

AGILENT TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(In millions, except per share amounts)
(Unaudited)
PRELIMINARY

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2020	2019	2020	2019
Net revenue	\$ 1,261	\$ 1,274	\$ 3,856	\$ 3,796
Costs and expenses:				
Cost of products and services	592	582	1,807	1,728
Research and development	92	101	393	302
Selling, general and administrative	347	366	1,109	1,075
Total costs and expenses	1,031	1,049	3,309	3,105
Income from operations	230	225	547	691
Interest income	1	10	7	30
Interest expense	(19)	(18)	(59)	(53)
Other income (expense), net	7	5	64	20
Income before taxes	219	222	559	688
Provision (benefit) for income taxes	20	31	62	(189)
Net income	<u>\$ 199</u>	<u>\$ 191</u>	<u>\$ 497</u>	<u>\$ 877</u>
Net income per share:				
Basic	\$ 0.64	\$ 0.61	\$ 1.61	\$ 2.78
Diluted	\$ 0.64	\$ 0.60	\$ 1.59	\$ 2.74
Weighted average shares used in computing net income per share:				
Basic	309	312	309	316
Diluted	312	316	312	320

The preliminary income statement is estimated based on our current information.

AGILENT TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(In millions, except par value and share amounts)
(Unaudited)
PRELIMINARY

	July 31, 2020	October 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,358	\$ 1,382
Accounts receivable, net	930	930
Inventory	746	679
Other current assets	211	198
Total current assets	<u>3,245</u>	<u>3,189</u>
Property, plant and equipment, net	846	850
Goodwill and other intangible assets, net	4,482	4,700
Long-term investments	148	102
Other assets	825	611
Total assets	<u>\$ 9,546</u>	<u>\$ 9,452</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 311	\$ 354
Employee compensation and benefits	306	334
Deferred revenue	397	336
Short-term debt	40	616
Other accrued liabilities	260	440
Total current liabilities	<u>1,314</u>	<u>2,080</u>
Long-term debt	2,283	1,791
Retirement and post-retirement benefits	355	360
Other long-term liabilities	613	473
Total liabilities	<u>4,565</u>	<u>4,704</u>
Total Equity:		
Stockholders' equity:		
Preferred stock; \$0.01 par value; 125 million shares authorized; none issued and outstanding	—	—
Common stock; \$0.01 par value, 2 billion shares authorized; 309 million shares at July 31, 2020 and 309 million shares at October 31, 2019, issued	3	3
Additional paid-in-capital	5,324	5,277
Retained earnings (accumulated deficit)	130	(18)
Accumulated other comprehensive loss	(476)	(514)
Total stockholders' equity	<u>4,981</u>	<u>4,748</u>
Total liabilities and equity	<u>\$ 9,546</u>	<u>\$ 9,452</u>

The preliminary balance sheet is estimated based on our current information.

AGILENT TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(In millions)
(Unaudited)
PRELIMINARY

	Nine Months Ended	
	July 31, 2020	July 31, 2019
Cash flows from operating activities:		
Net income	\$ 497	\$ 877
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	232	162
Share-based compensation	63	57
Excess and obsolete inventory related charges	18	12
Asset impairment charges	99	—
Unrealized gain on equity securities	(26)	(1)
Other non-cash (income) expenses, net	6	5
Changes in assets and liabilities:		
Accounts receivable, net	1	(58)
Inventory	(86)	(31)
Accounts payable	(35)	—
Employee compensation and benefits	(32)	(35)
Other assets and liabilities	(193)	(281)
Net cash provided by operating activities ^(a)	544	707
Cash flows from investing activities:		
Investments in property, plant and equipment	(92)	(125)
Proceeds from sale of property, plant and equipment	1	—
Payment to acquire fair value investments	(20)	(21)
Payment in exchange for convertible note	(9)	(2)
Payment to acquire intangible assets	—	(1)
Acquisition of businesses and intangible assets, net of cash acquired	—	(248)
Net cash used in investing activities	(120)	(397)
Cash flows from financing activities:		
Issuance of common stock under employee stock plans	56	52
Payment of taxes related to net share settlement of equity awards	(34)	(15)
Payment of dividends	(167)	(155)
Issuance of senior notes	499	—
Debt issuance costs	(4)	—
Proceeds from revolving credit facility	798	—
Repayment of revolving credit facility and short-term loan	(1,413)	—
Proceeds from commercial paper	240	—
Repayment of commercial paper	(200)	—
Repayment of finance lease	(4)	—
Purchase of non-controlling interest	—	(4)
Treasury stock repurchases	(219)	(674)
Net cash used in financing activities	(448)	(796)
Effect of exchange rate movements	—	3
Net decrease in cash, cash equivalents and restricted cash	(24)	(483)
Cash, cash equivalents and restricted cash at beginning of period	1,388	2,254
Cash, cash equivalents and restricted cash at end of period	<u>\$ 1,364</u>	<u>\$ 1,771</u>
Reconciliation of cash, cash equivalents and restricted cash to the condensed consolidated balance sheet:		
Cash and cash equivalents	\$ 1,358	\$ 1,765
Restricted cash, included in other assets	6	6
Total cash, cash equivalents and restricted cash	<u>\$ 1,364</u>	<u>\$ 1,771</u>

^(a) Cash payments included in operating activities:

Income tax payments (refunds), net	\$ 325	\$ 108
Interest payments	\$ 53	\$ 61

The preliminary cash flow is estimated based on our current information.

AGILENT TECHNOLOGIES, INC.
NON-GAAP NET INCOME AND DILUTED EPS RECONCILIATIONS
(In millions, except per share amounts)
(Unaudited)
PRELIMINARY

	Three Months Ended July 31,				Nine Months Ended July 31,			
	2020	Diluted EPS	2019	Diluted EPS	2020	Diluted EPS	2019	Diluted EPS
GAAP net income	\$ 199	\$ 0.64	\$ 191	\$ 0.60	\$ 497	\$ 1.59	\$ 877	\$ 2.74
Non-GAAP adjustments:								
Asset impairments	—	—	—	—	99	0.32	—	—
Intangible amortization	45	0.15	25	0.08	139	0.45	79	0.25
Transformational initiatives	13	0.04	11	0.03	41	0.13	25	0.08
Acquisition and integration costs	9	0.03	12	0.04	33	0.11	32	0.10
NASD site costs	—	—	6	0.02	—	—	12	0.04
Special compliance costs	—	—	1	—	—	—	2	0.01
Acceleration of share-based compensation expense	1	—	—	—	1	—	—	—
Other	1	—	11	0.03	(22)	(0.07)	17	0.05
Tax benefit on intra-entity asset transfer	—	—	—	—	—	—	(299)	(0.93)
Adjustment for taxes ^(a)	(25)	(0.08)	(17)	(0.04)	(70)	(0.23)	(33)	(0.11)
Non-GAAP net income	\$ 243	\$ 0.78	\$ 240	\$ 0.76	\$ 718	\$ 2.30	\$ 712	\$ 2.23

^(a) The adjustment for taxes excludes tax benefits that management believes are not directly related to on-going operations and which are either isolated or cannot be expected to occur again with any regularity or predictability. For the three and nine months ended July 31, 2020, management used a non-GAAP effective tax rate of 15.50%. For the three and nine months ended July 31, 2019, management used a non-GAAP effective tax rate of 16.67% and 16.75%, respectively.

We provide non-GAAP net income and non-GAAP net income per share amounts in order to provide meaningful supplemental information regarding our operational performance and our prospects for the future. These supplemental measures exclude, among other things, charges related to asset impairments, amortization of intangibles, transformational initiatives, acquisition and integration costs, NASD site costs, special compliance costs, acceleration of share-based compensation expense and tax benefit on intra-entity asset transfer.

Asset impairments include assets that have been written down to their fair value.

Transformational initiatives include expenses associated with targeted cost reduction activities such as manufacturing transfers including costs to move manufacturing due to new tariffs and tariff remediation actions, small site consolidations, legal entity and other business reorganizations, insourcing or outsourcing of activities. Such costs may include move and relocation costs, one-time termination benefits and other one-time reorganization costs. Included in this category are also expenses associated with company programs to transform our product lifecycle management (PLM) system, human resources and financial systems.

Acquisition and integration costs include all incremental expenses incurred to effect a business combination. Such acquisition costs may include advisory, legal, accounting, valuation, and other professional or consulting fees. Such integration costs may include expenses directly related to integration of business and facility operations, the transfer of assets and intellectual property, information technology systems and infrastructure and other employee-related costs.

NASD site costs include all the costs related to the expansion of our manufacturing of nucleic acid active pharmaceutical ingredients incurred prior to the commencement of commercial manufacturing.

Special compliance costs include costs associated with transforming our processes to implement new regulations such as data privacy regulations, revenue recognition, lease accounting and certain tax reporting requirements.

Acceleration of share-based compensation expense represents stock-based compensation expense that was accelerated upon employees' involuntary termination from the company.

Other includes certain legal costs and settlements in addition to other miscellaneous adjustments.

Tax benefit on intra-entity asset transfer relates to our operations in Singapore along with our application of the new accounting rules for income tax consequences of intra-entity transfer of assets as adopted on November 1, 2018.

Our management uses non-GAAP measures to evaluate the performance of our core businesses, to estimate future core performance and to compensate employees. Since management finds this measure to be useful, we believe that our investors benefit from seeing our results "through the eyes" of management in addition to seeing our GAAP results. This information facilitates our management's internal comparisons to our historical operating results as well as to the operating results of our competitors.

Our management recognizes that items such as amortization of intangibles can have a material impact on our cash flows and/or our net income. Our GAAP financial statements including our statement of cash flows portray those effects. Although we believe it is useful for investors to see core performance free of special items, investors should understand that the excluded items are actual expenses that may impact the cash available to us for other uses. To gain a complete picture of all effects on the company's profit and loss from any and all events, management does (and investors should) rely upon the GAAP income statement. The non-GAAP numbers focus instead upon the core business of the company, which is only a subset, albeit a critical one, of the company's performance.

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 non-GAAP net income and diluted EPS reconciliation is estimated based on our current information.

AGILENT TECHNOLOGIES, INC.
SEGMENT INFORMATION
(In millions, except where noted)
(Unaudited)
PRELIMINARY

Life Sciences and Applied Markets Group

	<u>Q3'20</u>	<u>Q3'19</u>
Revenue	\$ 557	\$ 544
Gross Margin, %	59.3%	60.5%
Income from Operations	\$ 126	\$ 118
Operating margin, %	22.6%	21.7%

Diagnostics and Genomics Group

	<u>Q3'20</u>	<u>Q3'19</u>
Revenue	\$ 241	\$ 263
Gross Margin, %	49.8%	55.7%
Income from Operations	\$ 41	\$ 50
Operating margin, %	17.2%	19.1%

Agilent CrossLab Group

	<u>Q3'20</u>	<u>Q3'19</u>
Revenue	\$ 463	\$ 467
Gross Margin, %	52.6%	52.1%
Income from Operations	\$ 132	\$ 122
Operating margin, %	28.4%	26.2%

Income from operations reflect the 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 amortization of intangibles, transformational initiatives, acquisition and integration costs, NASD site costs, special compliance costs and acceleration of stock-based compensation expense.

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.
RECONCILIATIONS OF REVENUE BY SEGMENT EXCLUDING
ACQUISITIONS, DIVESTITURES AND THE IMPACT OF CURRENCY ADJUSTMENTS (CORE)
(In millions)
(Unaudited)
PRELIMINARY

	Year-over-Year					
<u>GAAP Revenue by Segment</u>	GAAP		Year-over-Year % Change			
	Q3'20	Q3'19				
Life Sciences and Applied Markets Group	\$ 557	\$ 544	2%			
Diagnostics and Genomics Group	241	263	(8%)			
Agilent CrossLab Group	463	467	(1%)			
Agilent	<u>\$ 1,261</u>	<u>\$ 1,274</u>	<u>(1%)</u>			

<u>Non GAAP Revenue by Segment</u>	Non-GAAP (excluding Acquisitions & Divestitures)		Year-over-Year % Change	Year-over-Year at Constant Currency ^(a)		Current Quarter Currency Impact ^(b)
	Q3'20	Q3'19		Year-over-Year % Change	Percentage Point Impact from Currency	
Life Sciences and Applied Markets Group	\$ 513	\$ 544	(6%)	(4%)	-2 ppts	\$ (6)
Diagnostics and Genomics Group	241	263	(8%)	(8%)	—	(2)
Agilent CrossLab Group	463	467	(1%)	1%	-2 ppts	(8)
Agilent (Core)	<u>\$ 1,217</u>	<u>\$ 1,274</u>	<u>(4%)</u>	<u>(3%)</u>	<u>-1 ppt</u>	<u>\$ (16)</u>

We compare the year-over-year change in revenue excluding the effect of recent acquisitions and divestitures and foreign currency rate fluctuations to assess the performance of our underlying business.

^(a) The constant currency year-over-year growth percentage is calculated by recalculating all periods in the comparison period at the foreign currency exchange rates used for accounting during the last month of the current quarter, and then using those revised values to calculate the year-over-year percentage change.

^(b) The dollar impact from the current quarter currency impact is equal to the total year-over-year dollar change less the constant currency year-over-year change.

The preliminary reconciliation of GAAP revenue adjusted for recent acquisitions and divestitures and impact of currency is estimated based on our current information.