



# Agilent Technologies Q1'18 Results Presentation

# Safe Harbor

This presentation contains forward-looking statements (including, without limitation, information and future guidance on the company's goals, priorities, revenues, operating profit and operating margin, expected cash flow, growth opportunities, customer service and innovation plans, new product introductions, financial condition and considerations, earnings, share repurchases, 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 strategic and 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 impact of currency exchange rates on our financial results; 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, 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, 2017.

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, transformation initiatives, and non-cash intangibles amortization. We also exclude any tax benefits that are not directly related to ongoing operations and which are either isolated or is not expected to occur again with any regularity or predictability, including the impact of Tax Reform. 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 Q1'18

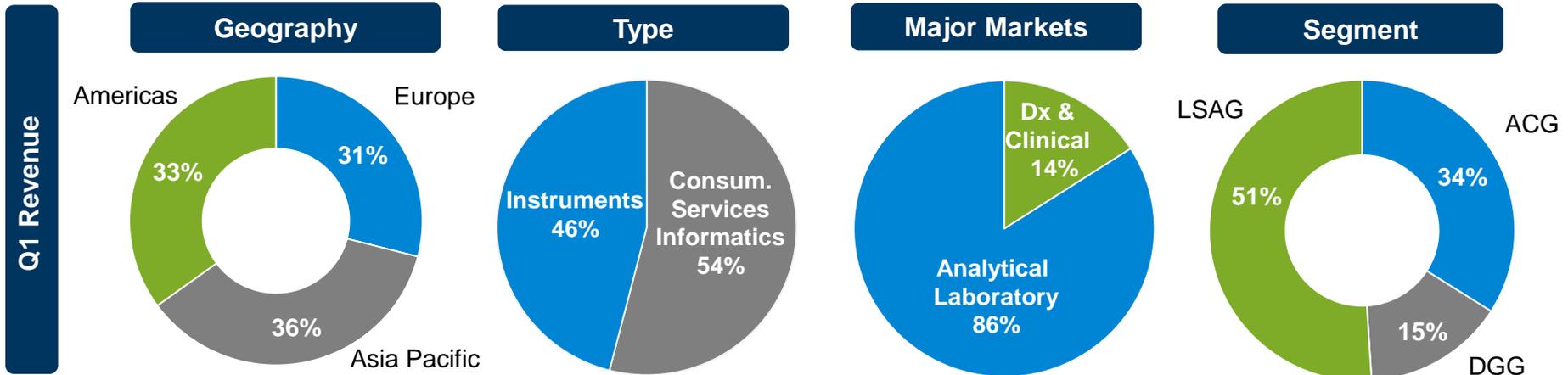
Scale and leading technology across Analytical Laboratories and Clinical & Dx markets

## Q1'18 Financial Metrics

- **Revenues:** \$1.21B, +9.7% y/y core<sup>(1)(2)</sup>, +13.5% reported (+0.4% M&A, +3.4% FX). Core growth across all businesses and geographies.
- **Operating Margin:** 22.2% of revenue<sup>(2)</sup>. OM of 22.5%<sup>(2)(3)</sup> adjusted for Keysight billings up 130 basis points y/y.
- **EPS:** \$0.66<sup>(2)</sup> in Q1'18, up 25% y/y.

## Q1'18 Headlines

- **Growth:** Fourth consecutive quarter of double-digit Chemical & Energy growth. Results in Applied Markets, Academic & Government, China, Europe, and Americas led the gains.
- **Margins:** twelfth consecutive quarter of operating margin expansion.
- **Capital Allocation:** Generated Operating Cash Flow of \$215M, paid \$48M in dividends and repurchased 674K shares for \$47M.



(1) Core growth is reported growth adjusted for the effects of acquisitions and divestitures, and FX (2) Presented on a non-GAAP basis; reconciliations to closest GAAP equivalent provided. (3) Operating margin adjusted for reimbursement from Keysight for site services classified as "Other Income."

# Life Sciences & Applied Markets Group (LSAG)

## Instrumentation and Informatics for Analytical Laboratories



- Q1'18 Revenue of \$618M
- Y/Y Growth: +14% (+11% core<sup>(1)(3)</sup>)

- **Core revenue growth** fueled by double-digit gains in major platforms led by Mass Spec and Cell Analysis, demand in Europe and China and broad strength across end-markets.
- **Operating Margin** for the quarter was 25.8%<sup>(1)(2)</sup>, up 240 bps versus last year.
- Acquired **Luxcel Biosciences**, a developer of real-time fluorescence plate-readers based in-vitro cell assay kits.
- The Analytical Scientist magazine, which specializes in analytical chemistry, named the **Agilent Ultivo Triple Quadrupole LC/MS system coupled with the Agilent 1260 Infinity II Prime LC** on its list of the top innovations of 2017.

(1) Presented on a non-GAAP basis; reconciliations to closest GAAP equivalent provided (2) Not adjusted for Keysight reimbursement;  
(3) Core growth is reported growth adjusted for the effects of Acquisitions and Divestitures, and FX

# Agilent Cross Lab Group (ACG)

## Analytical Laboratory Consumables and Services



- Q1'18 Revenue of \$408M
- Y/Y Growth: +12% (+9% core<sup>(1)(3)</sup>)

- **Continued strong revenue performance.** Growth was balanced across services and consumables. China and Food led growth across all regions and major end-markets.
- **Operating Margin** in the quarter was 21.6%<sup>(1)(2)</sup>, up 130 bps versus last year.
- Agilent's **Captiva Enhanced Matrix Removal–Lipid technology** was named one of 2017's top innovations by The Analytical Scientist magazine.
- **New Offerings:**
  - Launched the **ValueLab line of consumables** for China, providing budget-conscious customers more options.
  - Launched the **CrossLab Service Guarantee:** if a non-Agilent instrument under contract cannot be repaired, it will be replaced with the Agilent equivalent.

(1) Presented on a non-GAAP basis; reconciliations to closest GAAP equivalent provided;

(2) Not adjusted for Keysight reimbursement;

(3) Core growth is reported growth adjusted for the effects of acquisitions and divestitures, and FX

# Diagnosics and Genomics Group (DGG)

## Pathology, Genomics, and Nucleic Acid Manufacturing



- **Continued strong demand** for pathology products and companion diagnostics services. China and Americas led regional gains.
- **Operating Margin** for the quarter was 11.7%<sup>(1)(2)</sup>, down 260 bps versus last year.
- **Several notable product launches:**
  - **CRISPR Activation and Interference (a/i) libraries** enables the easy and flexible implementation of targeted functional assays for the entire genome.
  - **GenetiSure Dx Postnatal Assay** began shipping. This is Agilent's first comparative genomic hybridization (CGH) assay approved by the FDA for diagnostic use in the US.

- **Q1'18 Revenue of \$185M**
- **Y/Y Growth: +13% (+8% core<sup>(1)(3)</sup>)**

(1) Presented on a non-GAAP basis; reconciliations to closest GAAP equivalent provided (2) Not adjusted for Keysight reimbursement; (3) Core growth is reported growth adjusted for the effects of acquisitions and divestitures, and FX

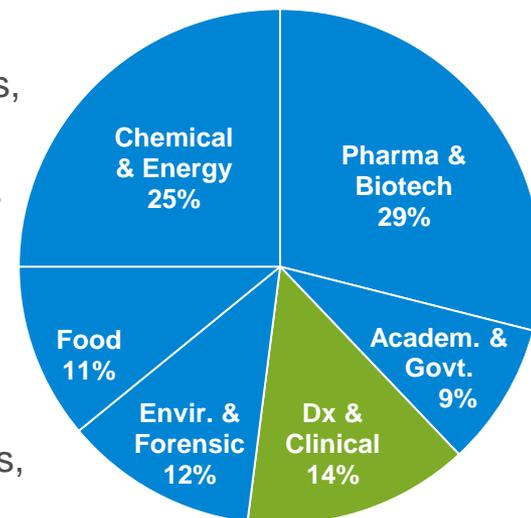
# Growth in a \$21B Market – Q1'18 Results by End Market

*Broad gains highlighted by robust Chemical & Energy, Environmental & Forensics, and Academia & Government*

## Analytical Laboratory End Markets

- Q1'18 revenues: +11% y/y on core<sup>(2)</sup> basis
  - Pharma & Biotech: Up 8% with balanced growth across instruments, services and consumables in both Small Molecule and Bio-pharma.
  - Academia & Govt: Up 11% driven by demand in Europe and China.
  - Environmental & Forensics: Up 14% led by strength in Forensics and demand for GC, GC/MS, and ICP/MS.
  - Food: Up 8%, led by consumables, mass spec and GC with regional strength in Europe.
  - Chemical & Energy: Up 13% with broad-based gains across regions, products, and sub-segments.

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



## Diagnostics and Clinical End Markets

- Q1'18 revenues: +5% y/y on core<sup>(2)</sup> basis
  - Led by Pathology and Companion Diagnostics with strength in the Americas and Japan.

(1) % of Q1'18 Agilent revenue, (2) Core growth is reported growth adjusted for the effects of acquisitions and divestitures and FX .

# Agilent Profitable Growth Plan

## Recent Actions

### ▪ **Delivering on “Agile Agilent” Initiatives**

- Multi-year program to increase efficiency and customer focus.  
Operating Margin up year-over-year – 12<sup>th</sup> consecutive quarter.

### ▪ **Portfolio Investments and “Go-to-Market” Capability**

- Acquired Luxcel Biosciences, a developer of real-time fluorescence plate-readers based in-vitro cell assay kits.
- Building new e-commerce capabilities such as E-renewal of support contracts, making it easier for customers to do business with Agilent.
- Continuing construction on Nucleic Acids Solutions facility expansion.

### ▪ **Innovation Driven Growth**

- The Ultivo Triple Quadrupole LC/MS system was recognized as one of the top 2017 innovations by the Analytical Scientist. And, Industry Business Outlook recognized Agilent as the “Company of the Year” in the Life Sciences tools market for our innovation across the company.
- Launched expanded SureGuide pooled CRISPR libraries for functional genomics, offering pooled libraries for CRISPR activation and interference (CRISPR a/i). The flexibility of Agilent's platform now brings to researchers CRISPR a/i libraries incorporating gene targets developed by the University of California.

# Agilent Strategy to Win

## *Creating shareholder value*

### ▪ **Above Market Growth**

- Innovative, highly differentiated new products and solutions
- Win enterprise lab-wide services & consumables - CrossLab
- Accelerate bio-pharma penetration
- Drive adoption of clinical genomics applications

### ▪ **Aggressively expand operating margins**

- FY18 adjusted Operating Margin guidance of 22.6%<sup>(1)</sup> reflecting a +60 bps improvement over FY17 result of 22.0%<sup>(2)</sup>
- Execute Agile Agilent program
  - Optimize Infrastructure
  - Drive supply chain cost improvements

### ▪ **Balanced Capital Allocation**

- Invest in the business
- Increased returns to shareholders
- Maintain investment grade rating

(1) .Operating margin adjusted for reimbursement from Keysight for site services classified as "Other Income." Guidance as of February 14, 2018.

(2) Presented on a non-GAAP basis; reconciliations to closest GAAP equivalent provided on investor website.

# Q2'18 and FY18 Guidance and Forward-looking Considerations

Based on January 31, 2018 Exchange Rates

	FY17 Actual <sup>(2)</sup>	FY18 Guidance at mid-point <sup>(1)(2)</sup>
<b>Net Revenue (M\$)</b>	<b>\$4,472</b>	<b>\$4,895</b>
<i>Y/Y Revenue Growth</i>		9.5%
<b>Operating Profit (M\$)</b>	<b>\$974</b>	<b>\$1,095</b>
<i>Op Margin %</i>	21.8%	22.4%
<i>Net Interest Expense (M\$)</i>	<i>\$(57)</i>	<i>\$(55)</i>
<i>Other Income/(Expense) (M\$)</i>	<i>\$ 8</i>	<i>\$ 4</i>
<i>Keysight Billings (M\$)</i>	<i>\$ 12</i>	<i>\$ 12</i>
<b>Pre-Tax Income (M\$)</b>	<b>\$937</b>	<b>\$1,055</b>
<b>Net Income (M\$)</b>	<b>\$768</b>	<b>\$865</b>
<b>EPS</b>	<b>\$2.36</b>	<b>\$2.65</b>
<i>Outstanding Shares (Diluted) (MM)</i>	326	326
<b>Adjusted Operating Profit (M\$) <sup>(3)</sup></b>	<b>\$986</b>	<b>\$1,107</b>
<b>Adjusted OM% <sup>(3)</sup></b>	<b>22.0%</b>	<b>22.6%</b>

## FY18 Guidance

- Revenue: \$4.885B - \$4.905B: growth at mid-point 5.5% core<sup>(4)</sup>, 9.5% growth on unadjusted basis<sup>(1)</sup> (+0.2% M&A, +3.8% FX)
- Operating Margin: 22.4% at mid-point or **22.6%**<sup>(3)</sup> when adjusted for \$12M in Keysight billings classified as Other Income.
- EPS: \$2.62- \$2.68<sup>(1)(2)</sup>; assumed diluted share count 326M.

## Q2'18 Guidance

- Revenue: \$1.20B - \$1.22B: growth at mid-point 4.25% core<sup>(4)</sup>, 9.8% growth on unadjusted basis<sup>(1)</sup> (+0.2% M&A, +5.3% FX)
- EPS: \$0.61 - \$0.63<sup>(1)(2)</sup>; assumed diluted share count 326M.

## FY18 Financial Considerations

- Stock based comp of \$77M.
- Net interest expense of \$55M plus Other Income \$16M, including \$12M in Keysight billings.
- Depreciation \$103M, CapEx \$200M, and Operating Cash Flow of \$1.05B.
- Return \$190M in dividends. Authorized to repurchase up to \$380M of shares depending on market conditions.<sup>(5)</sup>
- Non-GAAP Tax Rate of 18%.

(1) As of February 14, 2018, based on January 31, 2018 exchange rates.

(2) Presented on a non-GAAP basis.

(3) Operating margin adjusted for reimbursement from Keysight for site services classified as "Other Income." Reference GAAP to non-GAAP reconciliations for FY17.

(4) Core growth is reported growth adjusted for the effects of acquisitions and divestitures, and FX.

(5) Per 10b5-1 plan effective November 1, 2017: 2.7M shares to be purchased on daily systematic basis with the remainder subject to formulaic / opportunistic purchases.