



# Agilent Technologies Q3'16 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 April 30, 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 Q3'16

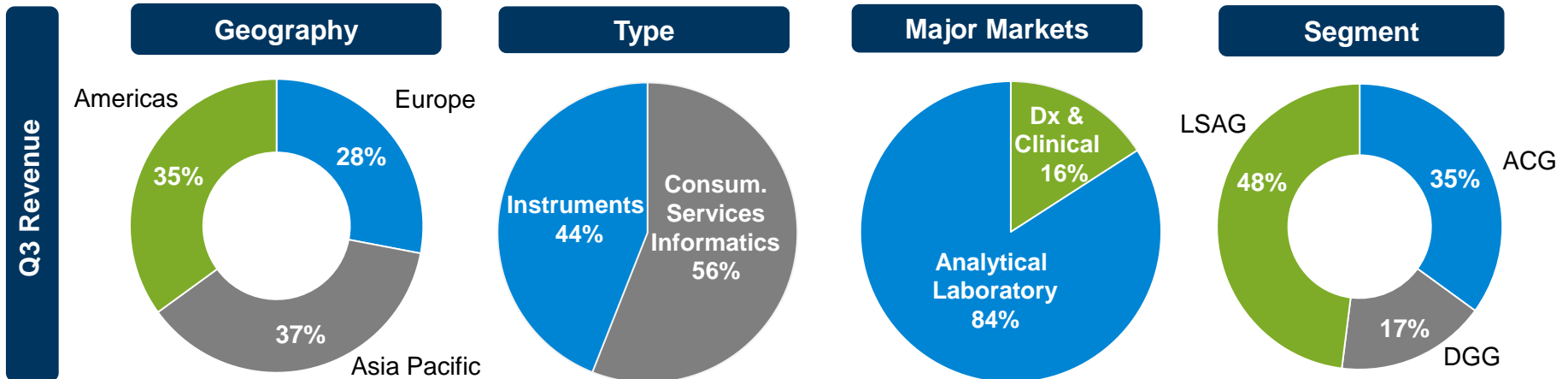
Scale and leading technology across Analytical Laboratories and Clinical & Dx markets

## Q3'16 Financial Metrics

- **Revenues:** \$1.044B, +3% y/y core<sup>(1)(2)</sup>, +3% reported (-0.7% FX, +0.6% M&A/NMR). Growth led by ACG, DGG and China.
- **Operating Margin:** 20.3% of revenue<sup>(2)</sup>. OM of 20.6%<sup>(2)(3)</sup> adjusted for Keysight billings up 70 basis points y/y including unfavorable FX.
- **EPS:** \$0.49<sup>(2)</sup>, +11% y/y

## Q3'16 Headlines

- Core revenue growth of 3% and EPS above the high end of guidance.
- Continued to expand operating margin and EPS.
- Repurchased 2.2M 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



- **Q3'16 Revenue of \$504M**
- **Y/Y Growth: -1% (-2% core <sup>(1)(3)</sup>)**

- **Mixed core revenue growth** across regions with strength in Asia. Q3 a tough compare - start up issues last year in US logistics center resulted in one-time revenue shift from Q2'15 to Q3'15. Food, Pharma, and Environmental strength offset by continued softness in Chemical & Energy.
- **Operating Margin** for the quarter was 19.1%<sup>(1)(2)</sup>, up 40 bps versus last year.
- Announced two **7000 Series Triple Quadrupole GC/Mass Spec** systems with new analyzers for analysis of pesticides and environmental pollutants.
- Released the **8900 Triple Quadrupole ICP-MS** system for the development of new drugs and biotherapeutics, metabolomics research, and environmental and food safety applications.

(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



- **Core revenue growth** led by Pharma, Food and Environmental markets, continued expansion in Asia, and strength in LC Columns, Lab Supplies, and Contract Services.
- **Operating Margin** in the quarter was 22.7%<sup>(1)(2)</sup>, up 10 bps versus last year.
- In Q3'16, ACG announced the asset **acquisition of iLab, the market leader in cloud-based solutions** for core laboratory management, enabling further expansion into large-enterprise accounts.

- **Q3'16 Revenue of \$360M**
- **Y/Y Growth: +7% (+8% core<sup>(1)(3)</sup>)**

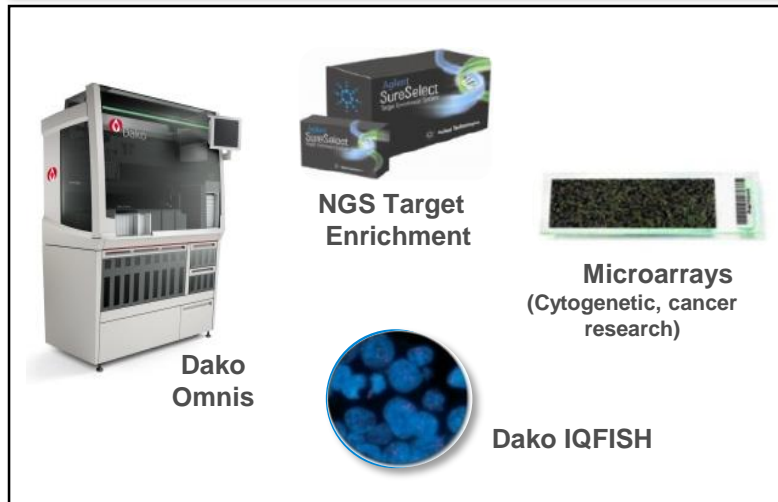
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(2) Not adjusted for Keysight reimbursement; (3) Core growth is reported growth adjusted for the effects of NMR exit, acquisitions and divestitures, and FX



# Diagnosics and Genomics Group (DGG)

## Pathology, Genomics, and Nucleic Acid Manufacturing



- Q3'16 Revenue of \$180M
- Y/Y Growth: +8% (+8% core<sup>(1)(3)</sup>)

- **Solid growth across all businesses** led by target enrichment, companion diagnostics, and nucleic acid solutions. Strength in Asia and North America.
- **Operating Margin** for the quarter was 18.8%<sup>(1)(2)</sup>, +200 bps versus last year.
- Announced **expansion of intended use of PD-L1 companion diagnostic test in Europe to include patients with melanoma cancer**. Is in addition to diagnostic test in Europe for non-squamous, non-small cell lung cancer. Previously, approved for similar uses in the US.
- Announced in August **building of new facility in Colorado**, which will enable more than doubling of NASD's pharmaceutical manufacturing capacity.

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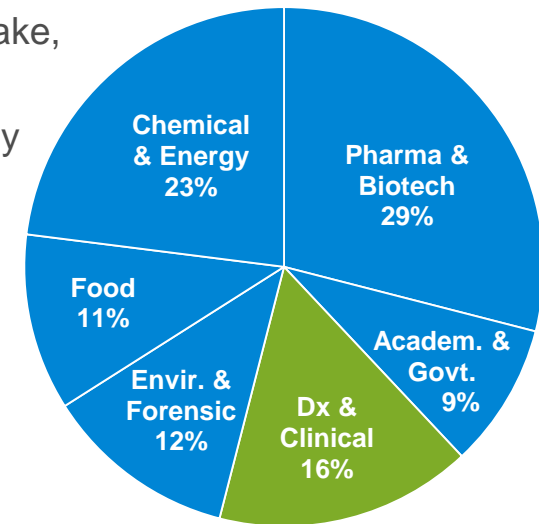
# Growth in a \$45B Market – Q3'16 Results by End Market

*Solid core growth led again by Food and Pharma, partially offset by continued soft Chemical/Energy*

## Analytical Laboratory End Markets

- Q3'16 revenues: +3% y/y on core<sup>(2)</sup> basis
  - Pharma & Biotech: Up 10% on technology refresh, new product uptake, demand across pharma spectrum, and CrossLab growth.
  - Academia & Govt: Down 5%. Due to constrained budgets particularly in Europe.
  - Environmental & Forensics: Flat. Strong environmental demand led by China. Soft forensics, due to deal driven timing and constrained budgets.
  - Food: Up 11% with China strength driven by adoption of new methods and evolving clarity in regulatory practice.
  - Chemical & Energy: Down 4% due to continued effects of crude oil price volatility.

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



## Diagnostics and Clinical End Markets

- Q3'16 revenues: +4% y/y on core<sup>(2)</sup> basis
  - Good demand for Target Enrichment and Companion Diagnostics.

(1) % of Q316 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 – 6<sup>th</sup> consecutive quarter
  - Freezing U.S. defined benefit retirement plan
  - Consolidation of Finance systems on to main Agilent ERP – Successful migration in May 2016

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

- Integrated Seahorse Bioscience and Cartagenia acquisitions
- Acquired assets of iLab, the market leader in cloud-based solutions for core laboratory management
- Building new e-commerce capabilities

### ▪ **Innovation Driven Growth**

- Announced Agilent 1260 Infinity II LC. Provides best-in-class lab efficiency and improves performance with full backward compatibility
- Released 8900 ICP-MS for metabolomics research and detection of contaminants in the environment and food
- Expanded intended use of PD-L1 test in Europe to include patients with melanoma



# 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
- 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.”

# Q4'16 and FY16 Guidance and Forward-looking Considerations

Based on July 29, 2016 Exchange Rates

	FY15 Actual <sup>(2)</sup>	FY16 Guidance at mid-point (1)(2)
<b>Net Revenue (M\$)</b>	<b>\$4,038</b>	<b>\$4,150</b>
<i>Y/Y Revenue Growth</i>		3%
<b>Operating Profit (M\$)</b>	<b>\$767</b>	<b>\$834</b>
<i>Op Margin %</i>	19.0%	20.1%
<i>Net Interest Expense (M\$)</i>	<i>\$(59)</i>	<i>\$(63)</i>
<i>Other Income/(Expense) (M\$)</i>	<i>\$(4)</i>	<i>\$(5)</i>
<i>Keysight Billings (M\$)</i>	<i>\$25</i>	<i>\$12</i>
<b>Pre-Tax Income (M\$)</b>	<b>\$729</b>	<b>\$779</b>
<b>Net Income (M\$)</b>	<b>\$583</b>	<b>\$624</b>
<b>EPS</b>	<b>\$1.74</b>	<b>\$1.90</b>
<i>Outstanding Shares (Diluted) (MM)</i>	335	329
<b>Adjusted Operating Profit (M\$) <sup>(3)</sup></b>	<b>\$792</b>	<b>\$846</b>
<b>Adjusted OM% <sup>(3)</sup></b>	<b>19.6%</b>	<b>20.4%</b>

(1) As of August 17, 2016, based on July 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: \$4.14B - \$4.16B: growth at mid-point 4.5% core<sup>(4)</sup>, 2.8% reported<sup>(1)</sup> (0% NMR/M&A, -1.7% FX)
- Operating Margin: 20.1% at mid-point: adjusted for \$12M in Keysight billings classified as Other Income: 20.4%<sup>(3)</sup>
- EPS: \$1.89 - \$1.91: assumed diluted share count 329M <sup>(1)(2)</sup>

## Q4'16 Guidance

- Revenue: \$1.05B - \$1.07B<sup>(4)</sup>: growth at mid-point 1.2% core +2.4% reported<sup>(1)</sup> (+0.8% NMR/M&A, +0.4% FX)
- EPS: \$0.50 - \$0.52<sup>(1)(2)</sup>: assumed diluted share count 328M

## FY16 Financial Considerations

- Depreciation \$100M, CapEx \$140M, and Operating Cash Flow of \$740M
- Net interest expense of \$63M plus Other Income \$7M, including \$12M in Keysight billings
- Non-GAAP Tax Rate of 20%