

Keysight Technologies

Q4 Fiscal Year 2019 Results

NOVEMBER 26, 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 August 30, 2019, included but not limited to the discussion under “Risk Factors” therein, which may be viewed at 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.

Q4'19 & FY'19 Highlights

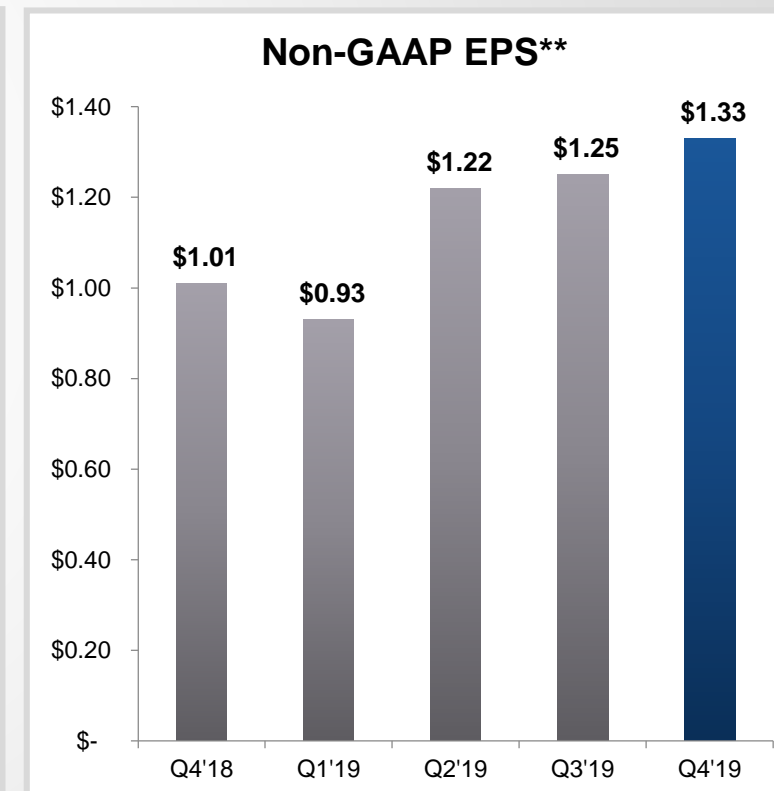
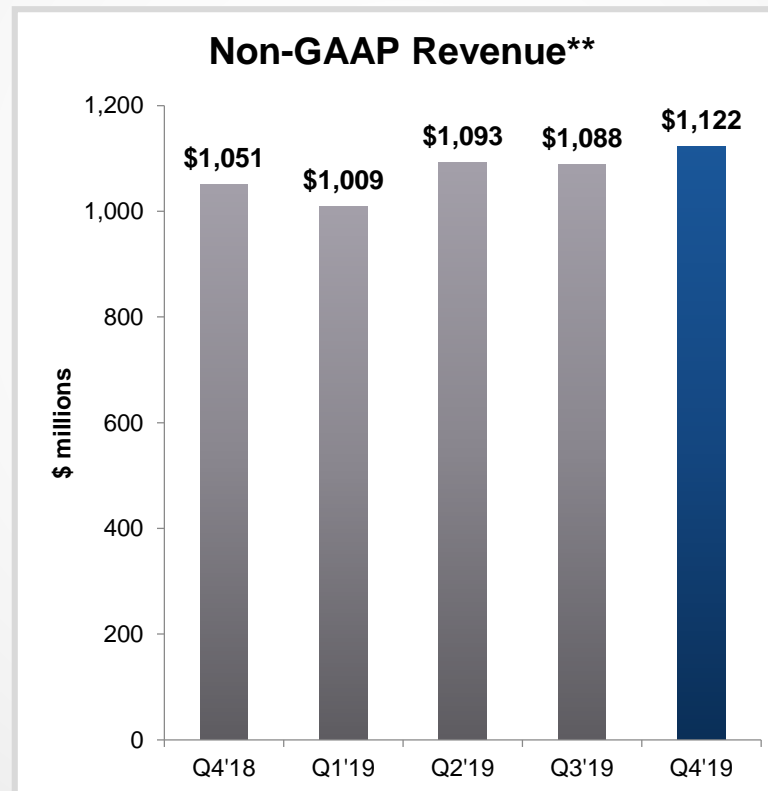
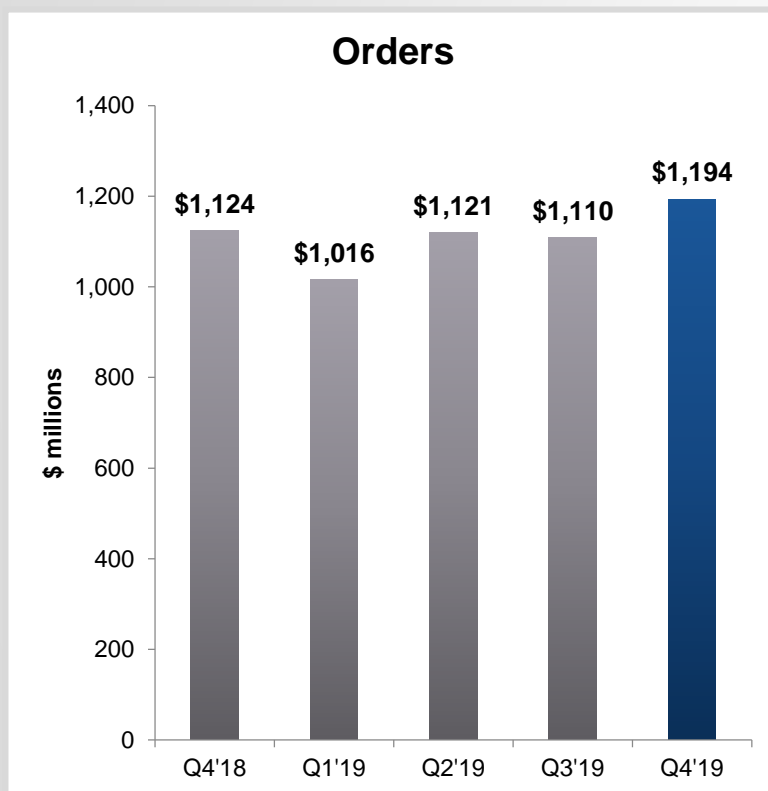
- Record quarterly and full-year revenue¹
 - Q4 non-GAAP revenue of \$1.1B¹ grew 7% y/y, on both a reported and core^{1,2} basis
 - FY19 non-GAAP revenue of \$4.3B¹ grew 10% y/y, or 11% on a core^{1,2} basis
- Record quarterly and full-year non-GAAP EPS¹
 - Q4 non-GAAP EPS of \$1.33 increased 31% y/y
 - FY19 non-GAAP EPS of \$4.72 increased 46% y/y
- Record quarterly and full-year orders
 - Q4 orders of \$1.2B grew 6% y/y, or 7% on a core^{1,2} basis
 - FY19 orders of \$4.4B grew 9%, or 10% on a core^{1,2} basis
- Record full-year free cash flow (FCF) of \$878M was 20% of revenue and 97% of non-GAAP net income¹
- Q4 share repurchases of ~300,000 shares (~\$30M); total FY19 share repurchases of ~2.1 million shares (~\$160M)

Q4'19 Non-GAAP Financial Highlights

Orders
\$1,194M
+6%y/y (+7% core*)

Revenue
\$1,122M
+7%y/y (+7% core*)

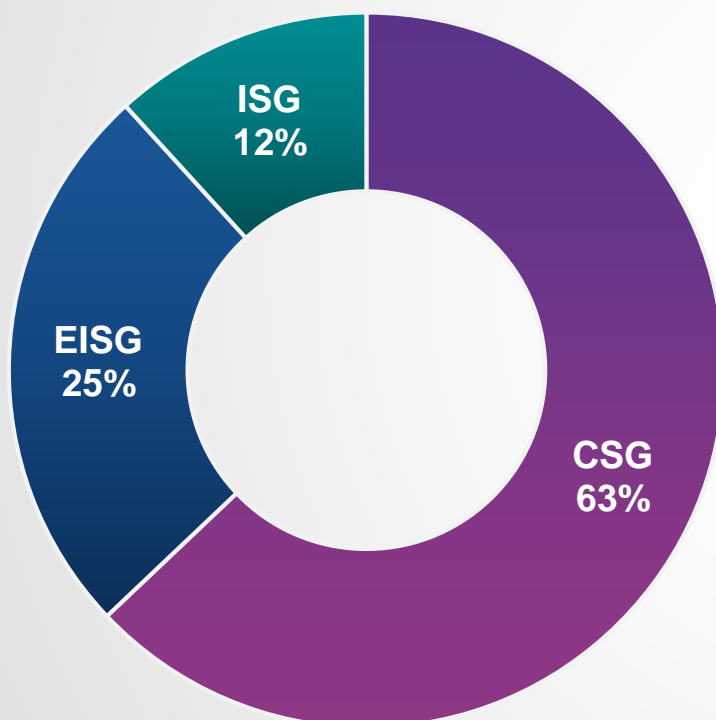
Operating Margin
25.8%
+460 basis points y/y



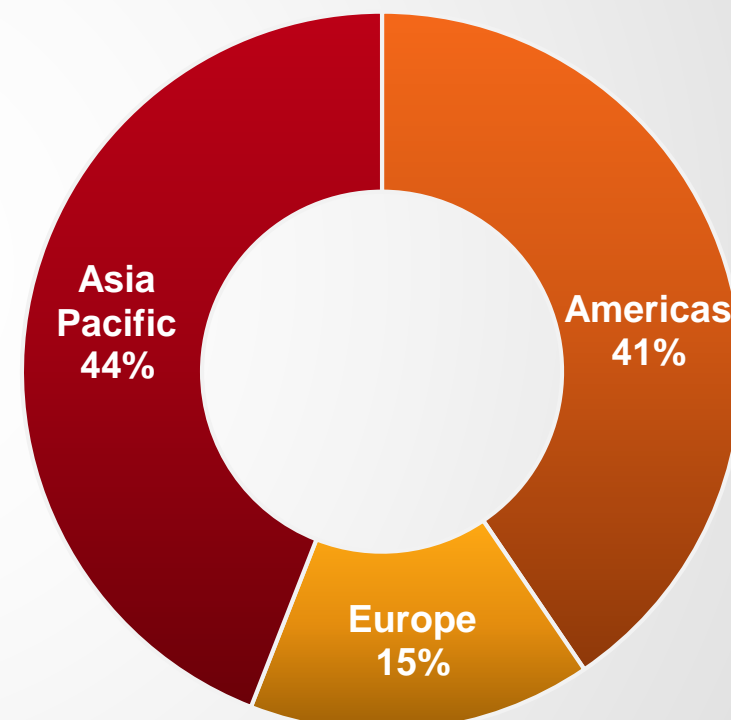
Non-GAAP Revenue by Segment & by Region

Q4'19 NON-GAAP REVENUE*: \$1,122M

By Segment



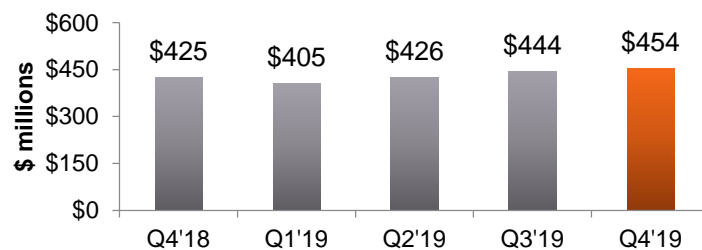
By Region



Non-GAAP Revenue Trend by Region

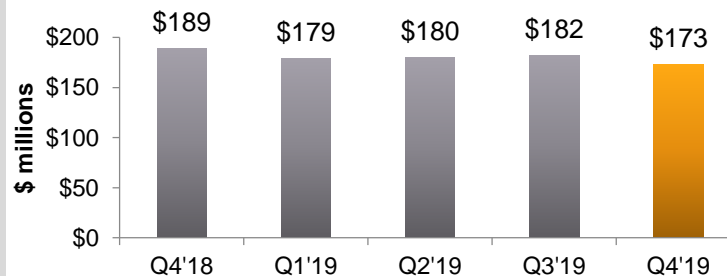


Americas



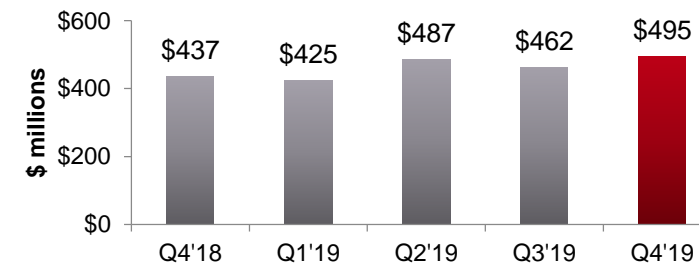
+7% (+8% core*): Strength in ADG, CC, EI and IS

Europe



-8% (-10% core*): Softer results in ADG, CC, EI and IS

Asia Pacific



+13% (+13% core*): Strength in ADG, CC, EI and IS

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

Q4'19 Communications Solutions Group Highlights



Revenue

\$706M

+7% y/y (+6% core*)



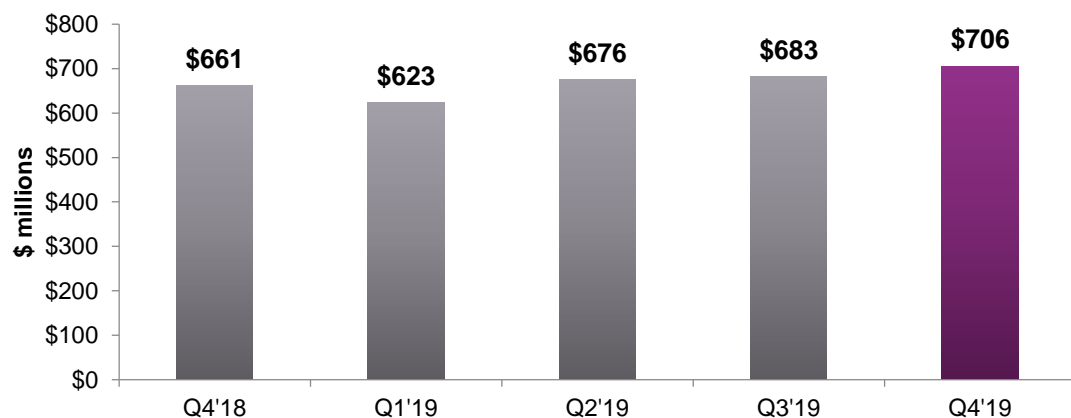
Operating Margin

28.1%

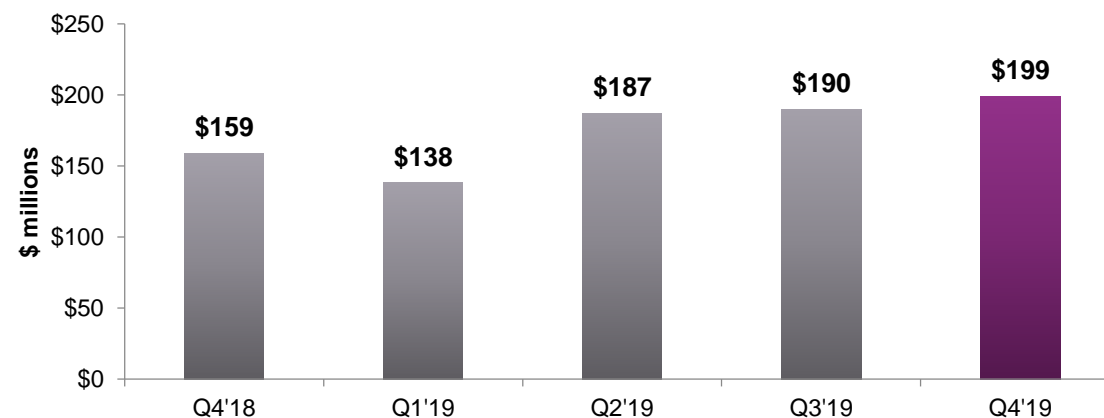
+400 basis points y/y

- Record CSG revenue and operating margin
- **Commercial Communications:** Record revenue driven by strength across the wireless ecosystem as 5G investment continued
- **Aerospace, Defense & Government:** Record revenue driven by U.S. direct government year-end spending and continued investment in China, partially offset by softness in Europe and the rest of Asia Pacific

CSG Revenue



CSG Income from Operations



Q4'19 Electronic Industrial Solutions Group Highlights



Revenue

\$284M

+3% y/y (+4% core*)



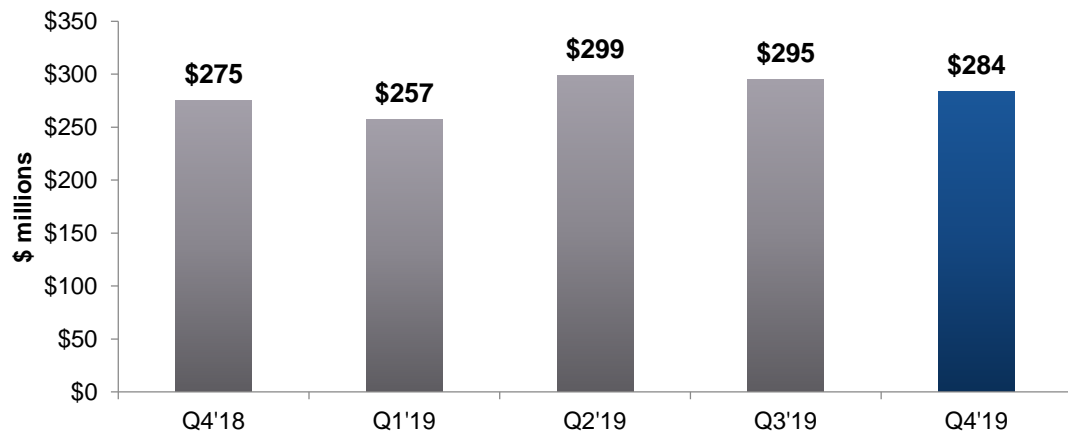
Operating Margin

27.9%

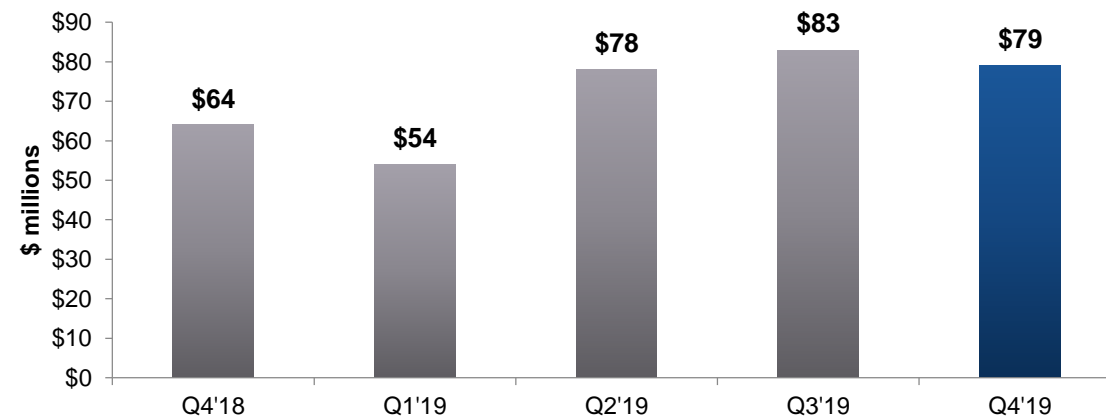
+460 basis points y/y

- Record EISG gross margin and second-highest quarterly operating margin
- Growth in general electronics and automotive solutions
- Strength driven by the broad product solution portfolio in general electronics, ongoing investment in next-generation automotive technologies, and better-than-expected semiconductor solution demand

EISG Revenue



EISG Income from Operations



Q4'19 Ixia Solutions Group Highlights



Revenue

\$132M

+15% y/y (+15% core*)

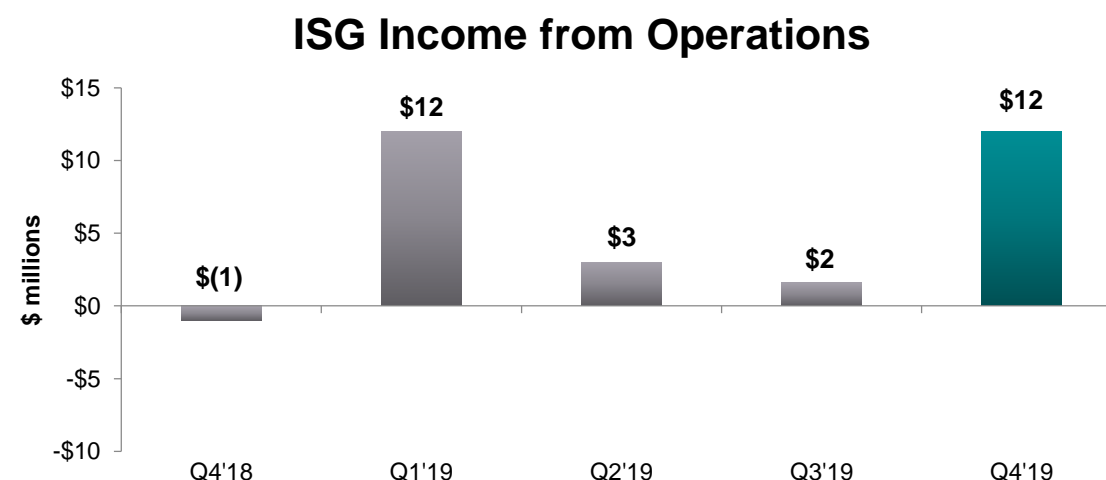
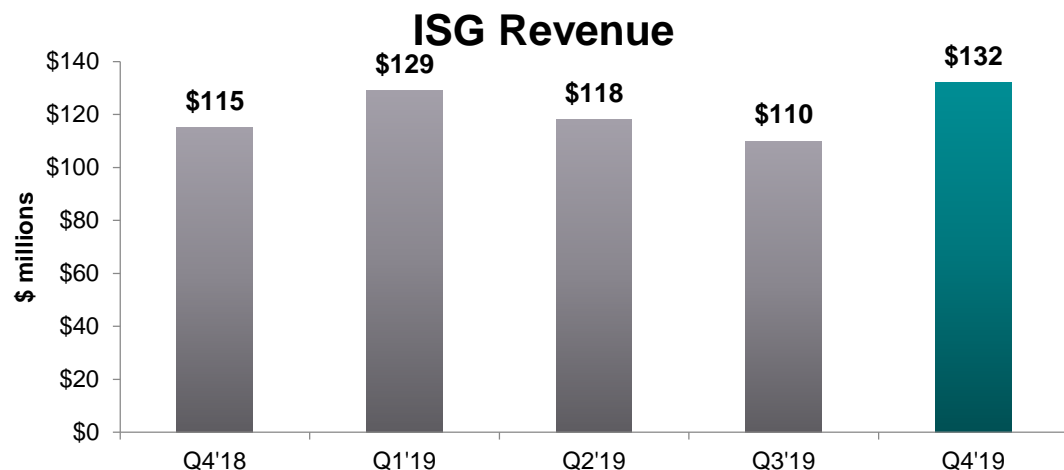


Operating Margin

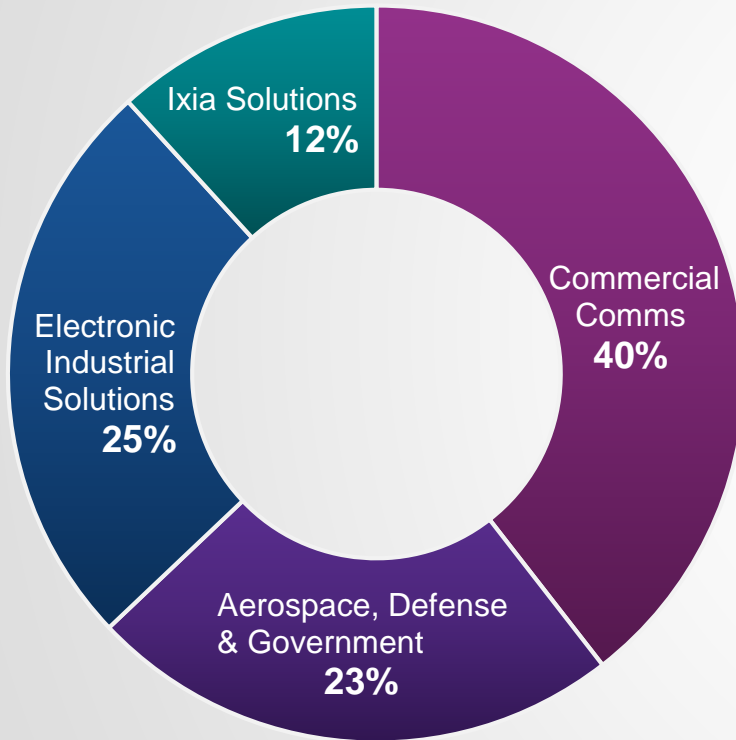
9.2%

+970 basis points y/y

- Record quarterly revenue since the acquisition of Ixia
- Double-digit growth in both network test and network visibility solutions
- ~\$50M in net annualized Ixia acquisition cost synergies benefit all business groups, ~70% are being realized within CSG and EISG
- Integrating ISG into CSG in Q1 FY20 to further align our communications go-to-market, solutions development and growth strategies



Q4'19 Non-GAAP Revenue By End Market



End Market	Revenue	YoY %
Commercial Communications	\$443M	+9%
Aerospace, Defense & Government	\$263M	+3%
Electronic Industrial Solutions	\$284M	+3%
Ixia Solutions	\$132M	+15%
Total*	\$1,122M	+7%

Guidance and Financial Considerations

Q1'20 Guidance

Revenue	\$1,045 - \$1,065M
Non-GAAP Revenue Growth*	+4% to +6%
Non-GAAP Earnings per share	\$1.04 - \$1.10

FY20 Financial Considerations

- 5-point and 3-point year-over-year revenue growth headwind in Q1 and Q2 respectively due to China trade restrictions
- Net Interest and Other Income/Expense: \$3-5M net expense / quarter
- Non-GAAP tax rate of 12%
- Guidance assumes Q1 weighted-average diluted sharecount of approximately 191M shares
- Expected 2020 capital expenditures of \$120-130M

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 and final Q&A (26 minutes)

Recent Investor Presentations and Webcasts

The Keysight Leadership Model

Reconciliations

KEYSIGHT TECHNOLOGIES, INC.
NON-GAAP OPERATING MARGIN RECONCILIATIONS
(In millions)
(Unaudited)
PRELIMINARY

	Three months ended	
	October 31,	
	2019	2018
Income (loss) from operations, as reported	\$ 208	\$ (580)
Amortization of acquisition-related balances	60	55
Share-based compensation	16	11
Acquisition and integration costs	4	7
Goodwill impairment	-	709
Restructuring and related costs	2	1
Other	-	19
Non-GAAP income from operations	\$ 290	\$ 222
 GAAP Operating Margin	 18.5%	 (55.4)%
Non-GAAP Operating Margin	25.8%	21.2%

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

	Three months ended October 31,				Year ended October 31,			
	2019		2018		2019		2018	
	Net Income	Diluted EPS	Net Income	Diluted EPS ^(a)	Net Income	Diluted EPS	Net Income	Diluted EPS
GAAP Net income (loss)	\$ 195	\$ 1.02	\$ (114)	\$ (0.61)	\$ 621	\$ 3.25	\$ 165	\$ 0.86
Non-GAAP adjustments:								
Amortization of acquisition-related balances	60	0.31	55	0.28	224	1.17	265	1.38
Share-based compensation	16	0.08	11	0.06	82	0.43	59	0.31
Acquisition and integration costs	5	0.03	7	0.03	11	0.06	49	0.25
Goodwill impairment	-	-	709	3.71	-	-	709	3.72
Restructuring and related costs	2	0.01	1	0.01	9	0.05	17	0.09
Northern California wildfire-related costs	-	-	-	-	-	-	7	0.04
Other	2	0.01	20	0.12	(16)	(0.09)	24	0.14
Adjustment for taxes	(26)	(0.13)	(496)	(2.59)	(29)	(0.15)	(677)	(3.55)
Non-GAAP Net income	<u>\$ 254</u>	<u>\$ 1.33</u>	<u>\$ 193</u>	<u>\$ 1.01</u>	<u>\$ 902</u>	<u>\$ 4.72</u>	<u>\$ 618</u>	<u>\$ 3.24</u>
Weighted average shares outstanding - diluted	191		187		191		187	

^(a) EPS impact on non-GAAP adjustments and non-GAAP net income is based on an adjusted shares outstanding of 191 million for three months ended October 31, 2018.

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

	Year-over-year compare			Year-over-year compare		
	Q4'19	Q4'18	Percent Inc/(Dec)	FY19	FY18	Percent Inc/(Dec)
GAAP Revenue	\$ 1,120	\$ 1,047	7%	\$ 4,303	\$ 3,878	11%
Amortization of acquisition-related balances	2	4		9	36	
Non-GAAP Revenue	\$ 1,122	\$ 1,051	7%	\$ 4,312	\$ 3,914	10%
Less: Revenue from acquisition or divestitures included in segment results	(10)	(5)		(19)	(22)	
Currency impacts	4	-		37	-	
Non-GAAP Core Revenue	<u>\$ 1,116</u>	<u>\$ 1,046</u>	7%	<u>\$ 4,330</u>	<u>\$ 3,892</u>	11%

	Q1'20 Guidance		Actuals
	Low end	High end	Q1'19
GAAP Revenue	\$ 1,045	\$ 1,065	\$ 1,006
Amortization of acquisition-related balances	-	-	3
Non-GAAP Revenue	<u>\$ 1,045</u>	<u>\$ 1,065</u>	<u>\$ 1,009</u>
% growth YOY growth	4%	6%	

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			
	Q4'19	Q4'18	YoY % Chg.	Q4'19	Q4'18	Q4'19	Q4'18	YoY % Chg.	
Communications Solutions Group	\$ 706	\$ 661	7%	\$ -	\$ -	\$ 706	\$ 661	7%	
Electronic Industrial Solutions Group	284	275	3%	-	-	284	275	3%	
Ixia Solutions Group	130	111	18%	2	4	132	115	15%	
Keysight	<u>\$ 1,120</u>	<u>\$ 1,047</u>	7%	<u>\$ 2</u>	<u>\$ 4</u>	<u>\$ 1,122</u>	<u>\$ 1,051</u>	7%	

Revenue by Region	Year-over-Year								
	GAAP Revenue			Amortization of acquisition-related balances		Non-GAAP Revenue			
	Q4'19	Q4'18	YoY % Chg.	Q4'19	Q4'18	Q4'19	Q4'18	YoY % Chg.	
Americas	\$ 453	\$ 423	7%	\$ 1	\$ 2	\$ 454	\$ 425	7%	
Europe	173	187	(8)%	-	2	173	189	(8)%	
Asia Pacific	494	437	13%	1	-	495	437	13%	
Total Revenue	<u>\$ 1,120</u>	<u>\$ 1,047</u>	7%	<u>\$ 2</u>	<u>\$ 4</u>	<u>\$ 1,122</u>	<u>\$ 1,051</u>	7%	

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

Year-over-Year										
Revenue by Segment	Non-GAAP Revenue			Revenue from acquisitions or divestitures		Currency Adjustments	Non-GAAP Core Revenue			
	Q4'19	Q4'18	YoY % Chg.	Q4'19	Q4'18	Q4'19	Q4'19	Q4'18	YoY % Chg.	
Communications Solutions Group	\$ 706	\$ 661	7%	\$ 10	\$ 5	\$ (2)	\$ 698	\$ 656	6%	
Electronic Industrial Solutions Group	284	275	3%	-	-	(2)	286	275	4%	
Ixia Solutions Group	132	115	15%	-	-	-	132	115	15%	
Keysight	<u>\$ 1,122</u>	<u>\$ 1,051</u>	7%	<u>\$ 10</u>	<u>\$ 5</u>	<u>\$ (4)</u>	<u>\$ 1,116</u>	<u>\$ 1,046</u>	7%	

Revenue by Region	Non-GAAP Revenue			Revenue from acquisitions or divestitures		Currency Adjustments	Non-GAAP Core Revenue			
	Q4'19	Q4'18	YoY % Chg.	Q4'19	Q4'18	Q4'19	Q4'19	Q4'18	YoY % Chg.	
Americas	\$ 454	\$ 425	7%	\$ 2	\$ 4	\$ -	\$ 452	\$ 421	8%	
Europe	173	189	(8)%	7	1	(4)	170	188	(10)%	
Asia Pacific	495	437	13%	1	-	-	494	437	13%	
Total Revenue	<u>\$ 1,122</u>	<u>\$ 1,051</u>	7%	<u>\$ 10</u>	<u>\$ 5</u>	<u>\$ (4)</u>	<u>\$ 1,116</u>	<u>\$ 1,046</u>	7%	

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

Keysight

	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
GAAP Revenue	\$ 1,047	\$ 1,006	\$ 1,090	\$ 1,087	\$ 1,120
Amortization of acquisition-related balances	4	3	3	1	2
Non-GAAP/Segment Revenue	<u>\$ 1,051</u>	<u>\$ 1,009</u>	<u>\$ 1,093</u>	<u>\$ 1,088</u>	<u>\$ 1,122</u>

Communications Solutions Group

	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
GAAP Revenue	\$ 661	\$ 623	\$ 676	\$ 683	\$ 706
Amortization of acquisition-related balances	-	-	-	-	-
Segment Revenue	<u>\$ 661</u>	<u>\$ 623</u>	<u>\$ 676</u>	<u>\$ 683</u>	<u>\$ 706</u>

Electronic Industrial Solutions Group

	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
GAAP Revenue	\$ 275	\$ 257	\$ 299	\$ 295	\$ 284
Amortization of acquisition-related balances	-	-	-	-	-
Segment Revenue	<u>\$ 275</u>	<u>\$ 257</u>	<u>\$ 299</u>	<u>\$ 295</u>	<u>\$ 284</u>

Ixia Solutions Group

	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
GAAP Revenue	\$ 111	\$ 126	\$ 115	\$ 109	\$ 130
Amortization of acquisition-related balances	4	3	3	1	2
Segment Revenue	<u>\$ 115</u>	<u>\$ 129</u>	<u>\$ 118</u>	<u>\$ 110</u>	<u>\$ 132</u>

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

Keysight

	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
GAAP Revenue	\$ 1,047	\$ 1,006	\$ 1,090	\$ 1,087	\$ 1,120
Amortization of acquisition-related balances	4	3	3	1	2
Non-GAAP Revenue	<u>\$ 1,051</u>	<u>\$ 1,009</u>	<u>\$ 1,093</u>	<u>\$ 1,088</u>	<u>\$ 1,122</u>

Americas

	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
GAAP Revenue	\$ 423	\$ 403	\$ 425	\$ 443	\$ 453
Amortization of acquisition-related balances	2	2	1	1	1
Non-GAAP Revenue	<u>\$ 425</u>	<u>\$ 405</u>	<u>\$ 426</u>	<u>\$ 444</u>	<u>\$ 454</u>

Europe

	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
GAAP Revenue	\$ 187	\$ 178	\$ 179	\$ 182	\$ 173
Amortization of acquisition-related balances	2	1	1	-	-
Non-GAAP Revenue	<u>\$ 189</u>	<u>\$ 179</u>	<u>\$ 180</u>	<u>\$ 182</u>	<u>\$ 173</u>

Asia Pacific

	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
GAAP Revenue	\$ 437	\$ 425	\$ 486	\$ 462	\$ 494
Amortization of acquisition-related balances	-	-	1	-	1
Non-GAAP Revenue	<u>\$ 437</u>	<u>\$ 425</u>	<u>\$ 487</u>	<u>\$ 462</u>	<u>\$ 495</u>

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

	GAAP Revenue			Amortization of acquisition-related balances		Non-GAAP Revenue		
	Q4'19	Q4'18	Percent Inc/(Dec)	Q4'19	Q4'18	Q4'19	Q4'18	Percent Inc/(Dec)
Aerospace, Defense & Government	\$ 263	\$ 256	3%	\$ -	\$ -	\$ 263	\$ 256	3%
Commercial Communications	443	405	9%	-	-	443	405	9%
Electronic Industrial	284	275	3%	-	-	284	275	3%
Ixia	130	111	18%	2	4	132	115	15%
Total Revenue	\$ 1,120	\$ 1,047	7%	\$ 2	\$ 4	\$ 1,122	\$ 1,051	7%

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

	FY19
Net cash provided by operating activities	\$ 998
Less: Investments in property, plant and equipment	(120)
Free cash flow	<u>\$ 878</u>
Free cash flow as a percentage of GAAP Revenue	20%
Free cash flow as a percentage of non-GAAP net income	97%

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.

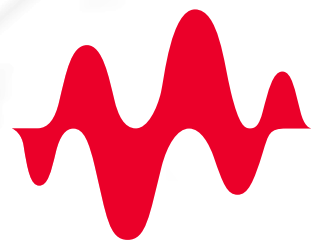
Non-GAAP Revenue includes recognition of acquired deferred revenue that was written down to fair value in purchase accounting. Management believes that excluding fair value purchase accounting adjustments more closely correlates with the ordinary and ongoing course of the acquired company’s operations 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.
- *Goodwill Impairment charges:* We exclude goodwill impairment charges from our non-GAAP financial measures, as such charges are non-recurring and do not reduce company’s liquidity. In addition, the company’s peer industry group companies may record impairment charges at different times, excluding such charges permits more accurate comparison of company’s financial performance with those of its peers.
- *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 litigation settlements, 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 first fiscal quarter of 2020 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.



KEYSIGHT
TECHNOLOGIES