



# Agilent Technologies Q2'16 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, 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 quarterly report on Form 10-Q for the quarter ended January 31, 2016.

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 future impacts of acquisition and integration costs, pension curtailment gain, transformational initiatives, business exit costs and divestiture, 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 Q2'16

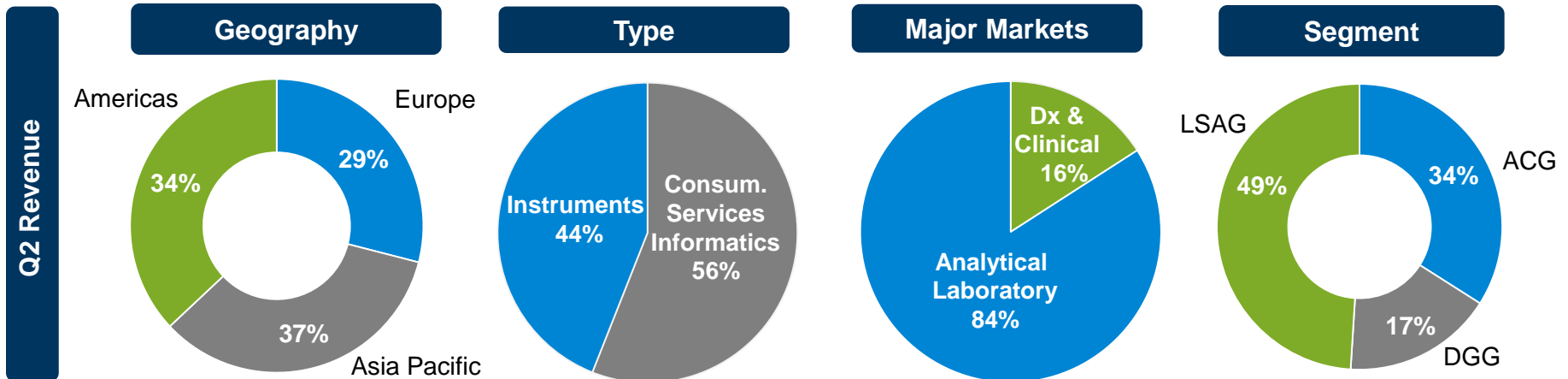
Scale and leading technology across Analytical Laboratories and Clinical & Dx markets

## Q2'16 Financial Metrics

- **Revenues:** \$1.019B, +8.0% y/y core<sup>(1)(2)</sup>, +5.9% reported (-1.3% FX, -0.8% M&A/NMR). Core growth led by exceptional strength in China.
- **Operating Margin:** 19.1% of revenue<sup>(2)</sup>. OM of 19.4%<sup>(2)(3)</sup> adjusted for Keysight billings expanded 110 basis points over last year despite unfavorable FX.
- **EPS:** \$0.44<sup>(2)</sup>

## Q2'16 Headlines

- Core growth across all businesses and major geographies offset FX headwinds and delivered strong operating margin.
- Growth rate optically boosted +1.5 ppt from shift of ~\$15M revenue last year from Q2 into Q3. Recall this was due to start-up issues in U.S. logistics center.
- Continued to deliver on operating margin expansion.
- Repurchased 2.6M shares for \$94M in the quarter.



(1) Core growth is reported growth adjusted for the effects of NMR exit, 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



- **Q2'16 Revenue of \$495M**
- **Y/Y Growth: +5% (+8% core <sup>(1)(3)</sup>)**

- **Mixed core revenue growth** across regions led by strength in Asia and softer compare due last year's US logistics start up issues. Food, Pharma, and Environmental market growth offset ongoing softness in Chemical & Energy.
- **Operating Margin** for the quarter was 19.0%<sup>(1)(2)</sup>, up 320 bps versus last year.
- Introduced **VistaFlux software** in Q2, strengthening Agilent's leadership position in metabolomics. by speeding up clinical research data analysis.
- Launched **Agilent 5110 ICP-OES**, enabling scientists to perform faster, more precise ICP-OES analysis than ever before.
- **Agilent 1260 Infinity II LC – part of the InfinityLab LC series**, announced at the Analytica tradeshow. This instrument provides best in class lab efficiency and improves performance with full backward compatibility.

(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 NMR exit, Acquisitions and Divestitures, and FX

# Agilent Cross Lab Group (ACG)

## Analytical Laboratory Consumables and Services



- **Q2'16 Revenue of \$346M**
- **Y/Y Growth: +8% (+10% core<sup>(1)(3)</sup>)**

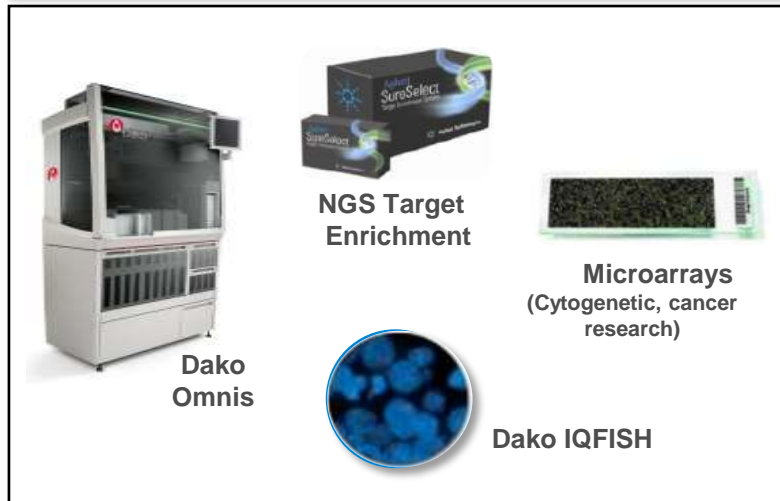
- **Core revenue grew** solidly across all regions, with expansion and penetration in Asia continuing to be strong contributors. Strength in LC Columns, Lab Supplies, and Contract Services.
- **Operating Margin** in the quarter was 21.5%<sup>(1)(2)</sup>, flat versus last year.
- In Q2'16, Agilent was recognized with the **2016 Reviewer's Choice Award for Customer Service** from SelectScience, an independent, expert-led scientific review. This is the second year in a row that scientists have judged Agilent's customer service to be the best in the laboratory products industry.

(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 NMR exit, acquisitions and divestitures, and FX

# Diagnositics and Genomics Group (DGG)

Pathology, Genomics, and  
Nucleic Acid Manufacturing



- Q2'16 Revenue of \$178M
- Y/Y Growth: +5% (+5% core<sup>(1)(3)</sup>)

- Regionally, led by **strength in Asia and Americas**. Continued **momentum in Diagnostics and Genomics** businesses with highlights in target enrichment, aCGH, and continued ramp for PD-L1 diagnostics.
- **Operating Margin** for the quarter was 15.0%<sup>(1)(2)</sup>, flat versus last year.
- In Q2, announced an **\$80 million investment in Lasergen**, an emerging biotechnology company with innovative next-gen sequencing technology. The two companies will collaborate on building an NGS workflow for clinical applications.
- Announced **expanded commercial availability to the EU for the new PD-L1 diagnostic test** for non-squamous non-small cell lung cancer. This diagnostic was developed through a collaboration with Bristol-Myers Squibb, the maker of OPDIVO.

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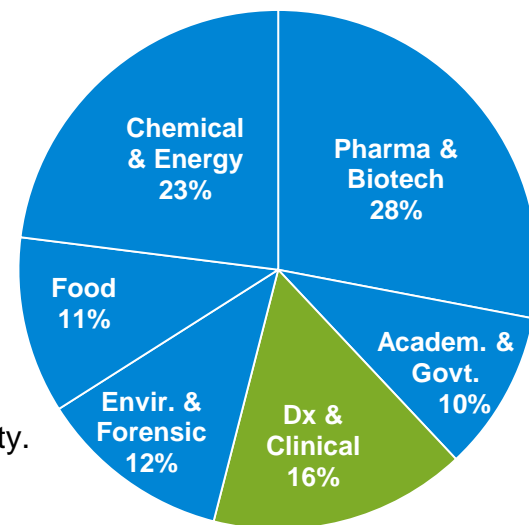
# Growth in a \$45B Market – Q2'16 Results by End Market

*Solid core growth across markets led by strength in Food and Pharma, partially offset by continued soft Chemical/Energy*

## Analytical Laboratory End Markets

- Q2'16 revenues: +8% y/y on core<sup>(2)</sup> basis
  - Pharma & Biotech: Up 14% on technology refresh, new product uptake, demand across pharma spectrum, and sustained after market growth.
  - Academia & Govt: Up 7% led by strong China and uptick in US due to stable NIH funding
  - Environmental & Forensics: Up 6%: driven by continued strong China environmental demand.
  - Food: Up 25% on soft compare coupled with China strength driven by adoption of new methods and evolving clarity in regulatory practice.
  - Chemical & Energy: Down 3% due to continued effects of crude oil price volatility.

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



## Diagnostics and Clinical

- Q2'16 revenues: +7% y/y on core<sup>(2)</sup> basis
  - Driven by on-going strength in Genomics (particularly Target Enrichment) into Clinical Applications.

(1) % of Q216 Agilent revenue, (2) Core growth is reported growth adjusted for the effects of NMR exit, 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 – 5<sup>th</sup> quarter in a row
  - Freezing U.S. defined benefit retirement plan
  - I.T. streamlining initiatives on-track

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

- Integrating Seahorse Bioscience and Cartagenia acquisitions.
- Two new focused sales forces in-place.
- Building new e-commerce capabilities

### ▪ **Innovation Driven Growth**

- Agilent 1260 Infinity II LC announced at the Analytica tradeshow. This instrument provides best in class lab efficiency and improves performance with full backward compatibility.
- Expanded commercial availability to the E.U for a PD-L1 diagnostic product to support use of BMS’s OPDIVO® for patients with non-squamous non-small cell lung cancer.



# Agilent Strategy to Win

## Creating shareholder value

### ▪ **Above Market Growth**

- Win enterprise lab-wide services & consumables - CrossLab
- Accelerate bio-pharma penetration
- Drive adoption of clinical genomics applications

### ▪ **Aggressively expand operating margins from 18.8%<sup>(1)</sup> in FY14 to 22% by FY17**

- FY15 Operating Margin of 19.6%<sup>(2)</sup> expanded 80 bps over FY14
- Execute Agile Agilent program
- Complete NMR business exit “wind-down”
- \$40M company split dis-synergies now completely offset

### ▪ **Balanced Capital Allocation**

- Invest in the business
- Increased returns to shareholders
  - Plan to return \$635M in FY16 through dividends (~\$155M) and opportunistic share repurchases (~\$480M)
- Maintain investment grade rating

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

(2) Operating margin adjusted for reimbursement from Keysight for site services classified as “Other Income.”

# Q3'16 and FY16 Guidance and Forward-looking Considerations

Based on April 29, 2016 Exchange Rates

	FY15 Actual <sup>(2)</sup>	FY16 Guidance at mid-point <sup>(1)(2)</sup>
<b>Net Revenue (M\$)</b>	<b>\$4,038</b>	<b>\$4,170</b>
<i>Y/Y Revenue Growth</i>		3.3%
<b>Operating Profit (M\$)</b>	<b>\$767</b>	<b>\$838</b>
<i>Op Margin %</i>	19.0%	20.1%
<i>Net Interest Expense (M\$)</i>	<i>\$(59)</i>	<i>\$(67)</i>
<i>Other Income/(Expense) (M\$)</i>	<i>\$(4)</i>	<i>\$(6)</i>
<i>Keysight Billings (M\$)</i>	<i>\$25</i>	<i>\$ 12</i>
<b>Pre-Tax Income (M\$)</b>	<b>\$729</b>	<b>\$778</b>
<b>Net Income (M\$)</b>	<b>\$583</b>	<b>\$622</b>
<b>EPS</b>	<b>\$1.74</b>	<b>\$1.90</b>
<i>Outstanding Shares (Diluted) (MM)</i>	335	328
<b>Adjusted Operating Profit (M\$) <sup>(3)</sup></b>	<b>\$792</b>	<b>\$850</b>
<b>Adjusted OM%<sup>(3)</sup></b>	<b>19.6%</b>	<b>20.4%</b>

(1) As of May 16, 2016, based on April 29, 2016 exchange rates.

(2) Presented on a non-GAAP basis.

(3) Operating margin adjusted for reimbursement from Keysight for site services classified as "Other Income."

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

## FY16 Guidance

- Revenue: \$4.16B - \$4.18B; growth at mid-point 4.5% core<sup>(4)</sup>, 3.3% reported<sup>(1)</sup> (0% NMR/M&A, -1.2% FX)
- Operating Margin: 20.1% at mid-point; adjusted for \$12M in Keysight billings classified as Other Income: 20.4%<sup>(3)</sup>
- EPS: \$1.88 - \$1.92, assumed diluted share count 328M <sup>(1)(2)</sup>

## Q3'16 Guidance

- Revenue: \$1.03B - \$1.05B; growth at mid-point 1.3% core<sup>(4)</sup>, +2.5% reported<sup>(1)</sup> (+0.8% NMR/M&A, +0.4% FX)
- EPS: \$0.45 - \$0.47, assumed diluted share count 327M <sup>(1)(2)</sup>

## FY16 Financial Considerations

- Depreciation \$100M, CapEx \$140M (\$42M increase over 2015 due to a two-year program to expand nucleic acid solutions capacity), and Operating Cash Flow of \$740M (up \$650M from Feb'16 guidance)..
- Net interest expense of \$67M plus Other Income of \$6M, including \$12M in Keysight billings
- Non-GAAP Tax Rate of 20%