



# Agilent Technologies Q3'18 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-Q for the quarter ended April 30, 2018.

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, transformational initiatives, business exit and divestitures, and step-up gains on the initial Lasergen investment. 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 Q3'18

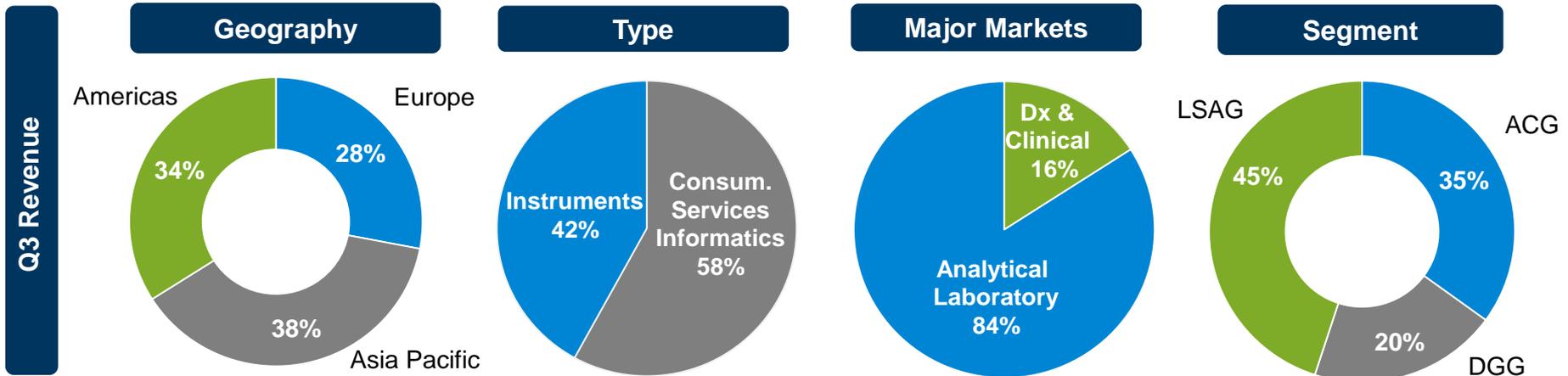
Scale and leading technology across Analytical Laboratories and Clinical & Dx markets

## Q3'18 Financial Metrics

- **Revenues:** \$1.20B, +5.9% y/y core<sup>(1)(2)</sup>, +8.0% reported (+0.5% M&A, +1.6% FX).
- **Operating Margin:** 22.3% of revenue<sup>(2)</sup>. OM of 22.6%<sup>(2)(3)</sup> adjusted for Keysight billings up 110 basis points y/y.
- **EPS:** \$0.67<sup>(2)</sup> in Q3'18, up 14% y/y.

## Q3'18 Headlines

- **Growth:** Core growth finished above the high end of guidance led by strong Pharma, Chemical & Energy, China, and Americas.
- **Margins:** Incremental Core Operating Margin of 55%<sup>(2)</sup>.
- **Capital Allocation:** Generated Operating Cash Flow of \$197M, invested \$430M in M&A, paid \$48M in dividends and repurchased 3.76M shares for \$243M.



(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



- **Core revenue growth** driven by robust growth in Chemical & Energy. From a product perspective, LC/MS, Cell Analysis and ICP/MS led results.
- **Operating Margin** for the quarter was 22.9%<sup>(1)(2)</sup>, up 150 bps versus last year.
- Released Agilent **Seahorse XF Real-time ATP Rate Assay Kit**. A new and unmatched product that will enable biologists to enhance their understanding of how live-cells function in real-time.
- **Closed on the acquisition of Genohm**, a developer of highly differentiated software solutions for sample tracking and lab management.

- **Q3'18 Revenue of \$540M**
- **Y/Y Growth: +6% (+5% 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

# Agilent Cross Lab Group (ACG)

Analytical Laboratory  
Consumables and Services



- Q3'18 Revenue of \$426M
- Y/Y Growth: +10% (+8% core<sup>(1)(3)</sup>)

- **Continued strong revenue performance** led by Chemical & Energy, Pharma and Food. Performance was balanced across consumables and services. China led growth in all regions with mid-teens growth.
- **Operating Margin** in the quarter was 23.8%<sup>(1)(2)</sup>, up 40 bps versus last year.
- **Acquired the business assets of Ultra Scientific**, a leading provider of chemical standards and certified reference materials.
- **Acquired ProZyme**, a leading provider of biopharma consumables for glycan analysis.
- Opened a **new logistics hub in Shanghai** to enable faster delivery of parts, supplies and consumables to labs in China.

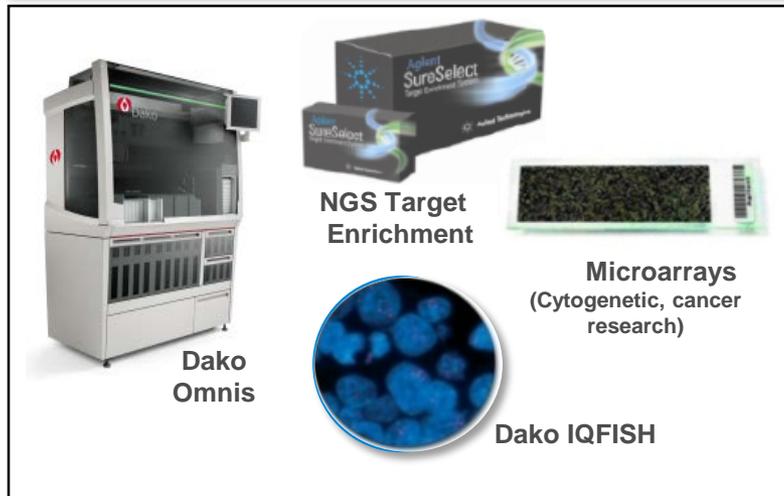
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(2) Not adjusted for Keysight reimbursement;

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

# Diagnositics and Genomics Group (DGG)

## Pathology, Genomics, and Nucleic Acid Manufacturing



- **Revenue** growth led by strength in Genomics and double-digit growth in China & Japan.
- **Operating Margin** for the quarter was 18.5%<sup>(1)(2)</sup>, up 140 bps versus Q3 last year.
- Burning Rock Dx **received China FDA approval** for its human lung cancer NGS detection kit, which uses **Agilent SureSelect reagents**.
- Alnylam Pharmaceuticals received **FDA approval for Onpatro** – a “first of-its-kind” targeted RNA-based therapy to treat a rare disease. In March 2018, Agilent’s NASD business agreed to become Alnylam’s commercial supplier for Onpatro’s API.

- Q3'18 Revenue of \$237M
- Y/Y Growth: +9% (+5% 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

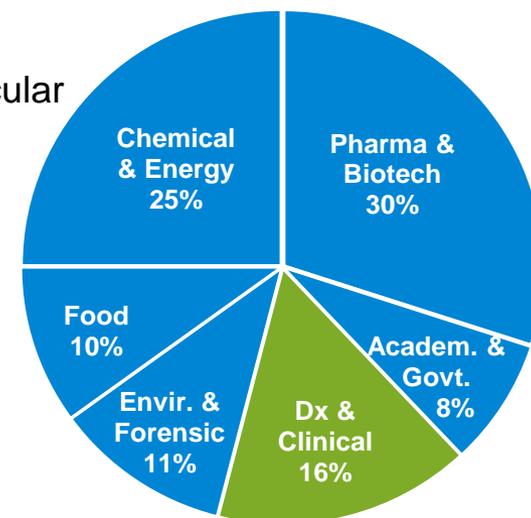
# Growth in a \$52B Market – Q3'18 Results by End Market

*Gains highlighted by solid Pharma and Chemical & Energy*

## Analytical Laboratory End Markets

- Q3'18 revenues: +6% y/y on core<sup>(2)</sup> basis
  - Pharma & Biotech: Up 8% with strong LSAG, ACG, and China results. Growth strong in Bio-Pharma and Small Molecule market segments.
  - Academia & Govt: Up 3% driven by demand for cell analysis, molecular spectroscopy, ICP/MS, and CrossLab services.
  - Environmental & Forensics: Flat. Forensics offset by expected temporary Environmental slowing in China.
  - Food: Down 1%, strength in Americas offset by a tough Europe compare and anticipated slow down in China instrument sales.
  - Chemical & Energy: Up 12%. Strength in LSAG, ACG and broadly across regions. Led by China and Europe.

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



## Diagnostics and Clinical End Markets

- Q3'18 revenues: +5% y/y on core<sup>(2)</sup> basis
  - Results led by Genomics and Reagent Partnership offset by continued challenges in the U.S. Pain Management market.

(1) % of Q3'18 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 expanded 110 bps in Q3 over prior year.

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

- Acquired Ultra Scientific, a leading provider of chemical standards and certified reference materials.
- Acquired ProZyme, a leading provider of biopharma consumables for glycan analysis. Strengthens Agilent’s offering in an application space essential to the development of biotherapeutic drugs
- Digital channel orders for Consumables growing at record pace. Achieved a milestone by exceeding 50% of order volume through a digital channel.
- Opened a new logistics hub in Shanghai. This hub, the first of five forward stocking locations, will enable faster delivery of parts, suppliers and consumables to laboratories in China.

### ▪ **Innovation Driven Growth**

- Announced a new version of OpenLab CDS ChemStation Edition, a chromatography data system that enables laboratories to export files in the Allotrope Data Format (ADF). ADF is an emerging standard developed by a consortium of pharmaceutical companies. By standardizing on this common data format, labs will be able to more readily transfer and share data across platforms.
- Agilent’s PD-L1 IHC 22c3 pharma DX companion diagnostic product received expanded U.S. FDA approval in cervical cancer.

# 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 August 14, 2018.

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

# Q4'18 and FY18 Guidance and Forward-looking Considerations

Based on July 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>\$4,870</b>
<i>Y/Y Revenue Growth</i>		8.9%
<b>Operating Profit (M\$)</b>	<b>\$974</b>	<b>\$1,091</b>
<i>Op Margin %</i>	21.8%	22.4%
<i>Net Interest Expense (M\$)</i>	<i>\$(57)</i>	<i>\$(39)</i>
<i>Other Income/(Expense) (M\$)</i>	<i>\$ 8</i>	<i>\$ 8</i>
<i>Keysight Billings (M\$)</i>	<i>\$ 12</i>	<i>\$ 12</i>
<b>Pre-Tax Income (M\$)</b>	<b>\$937</b>	<b>\$1,072</b>
<b>Net Income (M\$)</b>	<b>\$768</b>	<b>\$879</b>
<b>EPS</b>	<b>\$2.36</b>	<b>\$2.70</b>
<i>Outstanding Shares (Diluted) (MM)</i>	326	325
<b>Adjusted Operating Profit (M\$) <sup>(3)</sup></b>	<b>\$986</b>	<b>\$1,103</b>
<b>Adjusted OM%<sup>(3)</sup></b>	<b>22.0%</b>	<b>22.6%</b>

(1) As of August 14, 2018, based on July 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.

## FY18 Guidance

- Revenue: \$4.86B - \$4.88B: growth at mid-point 6.1% core<sup>(4)</sup>, 8.9% growth on unadjusted basis<sup>(1)</sup> (+0.6% M&A, +2.2% 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: \$2.69- \$2.71<sup>(1)(2)</sup>; assumed diluted share count 325M.

## Q4'18 Guidance

- Revenue: \$1.24B - \$1.26B: growth at mid-point 4.7% core<sup>(4)</sup>, 5.1% growth on unadjusted basis<sup>(1)</sup> (+1.5% M&A, -1.1% FX)
- EPS: \$0.72 - \$0.74<sup>(1)(2)</sup>; assumed diluted share count 322M.

## FY18 Financial Considerations

- Stock based comp of \$70M.
- Net interest expense of \$39M plus Other Income \$20M, including \$12M in Keysight billings.
- Depreciation \$103M, CapEx \$200M, and Operating Cash Flow of \$1.05B.
- Return \$190M in dividends. Remaining authorization to repurchase up to \$274M of shares depending on market conditions.<sup>(5)</sup>
- Non-GAAP Tax Rate of 18%.