

# KEYSIGHT TECHNOLOGIES

## Q2 Fiscal Year 2019 Results

MAY 29, 2019



# Safe Harbor

This communication contains forward-looking statements as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and is subject to the safe harbors created therein. Statements preceded by, followed by, or that otherwise include the words “anticipate,” “plan,” “estimate,” “expect,” “intend,” “forecast,” “target,” “project,” “believe,” “outlook,” “prospect” and similar words or expressions, or future or conditional verbs such as “will,” “should,” “would,” “may,” or “could”, or statements regarding the company’s goals, priorities, anticipated revenues, anticipated demand, growth opportunities, customer service and innovation plans, new product introductions, anticipated financial condition, anticipated gross and operating margins, future earnings, the anticipated continued strengths and expected growth of the markets the company sells into, and future operations, earnings, and tax rates are intended to identify forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause Keysight’s actual results to differ materially from management’s expectations contemplated by these forward-looking statements. Keysight disclaims any intention to, and undertakes no responsibility to, update or revise any forward-looking statement, whether as a result of new information, a future event, or otherwise. Such risks and uncertainties include, but are not limited to, changes in the demand for current and new products, technologies, and services; customer purchasing decisions and timing; and our ability to realize the savings or benefits expected from integration and restructuring activities. For additional risks and uncertainties that could impact Keysight’s actual results, please see our Form 10-K for the fiscal year ended October 31, 2018 and our latest Form 10-Q filed with the SEC on March 5, 2019, included but not limited to the discussion under “Risk Factors” therein, which may be viewed at [www.sec.gov](http://www.sec.gov).

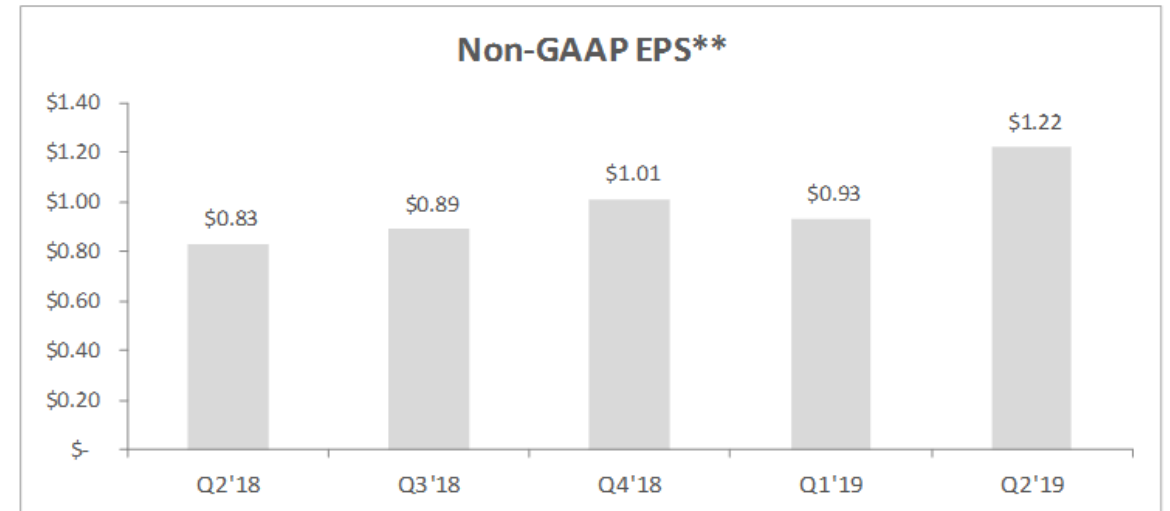
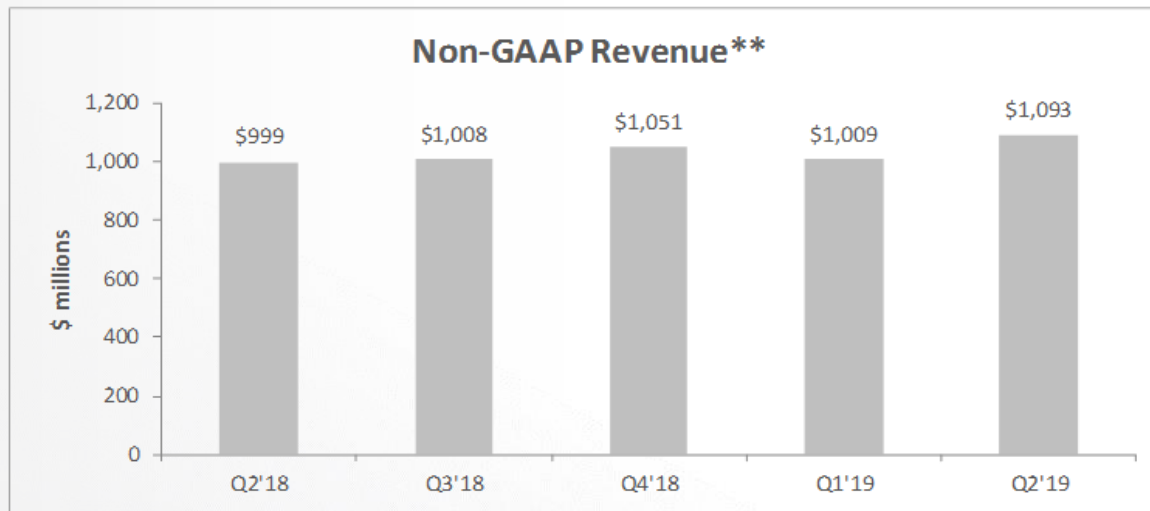
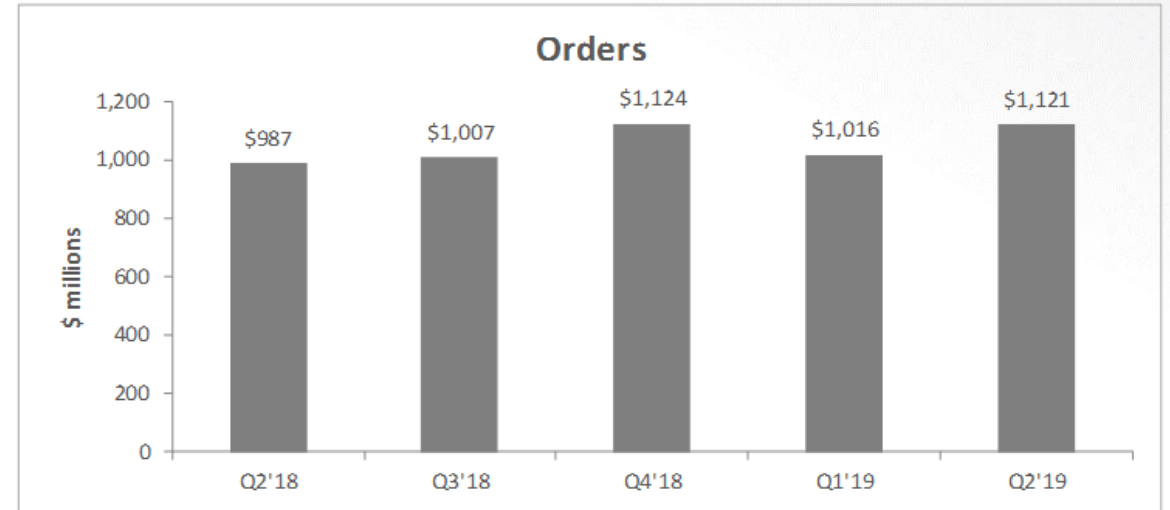
This presentation includes a number of different financial measures, both GAAP and non-GAAP, in analyzing and assessing the overall performance of the business, for making operating decisions and for forecasting and planning for future periods. Non-GAAP measures exclude primarily the impacts of amortization of acquisition-related balances, share-based compensation, acquisition and integration costs, restructuring and related costs, non-recurring items such as goodwill impairment, legal settlement, gain on divestitures, Northern California wildfire-related costs and others. Also excluded are tax benefits or expenses 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. The definitions of these non-GAAP financial measures may differ from similarly titled measures used by others, and such non-GAAP measures should be considered supplemental to and not a substitute for financial information prepared in accordance with GAAP. Keysight generally uses non-GAAP financial measures to facilitate management’s comparisons to historic operating results, to competitors’ operating results and to guidance provided to investors. In addition, Keysight believes that the use of these non-GAAP financial measures provides greater transparency to investors of information used by management in its financial and operational decision-making. Refer to slide 23 for more details on the use of non-GAAP financial measures.

# Q2'19 Highlights

- Record non-GAAP revenue of \$1.09B<sup>1</sup> grew 9% y/y, or 12% on a core<sup>1,2</sup> basis
  - Exceeded high end of guidance range
  - Surpassed \$1B for the fourth consecutive quarter
- Record non-GAAP EPS of \$1.22<sup>1</sup> increased 47% y/y
  - Exceeded high end of guidance range
- Strong order growth of 14% y/y, or 16% on a core<sup>2</sup> basis, and book-to-bill of 1.03
  - Surpassed \$1B for the fourth consecutive quarter
- Strong free cash flow (FCF) generation of \$192M was 18% of revenue and 82% of non-GAAP net income
- Announced \$500 million share repurchase authorization
- Complying with recently announced U.S. Department of Commerce export control regulations for China and Huawei
- Broad-based momentum continued across multiple end markets: another record 5G order quarter, double-digit software revenue growth and double-digit services order growth

# Q2'19 Non-GAAP Financial Highlights

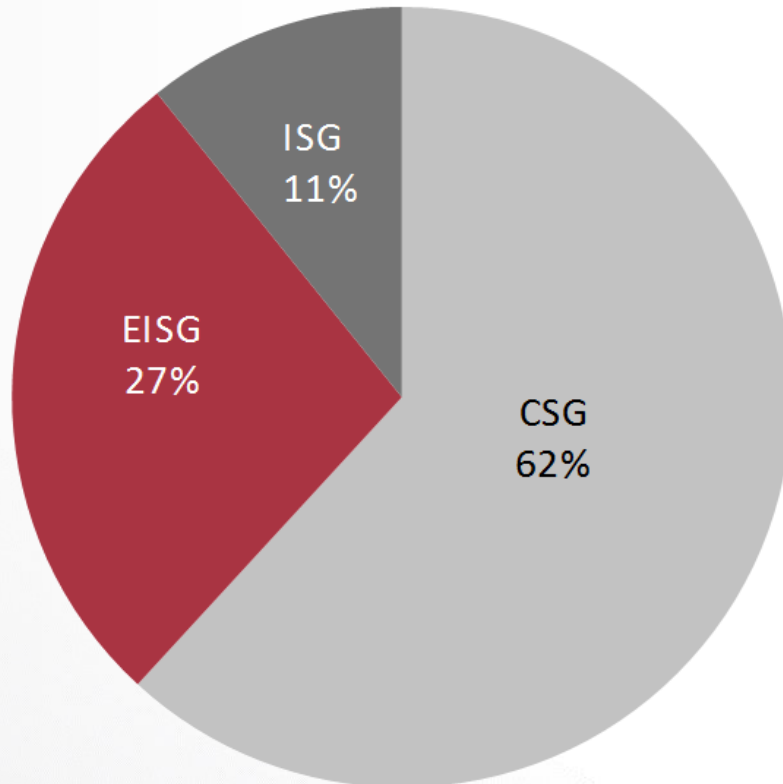
- **Orders:** \$1,121M, +14%y/y (+16% core\*)
- **Revenue:** \$1,093M, +9%y/y (+12% core\*)
- **Operating Margin:** 24.6%, +570 basis points y/y
- **Earnings Per Share:** \$1.22, +47% y/y



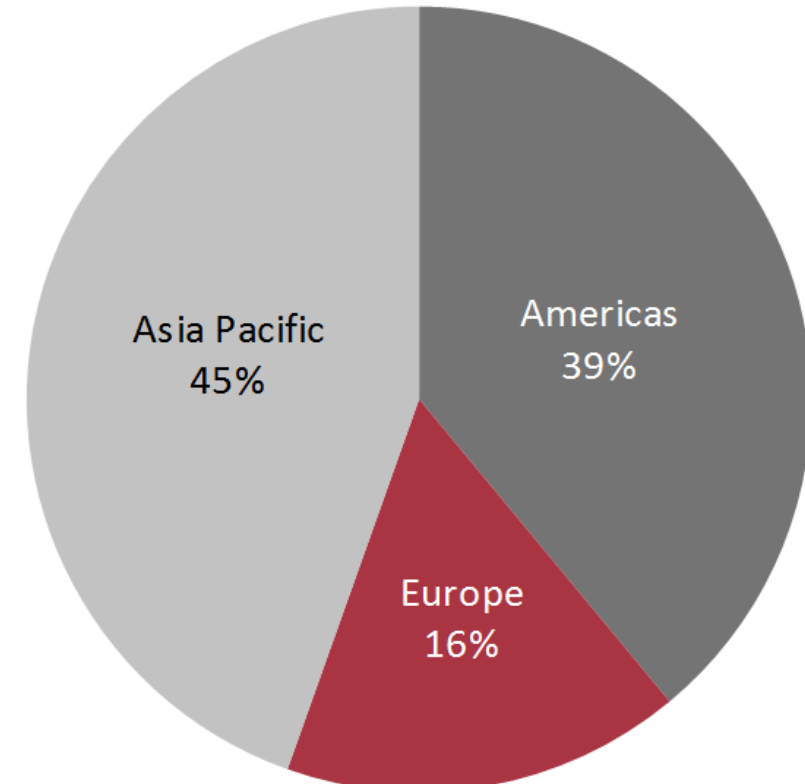
# Q2'19 Non-GAAP Revenue by Segment & by Region

Q2'19 Non-GAAP Revenue\*: \$1,093M

By Segment



By Region

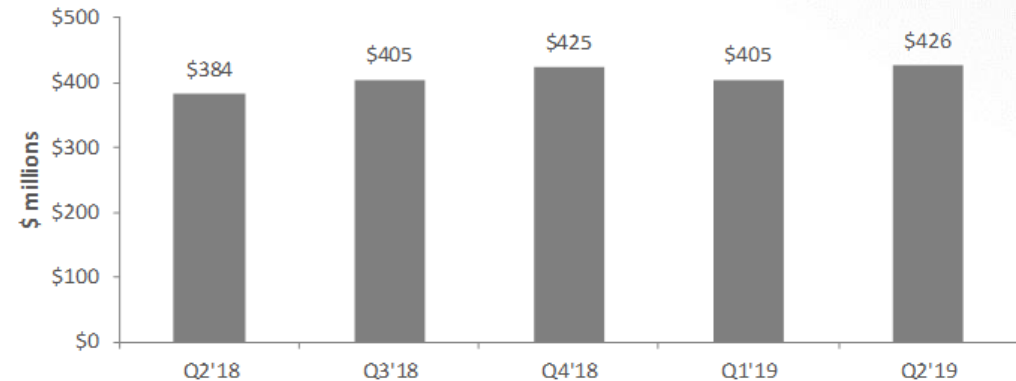


# Q2'19 Non-GAAP Revenue Trend by Region

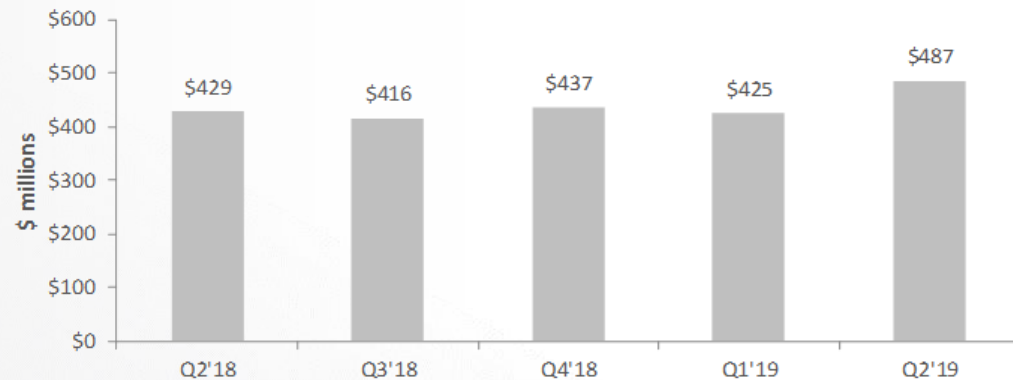
## Regional Highlights (Y/Y Non-GAAP Revenue Growth\*\*)

- **Americas +11% (+12% core\*)**: Strength in ADG, CC, EI and IS
- **Asia Pacific +13% (+16% core\*)**: Strength in CC, EI and IS, with softer ADG results
- **Europe -4% (+1% core\*)**: Strength in CC and EI, with softer ADG and IS results

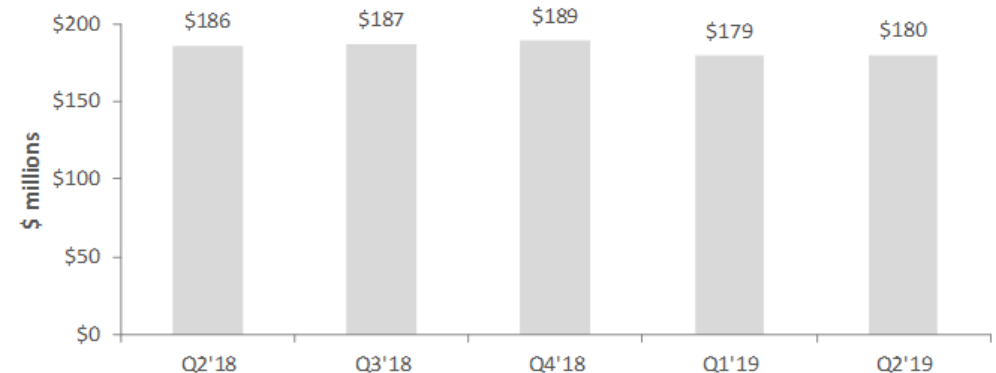
### Americas



### Asia Pacific



### Europe



Key:

ADG – Aerospace, Defense & Government

CC – Commercial Communications

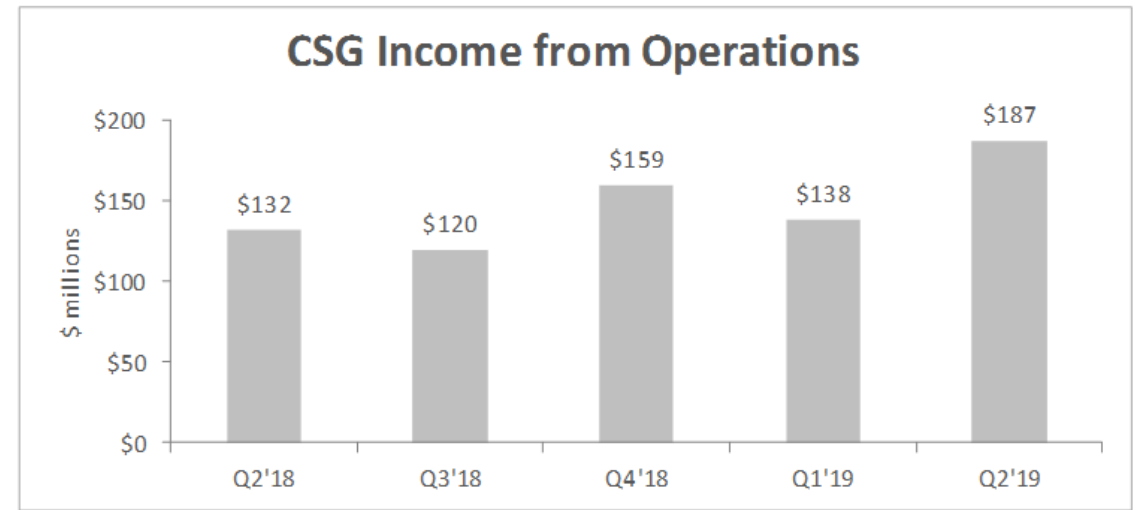
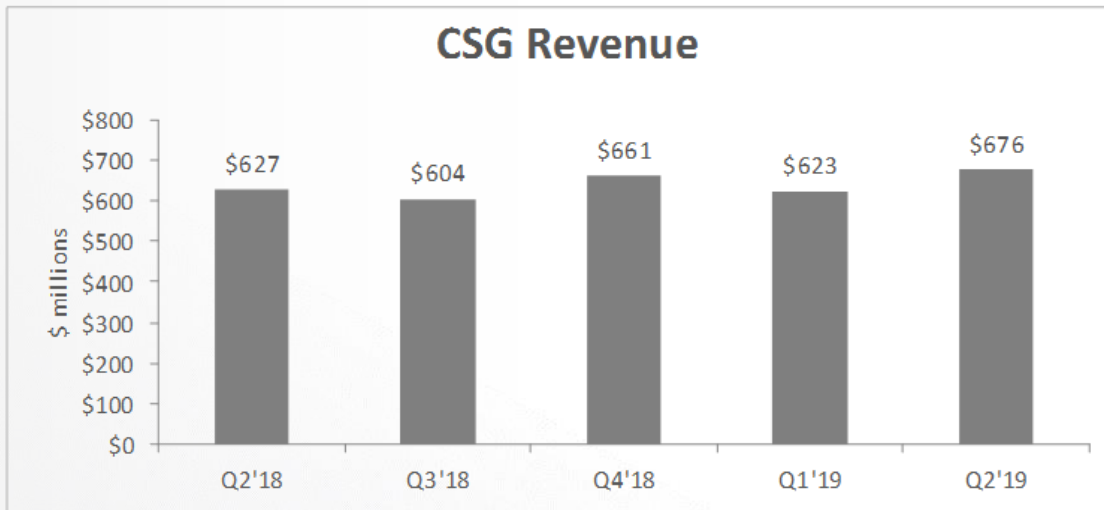
EI – Electronic Industrial Solutions

IS – Ixia Solutions



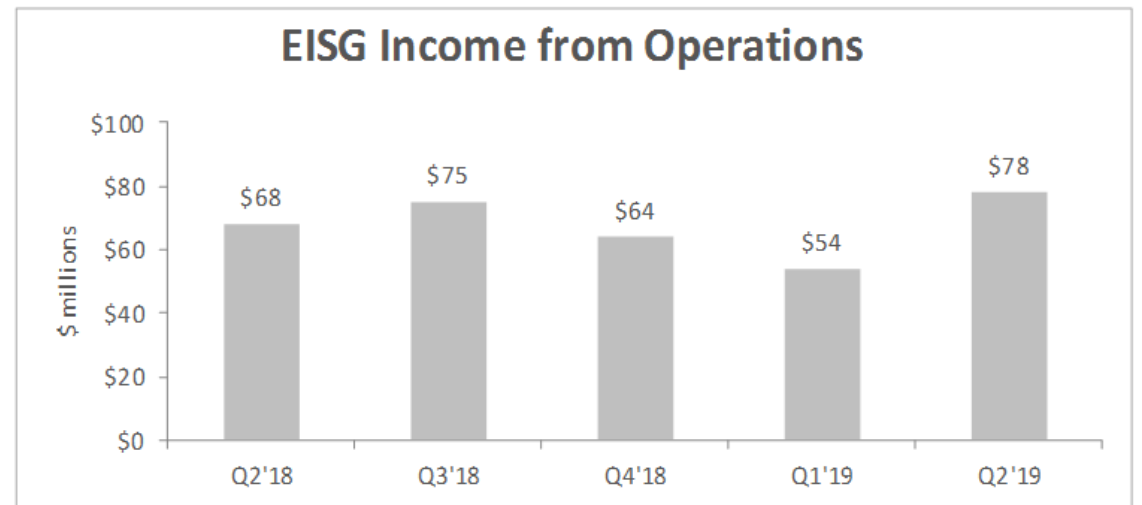
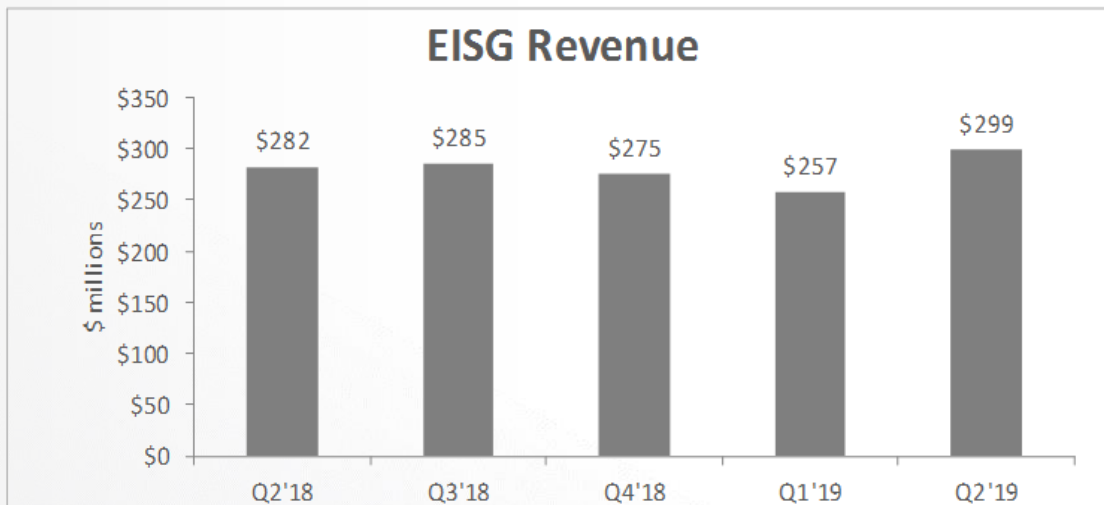
# Q2'19 Communications Solutions Group Highlights

- **Revenue:** \$676M, +8% y/y (+10% core\*)
- **Operating Margin:** 27.7%, +670 basis points y/y
- **Commercial Communications:** Double-digit revenue growth driven by increased 5G R&D demand across the wireless ecosystem coupled with growth in data center related next-generation 400G Ethernet and higher digital test
- **Aerospace, Defense & Government:** Spending in the U.S. and China was offset by softness in some international markets



# Q2'19 Electronic Industrial Solutions Group Highlights

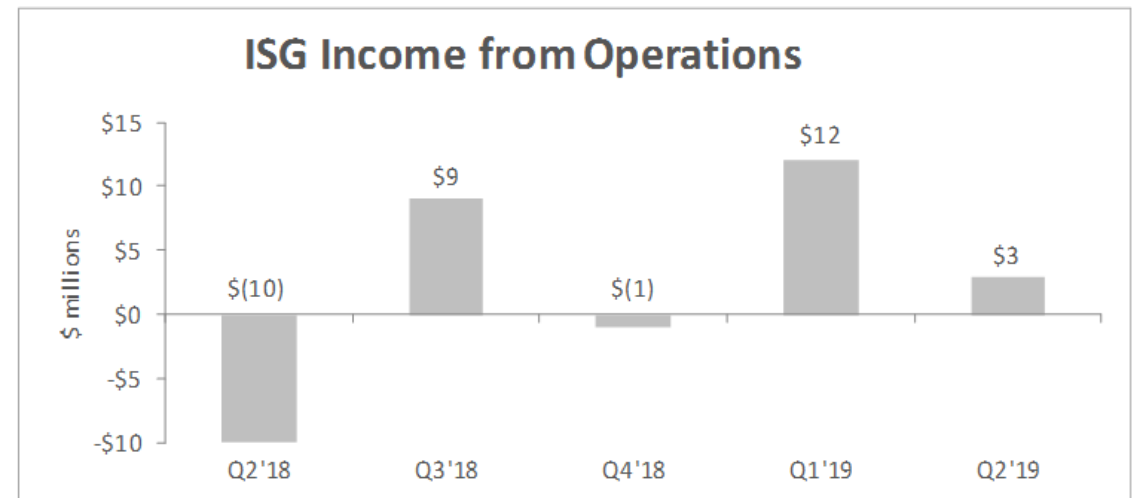
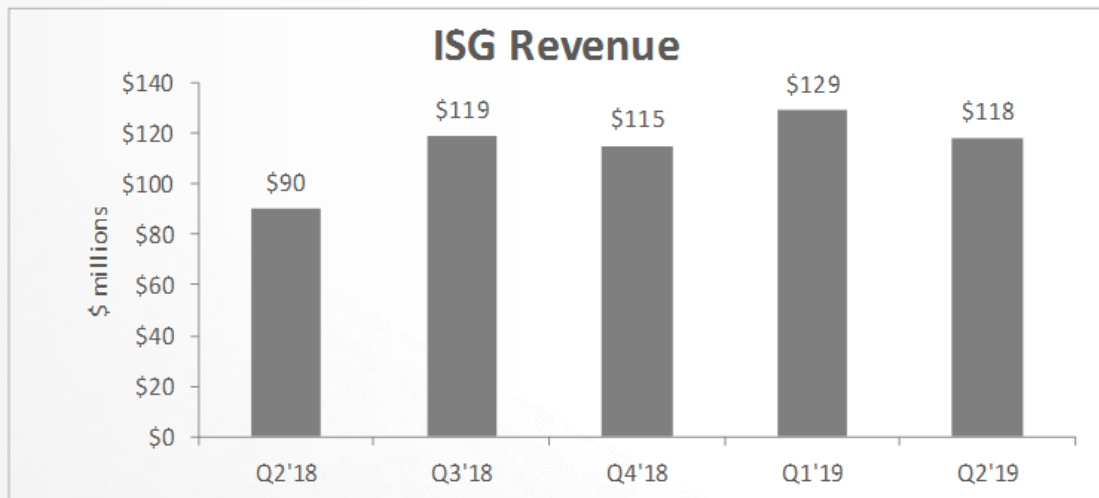
- **Revenue:** \$299M, +6% y/y (+8% core\*)
- **Operating Margin:** 26.1%, +220 basis points y/y
- Record revenue driven by strength in automotive, general electronics and next-generation parametric test
- Continued R&D investment in autonomous driving, electric and hybrid electric vehicles and connected vehicles





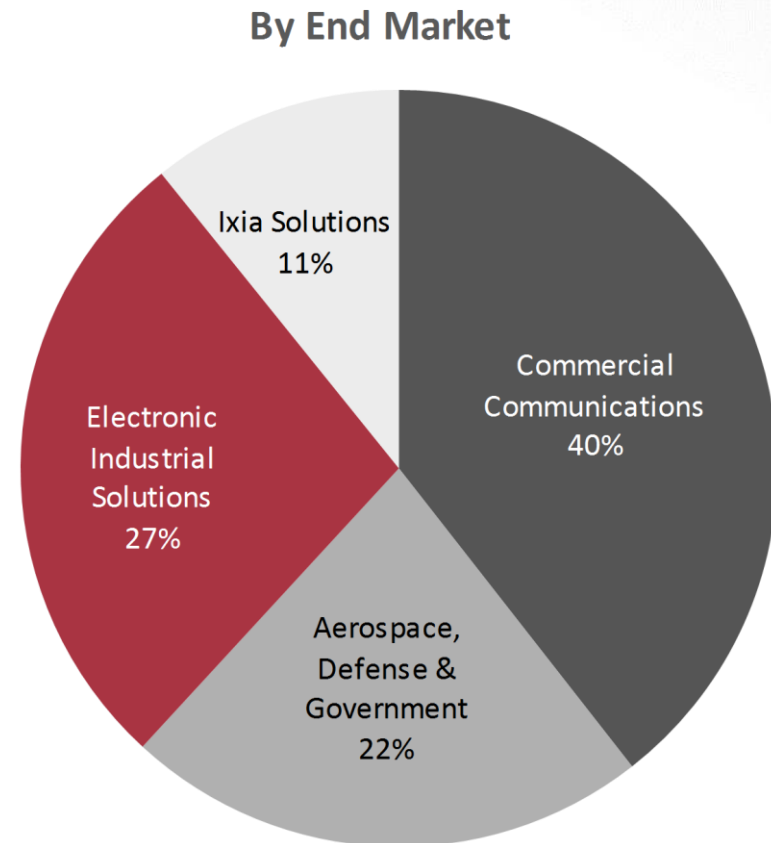
# Q2'19 Ixia Solutions Group Highlights

- **Revenue:** \$118M, +32% y/y (+33% core\*)
- **Operating Margin:** 2.6%, +13.2ppts y/y
- Strong double-digit growth in network test and visibility solutions, driven by application and security sales along with large visibility renewals
- Have generated approximately \$50M in annual cost synergies to-date; approximately 70% of cost synergies generated are being recognized within CSG and EISG



# Q2'19 Non-GAAP Revenue By End Market

End Market	Revenue	YoY %
Commercial Communications	\$431M	+16%
Aerospace, Defense & Government	\$245M	-4%
Electronic Industrial Solutions	\$299M	+6%
Ixia Solutions	\$118M	+32%
<b>Total*</b>	<b>\$1,093M</b>	<b>+9%</b>



# Q3'19 Guidance

Q3'19 Guidance	
GAAP Revenue	\$1,018 - \$1,058M
Non-GAAP Revenue	\$1,020 - \$1,060M
Non-GAAP Revenue Growth	+1% to +5%
Non-GAAP Earnings per share	\$0.97 to \$1.05

## FY19 Financial Considerations

- FY19 full-year non-GAAP revenue growth expectation of 7-8%
- Net Interest and Other Income/Expense: \$2-5M net expense / quarter
- Non-GAAP tax rate of 12%
- Guidance assumes Q3 weighted-average diluted share count of 191M shares
- Expected 2019 CapEx of \$125M-\$145M; includes \$15-\$25M in one-time Oct 2017 N. California wildfire recovery costs
- New \$500M share repurchase authorization (May 2019)

# Investor Resources & Links

- Investor Day March 2018 Videos (*single-click access to each executive's presentation*)
  - [Ron Nersesian](#) - President and CEO (43 minutes)
  - [Jay Alexander](#) - SVP and Chief Technology Officer (27 minutes)
  - [Satish Dhanasekaran](#) - SVP, President – Communications Solutions Group (27 minutes)
  - [Mark Pierpoint](#) - SVP, President – Ixia Solutions Group (23 minutes)
  - [Gooi Soon Chai](#) - SVP, President – Electronic Industrial Solutions Group (18 minutes)
  - [John Page](#) - SVP, President – Services Solutions Group (19 minutes)
  - [Mark Wallace](#) - SVP – Global Sales (12 minutes)
  - [Neil Dougherty](#) - SVP and Chief Financial Officer (20 minutes)
  - [Ron Nersesian](#) - Closing Remarks (11 minutes)
- [Recent Investor Presentations and Webcasts](#)
- [Keysight's Leadership Model](#)

# Reconciliations

**KEYSIGHT TECHNOLOGIES, INC.**  
**NON-GAAP OPERATING MARGIN RECONCILIATION**  
(in millions)  
(Unaudited)  
**PRELIMINARY**

	Three months ended April 30,	
	2019	2018
<b>Income from operations, as reported</b>	<b>\$ 185</b>	<b>\$ 86</b>
Amortization of acquisition-related balances	54	65
Share-based compensation expense	23	15
Acquisition and integration costs	-	17
Restucturing and related costs	6	11
Other	-	(4)
<b>Non-GAAP income from operations</b>	<b>\$ 268</b>	<b>\$ 190</b>
<b>GAAP Operating Margin</b>	17.0%	8.7%
<b>Non-GAAP Operating Margin</b>	24.6%	18.9%



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

	Three months ended April 30,			
	2019		2018	
	Net Income	Diluted EPS	Net Income	Diluted EPS
GAAP Net income	\$ 153	\$ 0.80	\$ 64	\$ 0.34
Non-GAAP adjustments:				
Amortization of acquisition-related balances	54	0.28	65	0.34
Share-based compensation	23	0.12	15	0.08
Acquisition and integration costs	1	0.01	17	0.09
Northern California wildfire-related costs	-	-	-	-
Restructuring and related costs	6	0.03	11	0.06
Other	(12)	(0.06)	(5)	(0.02)
Adjustment for taxes	8	0.04	(9)	(0.06)
Non-GAAP Net income	<u>\$ 233</u>	<u>\$ 1.22</u>	<u>\$ 158</u>	<u>\$ 0.83</u>
Weighted average shares outstanding - diluted	191		190	

**KEYSIGHT TECHNOLOGIES, INC.**  
**RECONCILIATION OF REVENUE GUIDANCE AND NON-GAAP CORE REVENUE**  
(In millions)  
(Unaudited)  
**PRELIMINARY**

	Q3'19 Guidance		Year-over-year compare		
	Low end	High end	Q2'19	Q2'18	Percent Inc/(Dec)
<b>GAAP Revenue</b>	\$ 1,018	\$ 1,058	\$ 1,090	\$ 990	10%
Amortization of acquisition-related balances	2	2	3	9	
<b>Non-GAAP Revenue</b>	<u>\$ 1,020</u>	<u>\$ 1,060</u>	<u>\$ 1,093</u>	<u>\$ 999</u>	9%
Less: Revenue from acquisition or divestitures included in segment results			-	(5)	
Currency impacts			17	-	
<b>Non-GAAP Core Revenue</b>			<u>\$ 1,110</u>	<u>\$ 994</u>	12%

Non-GAAP core revenue excludes impact of currency and revenue from acquisitions or divestitures closed within the last twelve months.

**KEYSIGHT TECHNOLOGIES, INC.**  
**RECONCILIATIONS OF NON-GAAP REVENUE BY SEGMENT AND REGION**  
(in millions)  
(Unaudited)  
**PRELIMINARY**

Revenue by Segment	Year-over-Year								
	GAAP Revenue			Amortization of acquisition-related balances		Non-GAAP Revenue			
	Q2'19	Q2'18	YoY % Chg.	Q2'19	Q2'18	Q2'19	Q2'18	YoY % Chg.	
Communications Solutions Group	\$ 676	\$ 626	8%	\$ -	\$ 1	\$ 676	\$ 627	8%	
Electronic Industrial Solutions Group	299	282	6%	-	-	299	282	6%	
Ixia Solutions Group	115	82	43%	3	8	118	90	32%	
Keysight	<u>\$ 1,090</u>	<u>\$ 990</u>	10%	<u>\$ 3</u>	<u>\$ 9</u>	<u>\$ 1,093</u>	<u>\$ 999</u>	9%	

Revenue by Region	GAAP Revenue			Amortization of acquisition-related balances		Non-GAAP Revenue			
	Q2'19	Q2'18	YoY % Chg.	Q2'19	Q2'18	Q2'19	Q2'18	YoY % Chg.	
Americas	\$ 425	\$ 379	12%	\$ 1	\$ 5	\$ 426	\$ 384	11%	
Europe	179	182	(2)%	1	4	180	186	(4)%	
Asia Pacific	486	429	13%	1	-	487	429	13%	
Total Revenue	<u>\$ 1,090</u>	<u>\$ 990</u>	10%	<u>\$ 3</u>	<u>\$ 9</u>	<u>\$ 1,093</u>	<u>\$ 999</u>	9%	

**KEYSIGHT TECHNOLOGIES, INC.**  
**RECONCILIATIONS OF NON-GAAP CORE REVENUE BY SEGMENT AND REGION**  
(in millions)  
(Unaudited)  
**PRELIMINARY**

	Year-over-Year									
	Non-GAAP Revenue			Revenue from acquisitions and divestiture		Currency Adjustments	Non-GAAP Core Revenue			
Revenue by Segment	Q2'19	Q2'18	YoY % Chg.	Q2'19	Q2'18	Q2'19	Q2'19	Q2'18	YoY % Chg.	
Communications Solutions Group	\$ 676	\$ 627	8%	\$ -	\$ 5	\$ (10)	\$ 686	\$ 622	10%	
Electronic Industrial Solutions Group	299	282	6%	-	-	(6)	305	282	8%	
Ixia Solutions Group	118	90	32%	-	-	(1)	119	90	33%	
Keysight	\$ 1,093	\$ 999	9%	\$ -	\$ 5	\$ (17)	\$ 1,110	\$ 994	12%	

Revenue by Region	Non-GAAP Revenue			Revenue from acquisitions and divestiture		Currency Adjustments	Non-GAAP Core Revenue		
	Q2'19	Q2'18	YoY % Chg.	Q2'19	Q2'18	Q2'19	Q2'19	Q2'18	YoY % Chg.
Americas	\$ 426	\$ 384	11%	\$ -	\$ 4	\$ (1)	\$ 427	\$ 380	12%
Europe	180	186	(4)%	-	1	(7)	187	185	1%
Asia Pacific	487	429	13%	-	-	(9)	496	429	16%
Total Revenue	\$ 1,093	\$ 999	9%	\$ -	\$ 5	\$ (17)	\$ 1,110	\$ 994	12%

**KEYSIGHT TECHNOLOGIES, INC.**  
**SEGMENT REVENUE RECONCILIATION**  
(in millions)  
(Unaudited)  
**PRELIMINARY**

**Keysight**

	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>	<b>Q1'19</b>	<b>Q2'19</b>
<b>GAAP Revenue</b>	\$ 990	\$ 1,004	\$ 1,047	\$ 1,006	\$ 1,090
Amortization of acquisition-related balances	9	4	4	3	3
<b>Non-GAAP/Segment Revenue</b>	<u>\$ 999</u>	<u>\$ 1,008</u>	<u>\$ 1,051</u>	<u>\$ 1,009</u>	<u>\$ 1,093</u>

**Communications Solutions Group**

	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>	<b>Q1'19</b>	<b>Q2'19</b>
<b>GAAP Revenue</b>	\$ 626	\$ 604	\$ 661	\$ 623	\$ 676
Amortization of acquisition-related balances	1	-	-	-	-
<b>Segment Revenue</b>	<u>\$ 627</u>	<u>\$ 604</u>	<u>\$ 661</u>	<u>\$ 623</u>	<u>\$ 676</u>

**Electronic Industrial Solutions Group**

	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>	<b>Q1'19</b>	<b>Q2'19</b>
<b>GAAP Revenue</b>	\$ 282	\$ 285	\$ 275	\$ 257	\$ 299
Amortization of acquisition-related balances	-	-	-	-	-
<b>Segment Revenue</b>	<u>\$ 282</u>	<u>\$ 285</u>	<u>\$ 275</u>	<u>\$ 257</u>	<u>\$ 299</u>

**Ixia Solutions Group**

	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>	<b>Q1'19</b>	<b>Q2'19</b>
<b>GAAP Revenue</b>	\$ 82	\$ 115	\$ 111	\$ 126	\$ 115
Amortization of acquisition-related balances	8	4	4	3	3
<b>Segment Revenue</b>	<u>\$ 90</u>	<u>\$ 119</u>	<u>\$ 115</u>	<u>\$ 129</u>	<u>\$ 118</u>

**KEYSIGHT TECHNOLOGIES, INC.**  
**RECONCILIATION OF NON-GAAP REVENUE BY REGION**  
(In Millions)  
(Unaudited)  
**PRELIMINARY**

**Keysight**

	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>	<b>Q1'19</b>	<b>Q2'19</b>
<b>GAAP Revenue</b>	\$ 990	\$ 1,004	\$ 1,047	\$ 1,006	\$ 1,090
Amortization of acquisition-related balances	9	4	4	3	3
<b>Non-GAAP Revenue</b>	<u>\$ 999</u>	<u>\$ 1,008</u>	<u>\$ 1,051</u>	<u>\$ 1,009</u>	<u>\$ 1,093</u>

**Americas**

	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>	<b>Q1'19</b>	<b>Q2'19</b>
<b>GAAP Revenue</b>	\$ 379	\$ 403	\$ 423	\$ 403	\$ 425
Amortization of acquisition-related balances	5	2	2	2	1
<b>Non-GAAP Revenue</b>	<u>\$ 384</u>	<u>\$ 405</u>	<u>\$ 425</u>	<u>\$ 405</u>	<u>\$ 426</u>

**Europe**

	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>	<b>Q1'19</b>	<b>Q2'19</b>
<b>GAAP Revenue</b>	\$ 182	\$ 185	\$ 187	\$ 178	\$ 179
Amortization of acquisition-related balances	4	2	2	1	1
<b>Non-GAAP Revenue</b>	<u>\$ 186</u>	<u>\$ 187</u>	<u>\$ 189</u>	<u>\$ 179</u>	<u>\$ 180</u>

**Asia Pacific**

	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>	<b>Q1'19</b>	<b>Q2'19</b>
<b>GAAP Revenue</b>	\$ 429	\$ 416	\$ 437	\$ 425	\$ 486
Amortization of acquisition-related balances	-	-	-	-	1
<b>Non-GAAP Revenue</b>	<u>\$ 429</u>	<u>\$ 416</u>	<u>\$ 437</u>	<u>\$ 425</u>	<u>\$ 487</u>



**KEYSIGHT TECHNOLOGIES, INC.**  
**RECONCILIATION OF NON-GAAP REVENUE BY END MARKET**  
(In millions)  
(Unaudited)  
**PRELIMINARY**

	GAAP Revenue			Acquisition related fair value adjs		Non-GAAP Revenue		
	Q2'19	Q2'18	Percent Inc/(Dec)	Q2'19	Q2'18	Q2'19	Q2'18	Percent Inc/(Dec)
Aerospace, Defense & Government	\$ 245	\$ 254	(4)%	\$ -	\$ -	\$ 245	\$ 254	(4)%
Commercial Communications	431	372	16%	-	1	431	373	16%
Electronic Industrial	299	282	6%	-	-	299	282	6%
Ixia	115	82	43%	3	8	118	90	32%
<b>Total Revenue</b>	<b>\$ 1,090</b>	<b>\$ 990</b>	<b>10%</b>	<b>\$ 3</b>	<b>\$ 9</b>	<b>\$ 1,093</b>	<b>\$ 999</b>	<b>9%</b>

**KEYSIGHT TECHNOLOGIES, INC.**  
**FREE CASH FLOW**  
(in millions)  
(Unaudited)  
**PRELIMINARY**

	<b>Q2'19</b>
Net cash provided by operating activities	\$ 221
Less: Investments in property, plant and equipment	(29)
Free cash flow	<u>\$ 192</u>
As % of GAAP Revenue	18%
As % of non-GAAP Net income	82%

## Non-GAAP Financial Measures

Management uses both GAAP and non-GAAP financial measures to analyze and assess the overall performance of the business, to make operating decisions and to forecast and plan for future periods. We believe that our investors benefit from seeing our results “through the eyes of management” in addition to seeing our GAAP results. This information enhances investors’ understanding of the continuing performance of our business and facilitates comparison of performance to our historical and future periods.

Our non-GAAP financial measures may not be comparable to similarly titled measures used by other companies, including industry peer companies, limiting the usefulness of these measures for comparative purposes.

These non-GAAP measures should be considered supplemental to and not a substitute for financial information prepared in accordance with GAAP. The discussion below presents information about each of the non-GAAP financial measures and the company’s reasons for including or excluding certain categories of income or expenses from our non-GAAP results. In future periods, we may exclude such items and may incur income and expenses similar to these excluded items. Accordingly, adjustments for these items and other similar items in our non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent or unusual.

*Non-GAAP Revenue* includes recognition of acquired deferred revenue that was written down to fair value in purchase accounting. Management believes that excluding fair value purchase accounting adjustments more closely correlates with the ordinary and ongoing course of the acquired company’s operations and facilitates analysis of revenue growth and business trends.

*Non-GAAP Core Revenue* is non-GAAP revenue (see *Non-GAAP Revenue* above) excluding the impact of foreign currency changes and revenue associated with businesses acquired and divested within the last twelve months. We exclude the impact of foreign currency changes as currency rates can fluctuate based on factors that are not within our control and can obscure revenue growth trends. As the nature, size and number of acquisitions can vary significantly from period to period and as compared to our peers, we exclude revenue associated with recently acquired businesses to facilitate comparisons of revenue growth and analysis of underlying business trends.

*Non-GAAP Income from Operations, Non-GAAP Net Income and Non-GAAP Diluted EPS* may include the following types of adjustments:

- *Acquisition-related Items:* We exclude the impact of certain items recorded in connection with business combinations from our non-GAAP financial measures that are either non-cash or not normal, recurring operating expenses due to their nature, variability of amounts and lack of predictability as to occurrence or timing. These amounts may include non-cash items such as the amortization of acquired intangible assets and amortization of items associated with fair value purchase accounting adjustments, including recognition of acquired deferred revenue (see *Non-GAAP Revenue* above). We also exclude other acquisition and integration costs associated with business acquisitions that are not normal recurring operating expenses, including amortization of amounts paid to redeem acquires’ unvested stock-based compensation awards, and legal, accounting and due diligence costs. We exclude these charges to facilitate a more meaningful evaluation of our current operating performance and comparisons to our past operating performance.
- *Share-based Compensation Expense:* We exclude share-based compensation expense from our non-GAAP financial measures because share-based compensation expense can vary significantly from period to period based on the company’s share price, as well as the timing, size and nature of equity awards granted. Management believes the exclusion of this expense facilitates the ability of investors to compare the company’s operating results with those of other companies, many of which also exclude share-based compensation expense in determining their non-GAAP financial measures.
- *Restructuring and Related Costs:* We exclude incremental expenses associated with restructuring initiatives, usually aimed at material changes in the business or cost structure. Such costs may include employee separation costs, asset impairments, facility-related costs, contract termination fees, and costs to move operations from one location to another. These activities can vary significantly from period to period based on the timing, size and nature of restructuring plans; therefore, we do not consider such costs to be normal, recurring operating expenses. We believe that these costs do not reflect expected future operating expenses and do not contribute to a meaningful evaluation of the company’s current operating performance or comparisons to our operating performance in other periods.
- *Northern California wildfire-related costs and Other Items:* We exclude certain other significant income or expense items that may occur occasionally and are not normal, recurring, cash operating, from our non-GAAP financial measures. Such items are evaluated on an individual basis based on both quantitative and qualitative factors and generally represent items that we would not anticipate occurring as part of our normal business on a regular basis. While not all-inclusive, examples of certain other significant items excluded from non-GAAP financial measures would include net unrealized gains on equity investments still held, and significant non recurring events like goodwill impairment charges, realized gains or losses associated with our employee benefit plans, costs related to unusual disaster like Northern California wildfires, gain on sale of assets and small divestitures, separation and related costs, etc.
- *Estimated Tax Rate:* We utilize a consistent methodology for long-term projected non-GAAP tax rate. When projecting this long-term rate, we exclude any tax benefits or expenses 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. Additionally, we evaluate our current long-term projections, current tax structure and other factors, such as existing tax positions in various jurisdictions and key tax holidays in major jurisdictions where Keysight operates. This tax rate could change in the future for a variety of reasons, including but not limited to significant changes in geographic earnings mix including acquisition activity, or fundamental tax law changes in major jurisdictions where Keysight operates. The above reasons also limit our ability to reasonably estimate the future GAAP tax rate and provide a reconciliation of the expected non-GAAP earnings per share for the third fiscal quarter of 2019 to the GAAP equivalent.

Management recognizes these items can have a material impact on our cash flows and/or our net income. Our GAAP financial statements, including our Condensed Consolidated 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 costs 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 Condensed Consolidated Statement of Operations prepared in accordance with GAAP. The non-GAAP measures focus instead upon the core business of the company, which is only a subset, albeit a critical one, of the company’s performance.