-Q/QQ

New in 2014



7200 GC-Q/TOF



6560 LC-Q/TOF



6495 LC-Q/QQ

New in 2014



AriaMx Real-Time PCR System

New in 2014



8454 UV/Vis

New in 2014



Cary 7000 UMS

F&I 100 AWARD WINNER



Cary 630 FTIR

IBO GOLD AWARD WINNER



4300 handheld FTIR

New in 2014



1290 Infinity II LC

New in 2014



Lab Operations Service and Support: RFID Inventory Management

Analytical Scientist 2014 TASIA AWARD WINNER



4200 MP-AES

New in 2014



5100 ICP-OES

New in 2014



8800 ICP-Q/QQ

F&I 100 AWARD WINNER



7900 ICP-Q/MS

New in 2014



HPLC Quick Connect fitting

New in 2014

Analytical Scientist 2014 TASIA AWARD WINNER



Omnis

