KEYSIGHT TECHNOLOGIES, INC.
Financial Information Index of Schedules

Fiscal Periods:
- Q1'23 - Three months ended January 31, 2023
- Q2'23 - Three months ended April 30, 2023
- Q3'23 - Three months ended July 31, 2023
- Q4'23 - Three months ended October 31, 2023
- Q1'24 - Three months ended January 31, 2024
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KEYSIGHT TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(In millions, except per share data)
(Unaudited)
PRELIMINARY

	Three months ended April 30,		Six months ended April 30,	
	2024	2023	2024	2023
Orders	$ 1,219	$ 1,319	$ 2,439	$ 2,619
Revenue	$ 1,216	$ 1,390	$ 2,475	$ 2,771
Costs and expenses:				
Cost of products and services	453	481	899	979
Research and development	228	222	460	449
Selling, general and administrative	361	337	723	675
Other operating expense (income), net	(3)	(4)	(5)	(8)
Total costs and expenses	1,039	1,036	2,077	2,095
Income from operations	177	354	398	676
Interest income	18	22	41	41
Interest expense	(20)	(20)	(40)	(39)
Other income (expense), net	—	5	5	14
Income before taxes	175	361	404	692
Provision for income taxes	49	78	106	149
Net income	$ 126	$ 283	$ 298	$ 543
Net income per share:				
Basic	$ 0.73	$ 1.59	$ 1.71	$ 3.04
Diluted	$ 0.72	$ 1.58	$ 1.70	$ 3.02
Weighted average shares used in computing net income per share:				
Basic	174	178	175	178
Diluted	175	179	175	179

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

	April 30, 2024	October 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,657	$ 2,472
Accounts receivable, net	809	900
Inventory	1,020	985
Other current assets	482	452
Total current assets	3,968	4,809
Property, plant and equipment, net	769	761
Operating lease right-of-use assets	239	226
Goodwill	2,282	1,640
Other intangible assets, net	609	155
Long-term investments	102	81
Long-term deferred tax assets	668	671
Other assets	351	340
Total assets	$ 8,988	$ 8,683
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 600	$ 599
Accounts payable	268	286
Employee compensation and benefits	309	304
Deferred revenue	578	541
Income and other taxes payable	62	90
Operating lease liabilities	43	40
Other accrued liabilities	134	189
Total current liabilities	1,994	2,049
Long-term debt	1,195	1,195
Retirement and post-retirement benefits	68	64
Long-term deferred revenue	211	216
Long-term operating lease liabilities	201	192
Other long-term liabilities	416	313
Total liabilities	4,085	4,029
Stockholders' Equity:		
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; 26.4 million shares and 25.4 million shares, respectively	(3,119)	(2,980)
Additional paid-in-capital	2,580	2,487
Retained earnings	5,909	5,611
Accumulated other comprehensive loss	(469)	(466)
Total stockholders' equity	4,903	4,654
Total liabilities and equity	$ 8,988	$ 8,683

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

	Six months ended April 30,	
	2024	2023
Cash flows from operating activities:		
Net income	$ 298	$ 543
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	62	59
Amortization	76	49
Share-based compensation	82	84
Deferred tax expense (benefit)	(9)	(2)
Excess and obsolete inventory-related charges	18	13
Other non-cash expense (income), net	(5)	(4)
Changes in assets and liabilities, net of effects of businesses acquired:		
Accounts receivable	121	61
Inventory	(50)	(93)
Accounts payable	(11)	(41)
Employee compensation and benefits	(26)	(35)
Deferred revenue	14	81
Income taxes payable	(35)	(32)
Interest rate swap agreement termination proceeds	—	107
Prepaid assets	(19)	(27)
Other assets and liabilities	(78)	26
Net cash provided by operating activities[a]	438	789
Cash flows from investing activities:		
Investments in property, plant and equipment	(83)	(113)
Acquisition of businesses and intangible assets, net of cash acquired	(556)	(85)
Other investing activities	8	(7)
Net cash used in investing activities	(631)	(205)
Cash flows from financing activities:		
Proceeds from issuance of common stock under employee stock plans	33	33
Payment of taxes related to net share settlement of equity awards	(28)	(47)
Acquisition of non-controlling interests	(458)	—
Treasury stock repurchases	(139)	(125)
Repayment of debt	(24)	—
Other financing activities	(5)	(1)
Net cash used in financing activities	(621)	(140)
Effect of exchange rate movements	—	13
Net increase (decrease) in cash, cash equivalents, and restricted cash	(814)	457
Cash, cash equivalents, and restricted cash at beginning of period	2,488	2,057
Cash, cash equivalents, and restricted cash at end of period	$ 1,674	$ 2,514

[a] Cash payments included in operating activities:

Interest payments	$ 38	$ 37
Income tax paid, net	$ 146	$ 180

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

	FY 2024				
	Q1	**Q2**	**Q3**	**Q4**	**Total**
Revenue	$ 839	$ 840			$ 1,679
Gross margin, %	68.4%	68.0%			68.2%
Income from operations	$ 226	$ 223			$ 449
Operating margin, %	27.0%	26.5%			26.7%

	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	$ 376			$ 796
Gross margin, %	64.9%	58.2%			61.7%
Income from operations	$ 129	$ 71			$ 200
Operating margin, %	30.6%	19.0%			25.1%

	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 April 30,		Six months ended April 30,	
	2024	**2023**	**2024**	**2023**
Gross Profit, as reported	$ 763	$ 909	$ 1,576	$ 1,792
Amortization of acquisition-related balances	17	11	34	20
Share-based compensation	7	7	15	16
Restructuring and others	3	—	11	—
Non-GAAP Gross Profit	$ 790	$ 927	$ 1,636	$ 1,828
GAAP Gross margin, %	62.8%	65.4%	63.7%	64.7%
Non-GAAP Gross margin, %	65.0%	66.7%	66.1%	66.0%

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

	Three months ended April 30,		Six months ended April 30,	
	2024	**2023**	**2024**	**2023**
Income from operations, as reported	$ 177	$ 354	$ 398	$ 676
Amortization of acquisition-related balances	37	25	75	48
Share-based compensation	36	29	86	84
Acquisition and integration costs	19	3	36	5
Restructuring and others	25	12	54	19
Non-GAAP income from operations	$ 294	$ 423	$ 649	$ 832
GAAP Operating margin, %	14.6%	25.4%	16.1%	24.4%
Non-GAAP Operating margin, %	24.2%	30.4%	26.2%	30.0%

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

KEYSIGHT TECHNOLOGIES, INC.
RECONCILIATION OF CORE REVENUE
(In millions)
(Unaudited)
PRELIMINARY

	Year-over-year			Year-over-year		
	Q2'24	**Q2'23**	**Percent Inc/(Dec)**	**FY24**	**FY23**	**Percent Inc/(Dec)**
Revenue	$ 1,216	$ 1,390	(13)%	$ 2,475	$ 2,771	(11)%
Adjustments:						
Revenue from acquisitions or divestitures	(32)	—		(104)	—	
Currency impacts	13	—		14	—	
Core Revenue	$ 1,197	$ 1,390	(14)%	$ 2,385	$ 2,771	(14)%

Please refer last page for discussion on our non-GAAP financial measures.

KEYSIGHT TECHNOLOGIES, INC.
CORE OPERATING MARGIN RECONCILIATION
(In millions, except where noted)
(Unaudited)
PRELIMINARY

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

	Three months ended April 30,		Six months ended April 30,	
	2024	2023	2024	2023
Non-GAAP income from operations	$ 294	$ 423	$ 649	$ 832
Adjustments:				
Operating Profit from acquisitions or divestitures	6	—	(26)	—
Currency impacts	4	—	7	—
Core Income from operations	$ 304	$ 423	$ 630	$ 832
Core Revenue	$ 1,197	$ 1,390	$ 2,385	$ 2,771
Core Operating margin, %	25%	30%	26%	30%

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 April 30,		Six months ended April 30,	
	2024	2023	2024	2023
Research & development expenses, as reported	$ 228	$ 222	$ 460	$ 449
Share-based compensation	(9)	(7)	(22)	(23)
Restructuring and others	(2)	—	(7)	—
Non-GAAP research & development expenses	$ 217	$ 215	$ 431	$ 426

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

	Three months ended April 30,		Six months ended April 30,	
	2024	2023	2024	2023
Selling, general & administrative expenses, as reported	$ 361	$ 337	$ 723	$ 675
Amortization of acquisition-related balances	(20)	(14)	(41)	(28)
Share-based compensation	(20)	(15)	(49)	(45)
Acquisition and integration costs	(19)	(3)	(36)	(5)
Restructuring and others	(20)	(12)	(36)	(19)
Non-GAAP selling, general & administrative expenses	$ 282	$ 293	$ 561	$ 578

Reconciliation of operating expenses to non-GAAP operating expenses

	Three months ended April 30,		Six months ended April 30,	
	2024	2023	2024	2023
Operating expenses, as reported	$ 586	$ 555	$ 1,178	$ 1,116
Amortization of acquisition-related balances	(20)	(14)	(41)	(28)
Share-based compensation	(29)	(22)	(71)	(68)
Acquisition and integration costs	(19)	(3)	(36)	(5)
Restructuring and others	(22)	(12)	(43)	(19)
Non-GAAP operating expenses	$ 496	$ 504	$ 987	$ 996

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

KEYSIGHT TECHNOLOGIES, INC.
SELLING, GENERAL & ADMINISTRATIVE EXPENSES RECONCILIATION
(In millions)
(Unaudited)
PRELIMINARY

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

	Year-over-year		
	Q2'24	Q2'23	Percent Inc/(Dec)
Selling, general & administrative expenses, as reported	$ 361	$ 337	
Amortization of acquisition-related balances	(20)	(14)	
Share-based compensation	(20)	(15)	
Acquisition and integration costs	(19)	(3)	
Restructuring and others	(20)	(12)	
Non-GAAP selling, general & administrative expenses	$ 282	$ 293	
Adjustments:			
Selling, general & administrative expenses from acquisitions	(18)	—	
Non-GAAP selling, general & administrative expenses excluding acquisitions	$ 264	$ 293	(10)%

Please refer 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 April 30,				Six months ended April 30,			
	2024		2023		2024		2023	
	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS
GAAP Net income	$ 126	$ 0.72	$ 283	$ 1.58	$ 298	$ 1.70	$ 543	$ 3.02
Non-GAAP adjustments:								
Amortization of acquisition-related balances	37	0.21	25	0.14	75	0.43	48	0.27
Share-based compensation	36	0.21	29	0.16	86	0.49	84	0.47
Acquisition and integration costs	27	0.15	3	0.02	40	0.23	5	0.03
Restructuring and others	23	0.14	14	0.07	38	0.22	15	0.08
Adjustment for taxes[a]	(2)	(0.02)	26	0.15	(4)	(0.03)	48	0.27
Non-GAAP Net income	$ 247	$ 1.41	$ 380	$ 2.12	$ 533	$ 3.04	$ 743	$ 4.14
Weighted average shares outstanding - diluted	175		179		175		179	

[a] For the three and six months ended April 30, 2024, management uses a non-GAAP effective tax rate of 17% and for the three and six months ended April 30, 2023, management uses a non-GAAP effective tax rate of 12%.

Please refer 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			Revenue from acquisitions or divestitures	Currency Adjustments[a]	Core Revenue		
Revenue by Segment	Q2'24	Q2'23	YoY % Chg.	Q2'24	Q2'24	Q2'24	Q2'23	YoY % Chg.
Communications Solutions Group	$ 840	$ 937	(10)%	$ 9	$ (8)	$ 839	$ 937	(11)%
Electronic Industrial Solutions Group	376	453	(17)%	23	(5)	358	453	(21)%
Total Revenue	$ 1,216	$ 1,390	(13)%	$ 32	$ (13)	$ 1,197	$ 1,390	(14)%

	Revenue			Revenue from acquisitions or divestitures	Currency Adjustments[a]	Core Revenue		
Revenue by Region	Q2'24	Q2'23	YoY % Chg.	Q2'24	Q2'24	Q2'24	Q2'23	YoY % Chg.
Americas	$ 493	$ 517	(5)%	$ 8	$ —	$ 485	$ 517	(6)%
Europe	227	229	(1)%	15	1	211	229	(8)%
Asia Pacific	496	644	(23)%	9	(14)	501	644	(22)%
Total Revenue	$ 1,216	$ 1,390	(13)%	$ 32	$ (13)	$ 1,197	$ 1,390	(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 last page for details on the use of non-GAAP financial measures.

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

	Q2'24	Q2'23	Percent Inc/(Dec)
Aerospace, Defense and Government	$ 277	$ 310	(11)%
Commercial Communications	563	627	(10)%
Electronic Industrial	376	453	(17)%
Total Revenue	$ 1,216	$ 1,390	(13)%

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

	Three months ended April 30,		Six months ended April 30,	
	2024	2023	2024	2023
Net cash provided by operating activities	$ 110	$ 423	$ 438	$ 789
Less: Investments in property, plant and equipment	(36)	(53)	(83)	(113)
Free cash flow	$ 74	$ 370	$ 355	$ 676

Please refer 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 third 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.