

# Agilent Technologies

## Q4'14 Results

*(Reflects Life Sciences, Diagnostics and Applied Markets  
For EMG results and outlook, see [investor.keysight.com](http://investor.keysight.com))*



# Safe Harbor

This presentation contains forward-looking statements (including, without limitation, information and future guidance on the company's goals, priorities, the planned separation of our Electronic Measurement Group, revenues, demand, growth opportunities, customer service and innovation plans, new product introductions, financial condition, earnings, 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 ability to effectively manage and execute the separation; 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-Q for the quarter ended July 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, pre-separation costs, 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 Q4'14 and FY14

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

## Q4'14 Financial Metrics

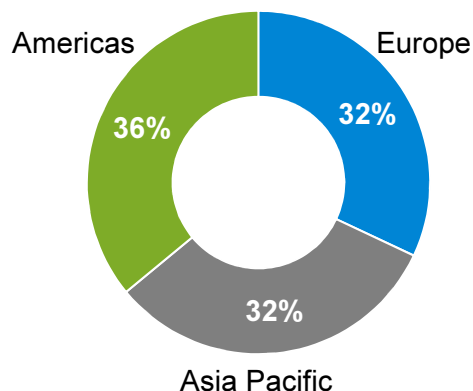
- **Orders:** \$1.14B, +5% y/y (+6% core)<sup>(1)</sup>
- **Revenues:** \$1.04B, +3% y/y (+4% core)<sup>(1)(2)</sup>
- **Announced exit from NMR instr. business**  
(Ex NMR: orders +8% core; revenue +5% core)<sup>(1)(2)</sup>
- **Operating Margin:** 20.4% of revenue<sup>(2)</sup>

## FY14 Financial Metrics and Headcount

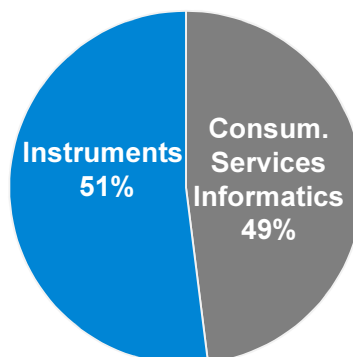
- **Orders:** \$4.2B, + 5% y/y (+4 core)<sup>(1)</sup>
- **Revenues:** \$4.0B, +4% y/y (+4% core)<sup>(1)(2)</sup>
- **Operating Margin:** 18.8% of revenue<sup>(2)</sup>
- **ROIC:** 12%<sup>(2)</sup>
- **Headcount:** ~12,000

Q4 Revenue & Headcount

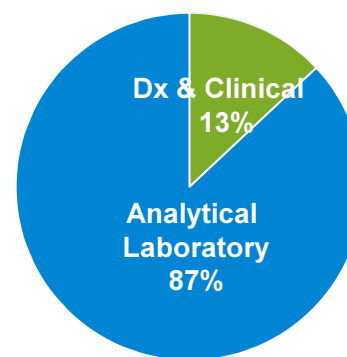
### Geography



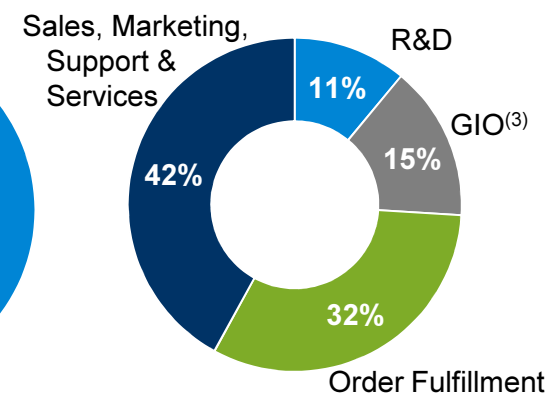
### Type



### Major Markets



### Headcount



(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 provide. See reconciliations for definition of ROIC. (3) Global Infrastructure Organization includes Finance, HR, Legal, IT, Workplace Services, Quality and Regulatory Assurance

# Growth in a \$44B Market - Q4'14 Results by End Market

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

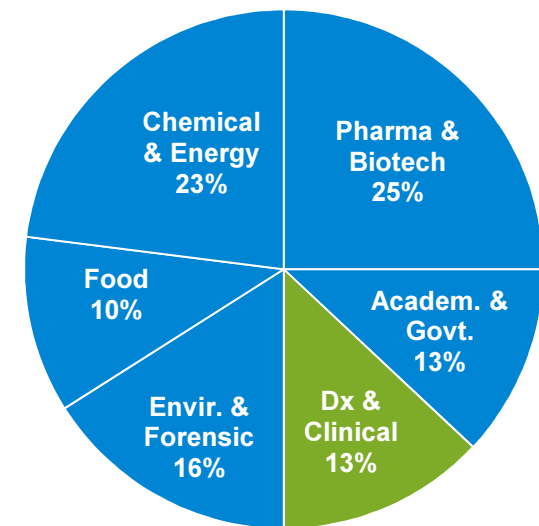
## Leader in the Analytical Laboratory<sup>(1)</sup>

- 87% of Agilent revenue<sup>(2)</sup>
- Q4 Revenues: +3% y/y growth, +5% ex NMR
- Growth vs Q4'13 across all end markets:
  - Applied markets<sup>(3)</sup> (+2% led by food & forensics)
  - Pharma & Biotech (+5%)
  - Academia & Government Research (+4%)

## Emerging position in Diagnostics and Clinical<sup>(1)</sup>

- 13% of Agilent revenue<sup>(2)</sup>, +1% y/y growth
  - Strength in genomics cancer applications and pain/therapeutic monitoring
  - Lower pathology revenues

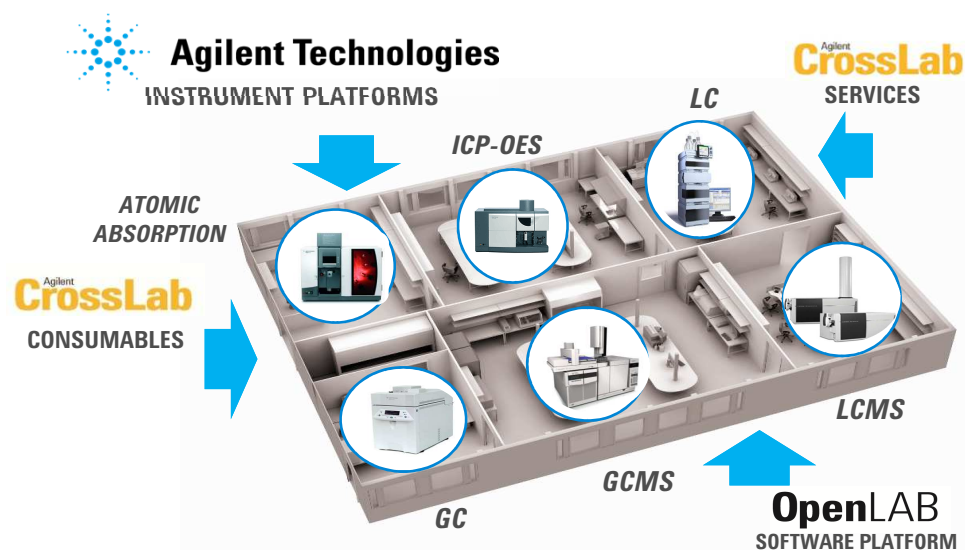
**Agilent Revenue by End Market<sup>(2)</sup>**



(1) Market size, growth and position per company estimates (2) % of Q4'14 Agilent revenue (3) Applied Markets include Chemical & Energy, Environmental, Forensics, Food

# Growth through Leadership in the Analytical Lab - Q4'14

Adding to the Portfolio - Building on Strength



**\$34B Market**  
**Growing 3%-5%<sup>(1)</sup>**  
**87% of Agilent Revenue<sup>(2)</sup>**

- Expanding the portfolio. Major product releases Q4'14:**
- **Separations: 1290 Infinity II LC System** - sets new benchmark in analytical & laboratory efficiency
  - **Mass Spec: 7010 Triple Quad GCMS & 7200 GC/Q-TOF** – expands pesticide screening beyond capabilities of any other system
  - **Spectroscopy: 5100 ICP-OES** – runs 55% faster using 50% less gas per sample than competition
  - **Informatics: OpenLAB Chromatography Data System** – one of the most comprehensive software control systems in the industry

Agilent Key Products <sup>(3)</sup>	Agilent Market Position <sup>(1)</sup>	Agilent Rev. CAGR <sup>(4)</sup> FY10-FY14 11%	% of Agilent Rev. <sup>(2)</sup>
Separations (LC & GC)	#1	5%	46%
Mass Spec. (LC, GC, & ICP)	Co-leader	4%	
Spectroscopy	#3	15%	
Informatics	#2	11%	2%
Service & Support	#2	12%	20%
Consumables	#3	7%	18%

(1) Market size, growth, and position per Company estimates; (2) Percentage of Q414 LDA revenue; (3) Key Products represent >85% of LDA revenue; (4) LDA growth as reported.



# Leveraging Analytical Lab Strength for Genomics Research and Cancer Diagnostics – Q4'14 highlights

## ANALYTICAL LAB

Versatile, leading-edge analytical tools

- Separations
- Spectroscopy
- Mass Spectrometry
- Consumables, Services, Informatics



## ROUTINE CLINICAL & DX

Full solutions for advanced diagnostics

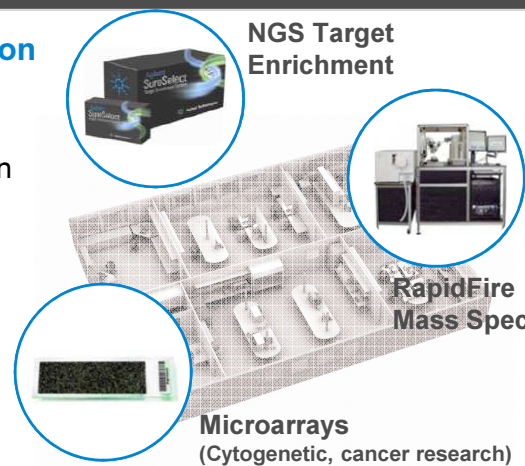
- H&E Staining
- Advanced Staining
- FISH probes



## CLINICAL RESEARCH

Enable the transition from discovery to diagnostics

- Cytogenetic Solution (aCGH)
- SureSelect
- LC-MS
- SureFISH



**Q4'14: Strong Mass spec demand for pain and therapeutic monitoring**

### Q4'14 Introductions:

- **ClearSeq AML** – first in a line of NGS panels developed for cancer research
- **Sure Select Focused Exome products** - provide the most comprehensive, high performance NGS solutions for post natal research



# FY15 Focus

## *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***
  - Focus on growing our 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 in FY15
  - Maintain investment grade rating

# Agilent Technologies

## Financials and Capital Allocation





# Q1'15 and FY15 Guidance and Forward-looking Considerations

	FY14 Actual	FY15 Guidance at mid-point
<b>Net Revenue (M\$)</b>	<b>\$4,048</b>	<b>\$4,150</b>
<i>Y/Y Revenue Growth</i>	3.9%	2.5%
<b>Operating Profit (M\$)<sup>(1)</sup></b>	<b>\$763</b>	<b>\$ 768</b>
<i>Op Margin %</i>	18.8%	18.5%
<i>Net Interest Expense (M\$)</i>		\$ (63)
<i>Other Income (M\$)</i>		\$29
<b>Pre-Tax Income (M\$)</b>		<b>\$ 734</b>
<b>Net Income (M\$)</b>		<b>\$ 587</b>
<b>EPS</b>		<b>\$ 1.73</b>
<i>Outstanding Shares (Basic) (MM)</i>		334
<i>Outstanding Shares (Diluted) (MM)</i>		340
<b>Adjusted Operating Profit (M\$)<sup>(2)</sup></b>		<b>\$794</b>
<b>Adjusted OM%<sup>(2)</sup></b>		<b>19.1%</b>

(1) Presented on a non-GAAP basis;

(2) Adjusted for FY15 change in accounting treatment for Keysight lease and services billings; directly comparable to reported figure in FY14.

## FY15 Guidance

- Revenue: \$4.12B - \$4.18B; growth at mid-point 4.9% core, 2.5% reported
- EPS: \$1.68 - \$1.78, assumed diluted share count 340M

## Q115 Guidance

- Revenue: \$1.02B-\$1.04B; growth at mid-point 4.9% core, 2.2% reported
- EPS: \$0.39-\$0.43; assumed diluted share count 340M
- Net Income negatively impacted in Q1 by customary seasonal factors: annual salary increases take effect in December, front-end loading of stock based compensation recognition, and increase in payroll taxes due to disbursement of previous semester bonus pay

## FY15 Financial Considerations

- Net Interest Expense is forecasted at \$63M and Other Income at \$29M.
- About \$26M of Other Income comes from transitional services billed to Keysight:
  - \$12M is first half weighted for IT services and \$14M for ongoing rental income.
  - Beginning in Q115, services billings are 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 18.5% at mid-point of guidance is equivalent to 19.1% when adjusted for this change in accounting.
- Non-GAAP Tax Rate of 20%

## FY15 Agilent Capital Allocation

- **Forecast FY15 Operating Cash Flow of \$600M**
- **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 Technologies

## Reconciliations



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

<u>Revenue</u>	GAAP			Year-over-Year	Currency Adjustments <sup>(a)</sup>	Currency-Adjusted		
	Q4'14	Q4'13	Year-over-Year % Change		Q4'14	Q4'14	Q4'13	Year-over-Year % Change
Life Sciences, Diagnostics and Applied Markets (LDA)	\$ 1,043	\$ 1,013	3%		\$ (9)	\$ 1,052	\$ 1,013	4%
Life Sciences, Diagnostics and Applied Markets (LDA) less NMR	\$ 1,028	\$ 984	4%		\$ (9)	\$ 1,037	\$ 984	5%

<u>Revenue</u>	GAAP			Year-over-Year	Currency Adjustments <sup>(a)</sup>	Currency-Adjusted		
	YTD 2014	YTD 2013	Year-over-Year % Change		YTD 2014	YTD 2014	YTD 2013	Year-over-Year % Change
Life Sciences, Diagnostics and Applied Markets (LDA)	\$ 4,048	\$ 3,894	4%		\$ (16)	\$ 4,064	\$ 3,894	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.**  
**LIFE SCIENCES, DIAGNOSTICS AND APPLIED MARKETS (LDA)**  
**(Unaudited)**  
**PRELIMINARY**

(In millions, except margins data)

	FY 2014				
	Q1	Q2	Q3	Q4	Total
Orders	\$ 979	\$ 1,030	\$ 1,017	\$ 1,145	\$ 4,171
Net revenue	\$ 1,008	\$ 988	\$ 1,009	\$ 1,043	\$ 4,048
Gross margin %	54.1%	52.9%	53.2%	53.8%	53.5%
Income from operations	\$ 194	\$ 166	\$ 190	\$ 213	\$ 763
Operating margin %	19.2%	16.8%	18.8%	20.4%	18.8%

	FY 2013				
	Q1	Q2	Q3	Q4	Total
Orders	\$ 961	\$ 987	\$ 926	\$ 1,087	\$ 3,961
Net revenue	\$ 958	\$ 972	\$ 951	\$ 1,013	\$ 3,894
Gross margin %	53.1%	53.1%	52.5%	54.2%	53.2%
Income from operations	\$ 163	\$ 178	\$ 174	\$ 217	\$ 732
Operating margin %	17.1%	18.2%	18.3%	21.4%	18.8%

Life Sciences, Diagnostics and Applied Markets (LDA) is not a reportable segment. LDA reflects the combined results of 2 of our reportable segments; Life Sciences and Diagnostics Group (LDG) and Chemical Analysis Group (CAG).

Income from operations reflect the combined results of our reportable segments under Agilent's management reporting system which are not necessarily in conformity with GAAP financial measures. Income from operations of our reporting segments exclude, among other things, charges related to the amortization of intangibles, the impact of restructuring charges, acquisition and integration costs, NMR business exit costs and pre-separation costs.

In general, recorded orders represent firm purchase commitments from our customers with established terms and conditions for products and services that will be delivered within six months.

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.

The preliminary segment information is estimated based on our current information.



**AGILENT TECHNOLOGIES, INC.**  
**RECONCILIATION OF ROIC**  
(In millions)  
(Unaudited)  
**PRELIMINARY**

		<b>LDA</b>
		<b>(New Agilent)</b>
		<b>FY'14</b>
<b>Numerator:</b>		
Non-GAAP income from operations	\$	763
Less:		
Taxes and Other (income)/expense		119
		644
Segment return annualized	\$	644
<b>Denominator:</b>		
Segment assets <sup>(a)</sup>	\$	6,126
Less:		
Net current liabilities <sup>(b)</sup>		766
Invested capital	\$	5,360
Average invested capital	\$	5,373
ROIC		12%

ROIC calculation: (annualized current quarter segment return)/(average of the five most recent quarter-end balances of Segment Invested Capital)

<sup>(a)</sup> Segment assets consist of inventory, accounts receivable, property plant and equipment, gross goodwill and other intangibles, deferred taxes and allocated corporate assets.

<sup>(b)</sup> Includes accounts payable, employee compensation and benefits, deferred revenue, certain other accrued liabilities and allocated corporate liabilities.

Return on Invested Capital (ROIC) is a non-GAAP measure that management believes provides useful supplemental information for management and the investor. ROIC is a tool by which we track how much value we are creating for our shareholders. Management uses ROIC as a performance measure for our businesses, and our senior managers' compensation is linked to ROIC improvements as well as other performance criteria. We believe that ROIC provides our management with a means to analyze and improve their business, measuring segment profitability in relation to net asset investments. We acknowledge that ROIC may not be calculated the same way by every company. When we complete a major acquisition, we may adjust invested capital for the relevant segment in the quarter when the acquisition occurred. We compensate for this limitation by monitoring and providing to the reader a full GAAP income statement and balance sheet.

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.

The preliminary reconciliation of ROIC is estimated based on our current information.