

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

	Three months ended January 31,	
	2024	2023
Orders	\$ 1,220	\$ 1,300
Revenue	\$ 1,259	\$ 1,381
Costs and expenses:		
Cost of products and services	446	498
Research and development	232	227
Selling, general and administrative	362	338
Other operating expense (income), net	(2)	(4)
Total costs and expenses	1,038	1,059
Income from operations	221	322
Interest income	23	19
Interest expense	(20)	(19)
Other income (expense), net	5	9
Income before taxes	229	331
Provision for income taxes	57	71
Net income	<u>\$ 172</u>	<u>\$ 260</u>
Net income per share:		
Basic	\$ 0.98	\$ 1.46
Diluted	\$ 0.98	\$ 1.45
Weighted average shares used in computing net income per share:		
Basic	175	178
Diluted	176	180

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

	<u>January 31, 2024</u>	<u>October 31, 2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,745	\$ 2,472
Accounts receivable, net	808	900
Inventory	1,024	985
Other current assets	499	452
Total current assets	<u>4,076</u>	<u>4,809</u>
Property, plant and equipment, net	771	761
Operating lease right-of-use assets	236	226
Goodwill	2,254	1,640
Other intangible assets, net	616	155
Long-term investments	90	81
Long-term deferred tax assets	662	671
Other assets	355	340
Total assets	<u>\$ 9,060</u>	<u>\$ 8,683</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 609	\$ 599
Accounts payable	281	286
Employee compensation and benefits	261	304
Deferred revenue	592	541
Income and other taxes payable	146	90
Operating lease liabilities	43	40
Other accrued liabilities	184	189
Total current liabilities	<u>2,116</u>	<u>2,049</u>
Long-term debt	1,208	1,195
Retirement and post-retirement benefits	67	64
Long-term deferred revenue	213	216
Long-term operating lease liabilities	198	192
Other long-term liabilities	441	313
Total liabilities	<u>4,243</u>	<u>4,029</u>
Stockholders' Equity:		
Preferred stock; \$0.01 par value; 100 million shares authorized; none issued and outstanding	—	—
Common stock; \$0.01 par value; 1 billion shares authorized; issued and outstanding shares: 201 million and 200 million, respectively	2	2
Treasury stock, at cost; 26.1 million shares and 25.4 million shares, respectively	(3,073)	(2,980)
Additional paid-in-capital	2,547	2,487
Retained earnings	5,783	5,611
Accumulated other comprehensive loss	(442)	(466)
Total stockholders' equity	<u>4,817</u>	<u>4,654</u>
Total liabilities and equity	<u>\$ 9,060</u>	<u>\$ 8,683</u>

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

	Three months ended January 31,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 172	\$ 260
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	30	29
Amortization	38	24
Share-based compensation	48	54
Deferred tax expense (benefit)	6	(1)
Excess and obsolete inventory-related charges	8	6
Unrealized loss (gain) on equity and other investments	(4)	(6)
Changes in assets and liabilities, net of effects of businesses acquired:		
Accounts receivable	124	6
Inventory	(42)	(44)
Accounts payable	1	(19)
Employee compensation and benefits	(74)	(84)
Deferred revenue	27	62
Income taxes payable	38	56
Retirement and post-retirement benefits	(2)	(3)
Prepaid assets	(9)	(10)
Other assets and liabilities	(33)	36
Net cash provided by operating activities ^(a)	<u>328</u>	<u>366</u>
Cash flows from investing activities:		
Investments in property, plant and equipment	(47)	(60)
Acquisition of businesses and intangible assets, net of cash acquired	(478)	—
Proceeds from sale and maturities of investments	11	—
Other investing activities	3	—
Net cash used in investing activities	<u>(511)</u>	<u>(60)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock under employee stock plans	32	33
Payment of taxes related to net share settlement of equity awards	(28)	(46)
Acquisition of non-controlling interests	(458)	—
Treasury stock repurchases	(93)	(125)
Other financing activities	(1)	(1)
Net cash used in financing activities	<u>(548)</u>	<u>(139)</u>
Effect of exchange rate movements	<u>8</u>	<u>20</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	(723)	187
Cash, cash equivalents, and restricted cash at beginning of period	2,488	2,057
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 1,765</u>	<u>\$ 2,244</u>

^(a) Cash payments included in operating activities:

Interest payments	\$ —	\$ —
Income tax paid, net	\$ 12	\$ 14

KEYSIGHT TECHNOLOGIES, INC.
COMMUNICATIONS SOLUTIONS GROUP (CSG)
(In millions, except where noted)
(Unaudited)
PRELIMINARY

	FY 2024				
	Q1	Q2	Q3	Q4	Total
Revenue	\$ 839				\$ 839
Gross margin, %	68.4%				68.4%
Income from operations	\$ 226				\$ 226
Operating margin, %	27.0%				27.0%

	FY 2023				
	Q1	Q2	Q3	Q4	Total
Revenue	\$ 939	\$ 937	\$ 918	\$ 891	\$ 3,685
Gross margin, %	67.5%	68.1%	67.6%	67.7%	67.7%
Income from operations	\$ 269	\$ 266	\$ 276	\$ 257	\$ 1,068
Operating margin, %	28.7%	28.4%	30.0%	28.8%	29.0%

Segment revenue and income from operations is consistent with the respective non-GAAP financial measures as discussed on last page.

KEYSIGHT TECHNOLOGIES, INC.
ELECTRONIC INDUSTRIAL SOLUTIONS GROUP (EISG)
(In millions, except where noted)
(Unaudited)
PRELIMINARY

	FY 2024				
	Q1	Q2	Q3	Q4	Total
Revenue	\$ 420				\$ 420
Gross margin, %	64.9%				64.9%
Income from operations	\$ 129				\$ 129
Operating margin, %	30.6%				30.6%

	FY 2023				
	Q1	Q2	Q3	Q4	Total
Revenue	\$ 442	\$ 453	\$ 464	\$ 420	\$ 1,779
Gross margin, %	60.5%	63.7%	62.5%	60.7%	61.9%
Income from operations	\$ 140	\$ 157	\$ 157	\$ 127	\$ 581
Operating margin, %	31.8%	34.5%	33.9%	30.3%	32.7%

Segment revenue and income from operations is consistent with the respective non-GAAP financial measures as discussed on last page.

KEYSIGHT TECHNOLOGIES, INC.
GROSS PROFIT AND OPERATING MARGIN RECONCILIATIONS
(In millions, except where noted)
(Unaudited)
PRELIMINARY

Reconciliation of Gross Profit to non-GAAP Gross Profit

	Three months ended January 31,	
	2024	2023
Gross Profit, as reported	\$ 813	\$ 883
Amortization of acquisition-related balances	17	9
Share-based compensation	8	9
Restructuring and others	8	—
Non-GAAP Gross Profit	\$ 846	\$ 901
GAAP Gross margin, %	64.6%	63.9%
Non-GAAP Gross margin, %	67.2%	65.2%

Reconciliation of Income from Operations to non-GAAP Income from Operations

	Three months ended January 31,	
	2024	2023
Income from operations, as reported	\$ 221	\$ 322
Amortization of acquisition-related balances	38	23
Share-based compensation	50	55
Acquisition and integration costs	17	2
Restructuring and others	29	7
Non-GAAP income from operations	\$ 355	\$ 409
GAAP Operating margin, %	17.6%	23.3%
Non-GAAP Operating margin, %	28.2%	29.7%

Please refer to the last page for details on the use of non-GAAP financial measures.

KEYSIGHT TECHNOLOGIES, INC.
OPERATING EXPENSES RECONCILIATIONS
(In millions)
(Unaudited)
PRELIMINARY

Reconciliation of research & development expenses to non-GAAP research & development expenses

	Three months ended January 31,	
	2024	2023
Research & development expenses, as reported	\$ 232	\$ 227
Share-based compensation	(13)	(16)
Restructuring and others	(5)	—
Non-GAAP research & development expenses	<u>\$ 214</u>	<u>\$ 211</u>

Reconciliation of selling, general & administrative expenses to non-GAAP selling, general & administrative expenses

	Three months ended January 31,	
	2024	2023
Selling, general & administrative expenses, as reported	\$ 362	\$ 338
Amortization of acquisition-related balances	(21)	(14)
Share-based compensation	(29)	(30)
Acquisition and integration costs	(17)	(2)
Restructuring and others	(16)	(7)
Non-GAAP selling, general & administrative expenses	<u>\$ 279</u>	<u>\$ 285</u>

Reconciliation of operating expenses to non-GAAP operating expenses

	Three months ended January 31,	
	2024	2023
Operating expenses, as reported	\$ 592	\$ 561
Amortization of acquisition-related balances	(21)	(14)
Share-based compensation	(42)	(46)
Acquisition and integration costs	(17)	(2)
Restructuring and others	(21)	(7)
Non-GAAP operating expenses	<u>\$ 491</u>	<u>\$ 492</u>

Please refer to the last page for details on the use of non-GAAP financial measures.

KEYSIGHT TECHNOLOGIES, INC.
NET INCOME AND DILUTED EPS RECONCILIATION
(In millions, except per share data)
(Unaudited)
PRELIMINARY

	Three months ended January 31,			
	2024		2023	
	Net Income	Diluted EPS	Net Income	Diluted EPS
GAAP Net income	\$ 172	\$ 0.98	\$ 260	\$ 1.45
Non-GAAP adjustments:				
Amortization of acquisition-related balances	38	0.21	23	0.13
Share-based compensation	50	0.29	55	0.30
Acquisition and integration costs	13	0.08	2	0.01
Restructuring and others	15	0.08	1	0.01
Adjustment for taxes ^(a)	(2)	(0.01)	22	0.12
Non-GAAP Net income	<u>\$ 286</u>	<u>\$ 1.63</u>	<u>\$ 363</u>	<u>\$ 2.02</u>
Weighted average shares outstanding - diluted	176		180	

^(a) For the three months ended January 31, 2024 and 2023, management uses a non-GAAP effective tax rate of 17% and 12%, respectively.

Please refer to the last page for details on the use of non-GAAP financial measures.

KEYSIGHT TECHNOLOGIES, INC.
RECONCILIATIONS OF CORE REVENUE BY SEGMENT AND REGION
(In millions)
(Unaudited)
PRELIMINARY

Year-over-Year								
Revenue by Segment	Revenue			Revenue from acquisitions or divestitures	Currency Adjustments ^(a)	Core Revenue		
	Q1'24	Q1'23	YoY % Chg.			Q1'24	Q1'23	YoY % Chg.
Communications Solutions Group	\$ 839	\$ 939	(11)%	\$ 11	\$ (1)	\$ 829	\$ 939	(12)%
Electronic Industrial Solutions Group	420	442	(5)%	61	—	359	442	(19)%
Total Revenue	\$ 1,259	\$ 1,381	(9)%	\$ 72	\$ (1)	\$ 1,188	\$ 1,381	(14)%

Revenue by Region	Revenue			Revenue from acquisitions or divestitures	Currency Adjustments ^(a)	Core Revenue		
	Q1'24	Q1'23	YoY % Chg.			Q1'24	Q1'23	YoY % Chg.
Americas	\$ 514	\$ 561	(8)%	\$ 11	\$ —	\$ 503	\$ 561	(10)%
Europe	255	257	(1)%	48	4	203	257	(21)%
Asia Pacific	490	563	(13)%	13	(5)	482	563	(14)%
Total Revenue	\$ 1,259	\$ 1,381	(9)%	\$ 72	\$ (1)	\$ 1,188	\$ 1,381	(14)%

^(a) We compare the year-over-year change in revenue excluding the effect of foreign currency rate fluctuations to assess the performance of our underlying business. To determine the impact of currency fluctuations, current period results for entities reporting in currencies other than United States dollars are converted into United States dollars at the actual exchange rate in effect during the respective prior periods.

Please refer to the last page for details on the use of non-GAAP financial measures.

KEYSIGHT TECHNOLOGIES, INC.
GROSS MARGIN AND OPERATING MARGIN (EXCLUDING ESI GROUP)
(In millions, except where noted)
(Unaudited)
PRELIMINARY

Reconciliation of Gross Profit to non-GAAP Gross Profit, excluding ESI

	<u>Q1'24</u>
Revenue	\$ 1,259
Adjustments:	
Revenue from ESI Group	(68)
Revenue excluding ESI Group	<u>\$ 1,191</u>
 Non-GAAP Gross Profit <i>(Refer Page 6)</i>	 \$ 846
Adjustments:	
Gross Profit from ESI Group	(59)
Gross Profit excluding ESI Group	<u>\$ 787</u>
 Gross margin excluding ESI Group, %	 66.1%

Reconciliation of Income from Operations to non-GAAP Income from Operations, excluding ESI

	<u>Q1'24</u>
Non-GAAP income from operations <i>(Refer Page 6)</i>	\$ 355
Adjustments:	
Operating income from ESI Group	(33)
Operating income excluding ESI Group	<u>\$ 322</u>
 Operating margin excluding ESI, %	 27.0%

Please refer to the last page for details on the use of non-GAAP financial measures.

KEYSIGHT TECHNOLOGIES, INC.
REVENUE BY END MARKETS
(In millions)
(Unaudited)
PRELIMINARY

	Q1'24	Q1'23	Percent Inc/(Dec)
Aerospace, Defense and Government	\$ 295	\$ 310	(5)%
Commercial Communications	544	629	(14)%
Electronic Industrial	420	442	(5)%
Total Revenue	\$ 1,259	\$ 1,381	(9)%

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

	Three months ended	
	January 31,	
	2024	2023
Net cash provided by operating activities	\$ 328	\$ 366
Less: Investments in property, plant and equipment	(47)	(60)
Free cash flow	<u>\$ 281</u>	<u>\$ 306</u>

Please refer to the last page for details on the use of non-GAAP financial measures.

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 generally relates to an acquisition and 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. We may not have non-GAAP revenue in all periods.

Core Revenue is GAAP/non-GAAP revenue (as applicable) excluding the impact of foreign currency changes and revenue associated with material acquisitions or divestitures completed 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.

Free cash flow includes net cash provided by operating activities adjusted for investments in property, plant & equipment.

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 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 others:* 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 also exclude “others”, not normal, recurring, cash operating income/expenses 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 do not anticipate occurring as part of our normal business. While not all-inclusive, examples of such items would include net unrealized gains on equity investments still held, significant non-recurring events like realized gains or losses associated with our employee benefit plans, costs and recoveries related to unusual events, gain on sale of assets/divestitures, adjustment attributable to non-controlling interest, etc. 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.

- *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 second quarter of fiscal 2024 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.