

Keysight Technologies

Q4 Fiscal Year 2022 Results

NOVEMBER 17, 2022



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,” “assume,” “plan,” “estimate,” “expect,” “guidance,” “intend,” “implied,” “target,” “believe,” “outlook,” 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. 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. The forward-looking statements contained herein include, but are not limited to, predictions, guidance, projections, assumptions, beliefs, opinions, and expectations regarding the company’s future goals, revenues, financial condition, earnings, and operations that involve risks and uncertainties that could cause Keysight’s results to differ materially from those expressed in such statements. Such risks and uncertainties include, but are not limited to, supply chain constraints and the availability of raw materials; impacts of US export control regulations; impacts of geopolitical tension and conflict; impacts related to net-zero emissions commitments, changes in the demand for current and new products, technologies, and services; customer purchasing decisions and timing; order cancellations. For additional risks and uncertainties that could impact Keysight’s actual results, please see our latest Form 10-Q filed with the SEC on August 30, 2022, 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, and any one-time adjustments that may have a material effect on the Company’s expenses and income from operations calculated in accordance with GAAP. 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. For future periods, 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. This limits our ability to provide a reconciliation of the expected non-GAAP earnings per share to the GAAP equivalent. 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 last slide for more details on the use of non-GAAP financial measures.

Q4'22 & FY'22 Highlights

Record quarterly and full-year orders

- Q4 orders of \$1.57B grew 5% y/y, or 9% on a core* basis
- FY22 orders of \$5.98B grew 12%, or 14% on a core* basis
- Record backlog of \$2.55B exiting the fiscal year

Record quarterly and full-year revenue

- Q4 revenue of \$1.44B grew 11% y/y, or 15% on a core* basis
- FY22 revenue of \$5.42B grew 10% y/y, or 12% on a core* basis

Record quarterly and full-year EPS*

- Q4 EPS* of \$2.14 (+18% y/y); FY22 EPS* of \$7.63 (+22% y/y)

FY22 operating margin* of 29.3% increased 140bps y/y, while **gross margin* of 65%** held steady despite inflation

Achieved ARR of ~\$1.2B; software and services represented just over one-third of Keysight's FY22 revenue

Share repurchases – Q4: ~800 thousand shares (\$126M); FY22: ~5.4 million shares (\$849M)

Keysight placed **10th on the Fortune Best Workplaces in Technology™** list for 2022

Q4'22 Non-GAAP Financial Highlights

Orders

\$1.570B

+5%y/y (+9% core*)

Revenue

\$1.443B

+11%y/y (+15% core*)

Operating Margin

29.9%

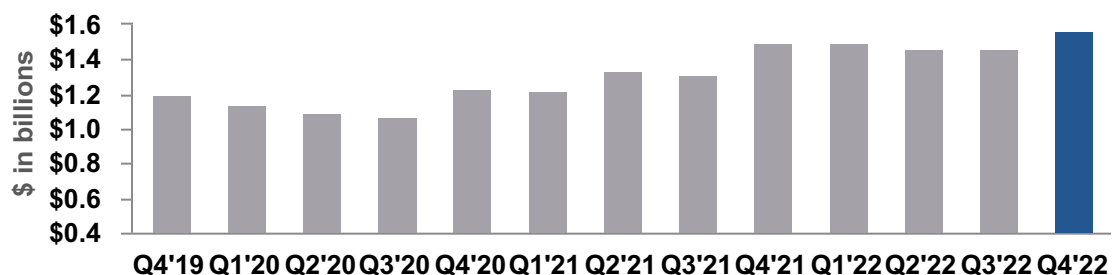
-80 basis points y/y

EPS

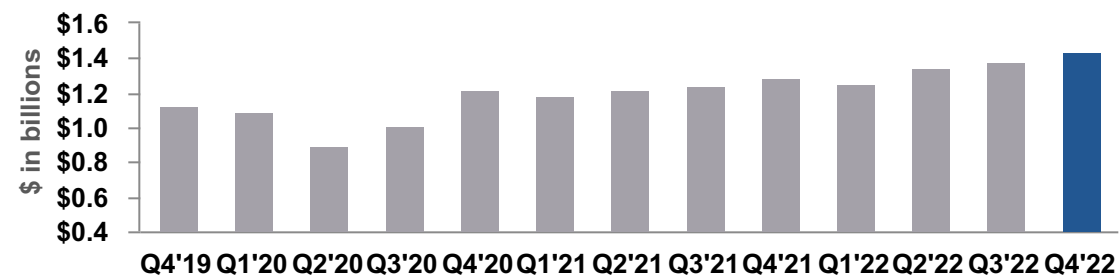
\$2.14

+18%y/y

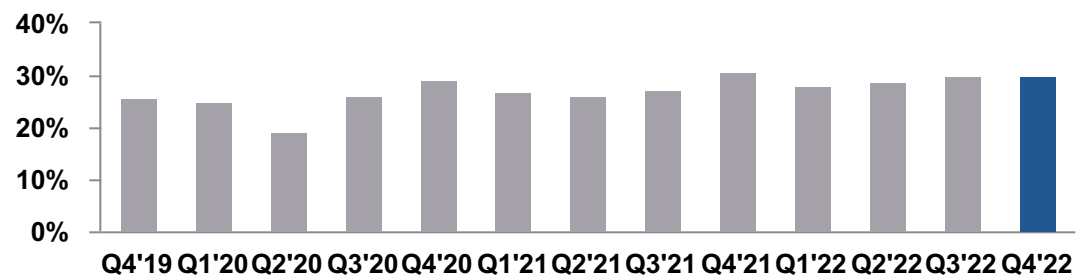
Orders



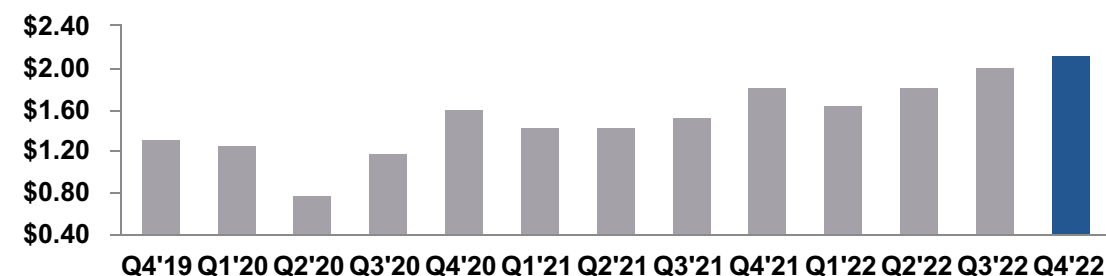
Revenue**



Operating Margin**



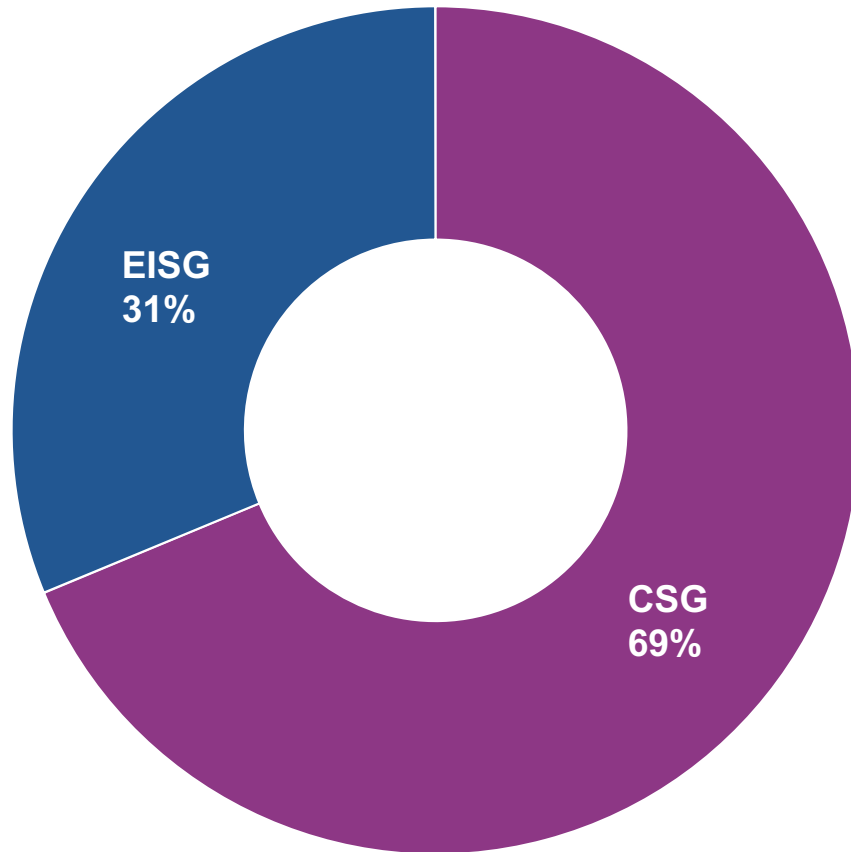
EPS**



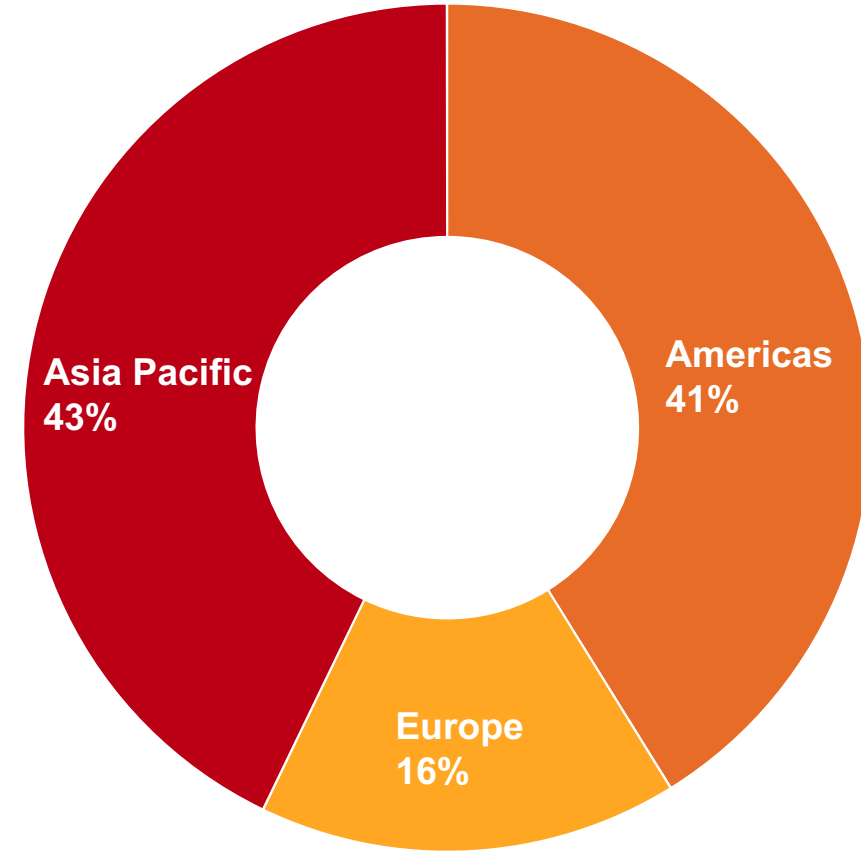
Revenue by Segment & by Region

Q4'22 REVENUE: \$1,443M

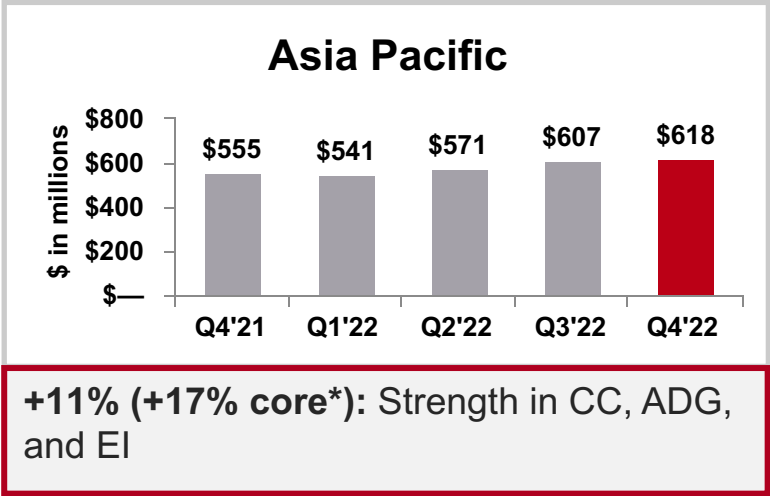
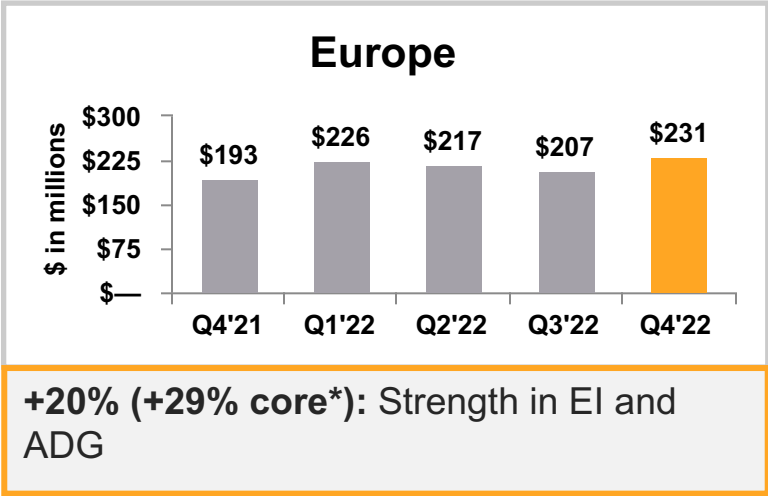
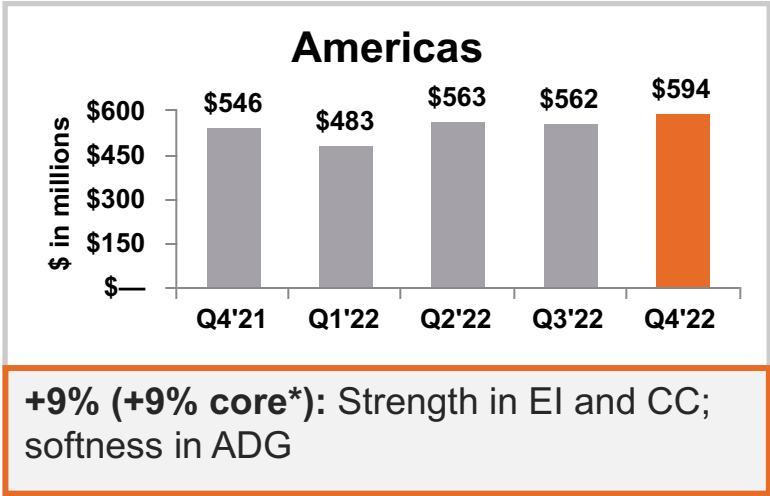
By Segment



By Region



Revenue Trend by Region



Regional Highlights (Y/Y Revenue Growth*)

* Core revenue growth excludes the impact of currency, acquisitions or divestitures closed in last twelve months, reconciliations included.

Key:
ADG – Aerospace, Defense & Government
CC – Commercial Communications
EI – Electronic Industrial Solutions

Q4'22 Communications Solutions Group Highlights



Revenue

\$992M

+8% y/y (+11% core*)



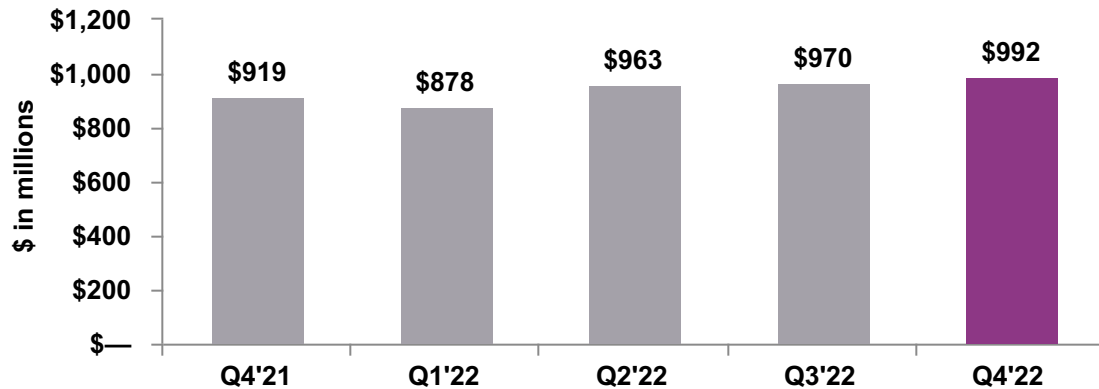
Operating Margin

29.2%

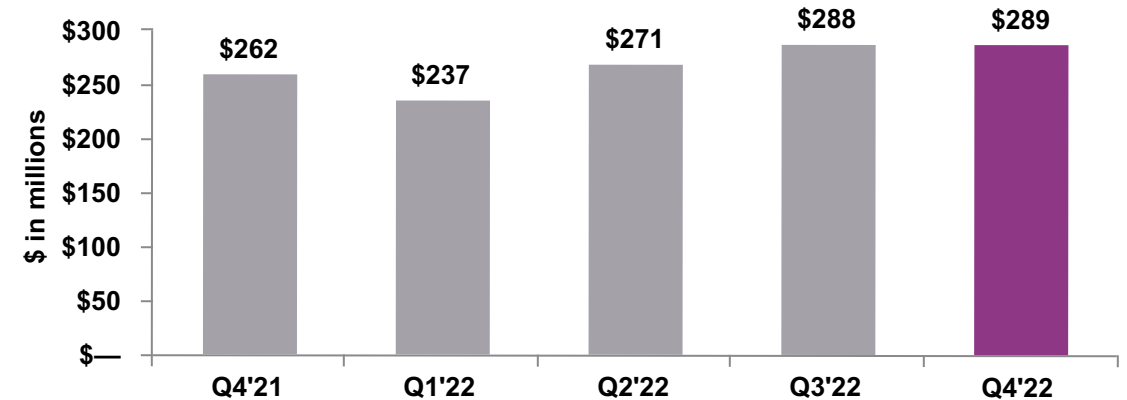
+60 basis points y/y

- Record CSG revenue; second highest order quarter
- **Commercial Communications:** Record Q4 revenue driven by 5G platform strength, continued O-RAN adoption, and investment in 800G / 1.6 Terabit R&D
- **Aerospace, Defense & Government:** Second highest order quarter and record revenue driven by spectrum operations, cybersecurity, space, & satellite solutions

CSG Revenue



CSG Income from Operations



Q4'22 Electronic Industrial Solutions Group Highlights



Revenue

\$451M

+20% y/y (+25% core*)



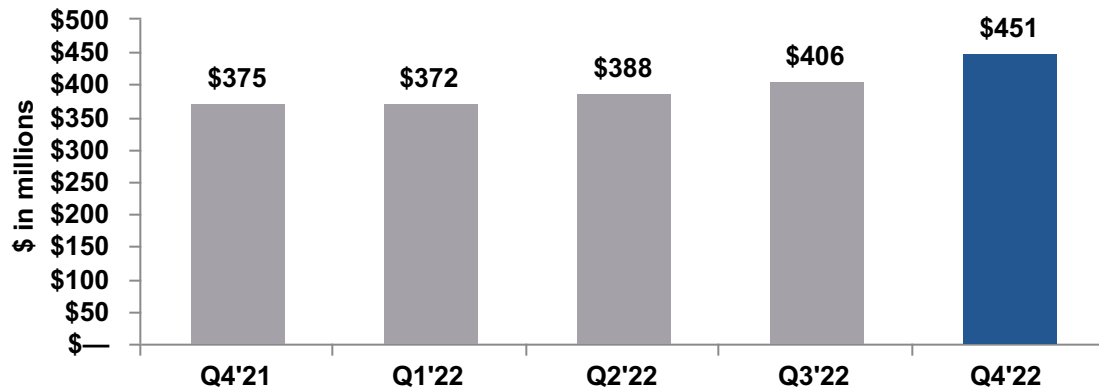
Operating Margin

31.6%

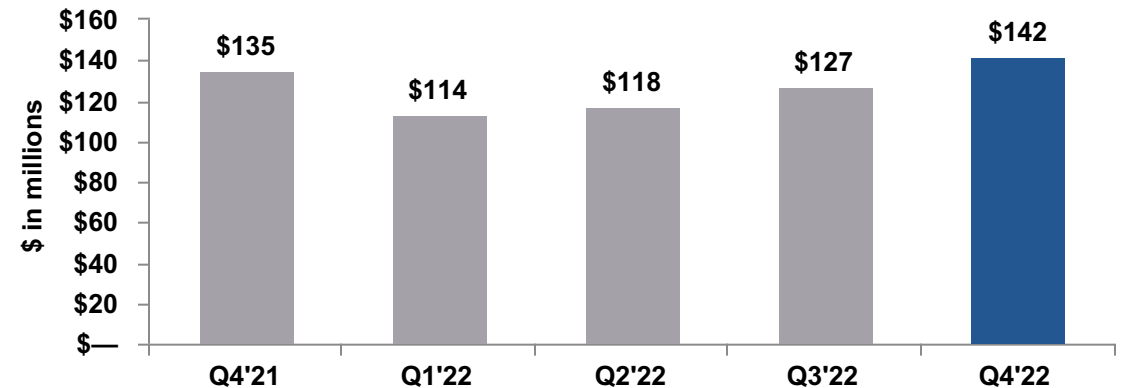
-450 basis points y/y

- Record EISG revenue and orders
- Record automotive orders and revenue driven by strong investments in EV and AV technologies; over \$500M in orders in FY22
- Sustained demand for semiconductor wafer test and precision positioning solutions drove double-digit order growth and record revenue
- Record general electronics orders and revenue driven by investment in industrial IoT and automation, digitization, education, and advanced academic research

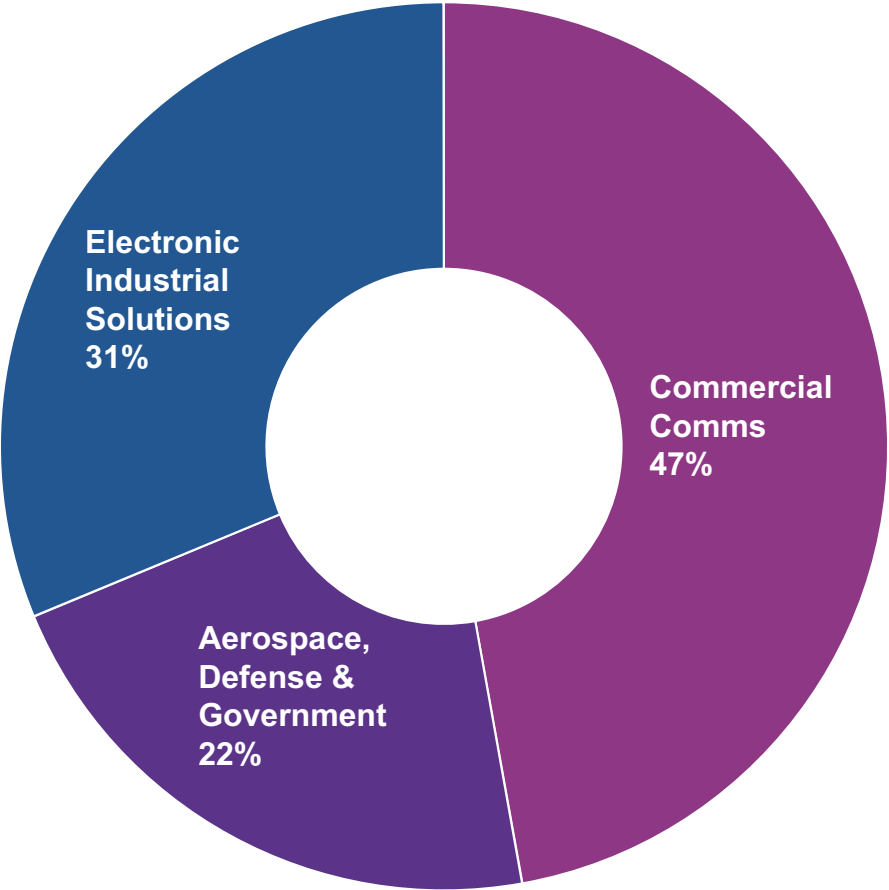
EISG Revenue



EISG Income from Operations



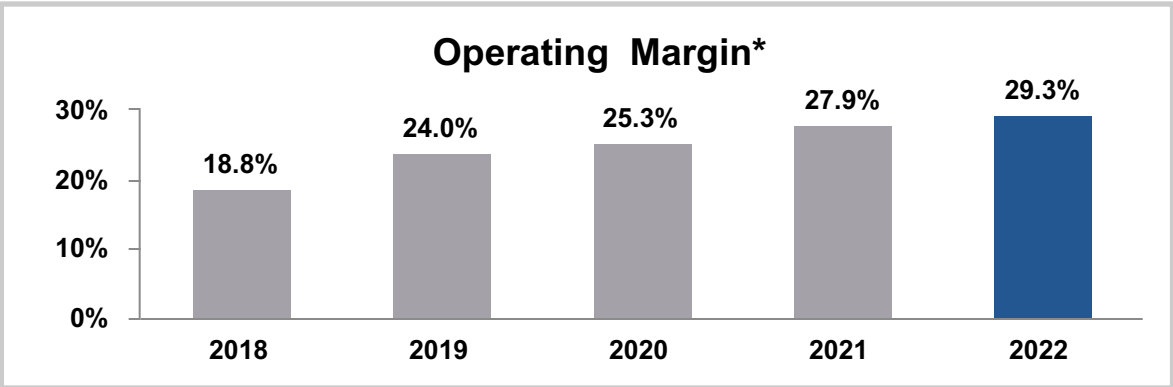
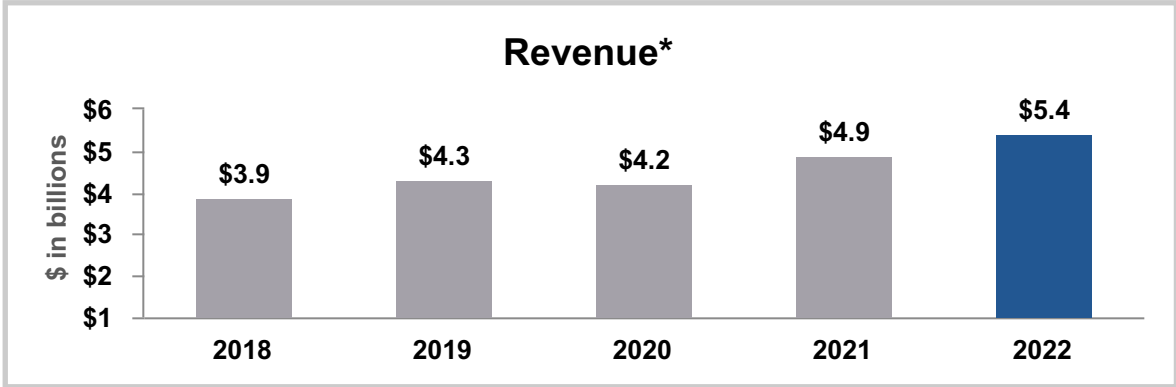
Q4'22 Revenue By End Market



| End Market | Revenue | YoY % |
|---------------------------------|----------|-------|
| Commercial Communications | \$681M | +10% |
| Aerospace, Defense & Government | \$311M | +4% |
| Electronic Industrial Solutions | \$451M | +20% |
| Total | \$1,443M | +11% |

FY22 Non-GAAP Highlights and 5-Year Annual Trend

| | | | |
|--|--|--|---|
| Orders \$5.984B 10% CAGR | Revenue \$5.420B 8% CAGR | Operating Margin 29.3% +1,050 basis points | EPS \$7.63 24% CAGR |
|--|--|--|---|



Guidance and Financial Considerations

Q1'23 Guidance

| | |
|-----------------------------|--------------------|
| Revenue | \$ 1.36B - \$1.38B |
| Revenue Growth | +8.8% to +10.4% |
| Non-GAAP Earnings per share | \$1.81 - \$1.87 |

FY23 Financial Considerations

- Net Interest and Other Income/Expense: ~\$1M net expense / quarter
- Non-GAAP tax rate of 12%
- Guidance assumes Q1 weighted average diluted share count of approximately 180M shares
- Expected 2023 capital expenditures of approximately \$250M
- R&D Capitalization (Section 174): ~\$25M quarterly increase in cash taxes paid beginning in Q2 FY23

Investor Resources

Recent Reports



**2021 CSR Report: OUR
STRATEGY, PROGRESS, AND
ACCOUNTABILITY**



**2021 DEI Report:
YEAR IN REVIEW**

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[Culture and Talent Transformation](#)

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[Electronic Industrial Solutions](#)

[Global Services](#)

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[Global Sales](#)

[Financial Update](#)

[Closing Remarks](#)

Reconciliations

KEYSIGHT TECHNOLOGIES, INC.
NON-GAAP GROSS MARGIN RECONCILIATION
(In millions, except where noted)
(Unaudited)
PRELIMINARY

| | Three months ended October 31, | | Year ended October 31, | |
|--|-----------------------------------|---------------|---------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Gross Profit, as reported | \$ 910 | \$ 837 | \$ 3,450 | \$ 3,069 |
| Amortization of acquisition-related balances | 11 | 13 | 48 | 118 |
| Share-based compensation | 4 | 3 | 23 | 19 |
| Acquisition and integration costs | 1 | — | 1 | 1 |
| Restructuring and others | — | — | — | 3 |
| Non-GAAP Gross Profit | <u>\$ 926</u> | <u>\$ 853</u> | <u>\$ 3,522</u> | <u>\$ 3,210</u> |
| GAAP Gross margin, % | 63.1% | 64.7% | 63.7% | 62.1% |
| Non-GAAP Gross margin, % | 64.2% | 66.0% | 65.0% | 65.0% |

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

| | Three months ended October 31, | | Year ended October 31, | |
|--|-----------------------------------|---------------|---------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Income from operations, as reported | \$ 379 | \$ 349 | \$ 1,334 | \$ 1,080 |
| Amortization of acquisition-related balances | 25 | 27 | 103 | 174 |
| Share-based compensation | 23 | 20 | 126 | 104 |
| Acquisition and integration costs | 2 | 1 | 9 | 9 |
| Restructuring and others | 2 | — | 14 | 9 |
| Non-GAAP income from operations | <u>\$ 431</u> | <u>\$ 397</u> | <u>\$ 1,586</u> | <u>\$ 1,376</u> |
| GAAP Operating margin, % | 26.3% | 27.0% | 24.6% | 21.9% |
| Non-GAAP Operating margin, % | 29.9% | 30.7% | 29.3% | 27.9% |

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

| | Three months ended October 31, | | | | Year ended October 31, | | | |
|---|-----------------------------------|----------------|---------------|----------------|---------------------------|----------------|-----------------|----------------|
| | 2022 | | 2021 | | 2022 | | 2021 | |
| | Net Income | Diluted EPS | Net Income | Diluted EPS | Net Income | Diluted EPS | Net Income | Diluted EPS |
| GAAP Net income | \$ 299 | \$ 1.66 | \$ 282 | \$ 1.52 | \$ 1,124 | \$ 6.18 | \$ 894 | \$ 4.78 |
| Non-GAAP adjustments: | | | | | | | | |
| Amortization of acquisition-related balances | 25 | 0.14 | 27 | 0.14 | 103 | 0.57 | 174 | 0.93 |
| Share-based compensation | 23 | 0.13 | 20 | 0.11 | 126 | 0.69 | 104 | 0.56 |
| Acquisition and integration costs | 2 | 0.01 | 1 | 0.01 | 9 | 0.05 | 9 | 0.05 |
| Restructuring and others | 20 | 0.12 | (1) | (0.01) | 54 | 0.30 | 26 | 0.14 |
| Adjustment for taxes | 17 | 0.08 | 9 | 0.05 | (28) | (0.16) | (43) | (0.23) |
| Non-GAAP Net income | <u>\$ 386</u> | <u>\$ 2.14</u> | <u>\$ 338</u> | <u>\$ 1.82</u> | <u>\$ 1,388</u> | <u>\$ 7.63</u> | <u>\$ 1,164</u> | <u>\$ 6.23</u> |
| Weighted average shares outstanding - diluted | 180 | | 186 | | 182 | | 187 | |

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

| | Year-over-year compare | | | Year-over-year compare | | |
|---|------------------------|-----------------|-----------------------|------------------------|-----------------|-----------------------|
| | Q4'22 | Q4'21 | Percent Inc/ (Dec) | FY22 | FY21 | Percent Inc/ (Dec) |
| Revenue | \$ 1,443 | \$ 1,294 | 11% | \$ 5,420 | \$ 4,941 | 10% |
| Adjustments: | | | | | | |
| Revenue from acquisitions or divestitures | (3) | — | | (11) | — | |
| Currency impacts | 51 | — | | 116 | — | |
| Core Revenue | <u>\$ 1,491</u> | <u>\$ 1,294</u> | 15% | <u>\$ 5,525</u> | <u>\$ 4,941</u> | 12% |

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 | | |
| | Q4'22 | Q4'21 | YoY % Chg. | Q4'22 | Q4'21 | Q4'22 | Q4'22 | Q4'21 | YoY % Chg. |
| Communications Solutions Group | \$ 992 | \$ 919 | 8% | \$ 1 | \$ — | \$ (31) | \$ 1,022 | \$ 919 | 11% |
| Electronic Industrial Solutions Group | 451 | 375 | 20% | 2 | — | (20) | 469 | 375 | 25% |
| Total Revenue | \$ 1,443 | \$ 1,294 | 11% | \$ 3 | \$ — | \$ (51) | \$ 1,491 | \$ 1,294 | 15% |

| Revenue by Region | Revenue | | | Revenue from acquisitions or divestitures | | Currency Adjustments ^(a) | Core Revenue | | |
|----------------------|-----------------|-----------------|------------|---|-------------|-------------------------------------|-----------------|-----------------|------------|
| | Q4'22 | Q4'21 | YoY % Chg. | Q4'22 | Q4'21 | Q4'22 | Q4'22 | Q4'21 | YoY % Chg. |
| Americas | \$ 594 | \$ 546 | 9% | \$ 1 | \$ — | \$ — | \$ 593 | \$ 546 | 9% |
| Europe | 231 | 193 | 20% | 2 | — | (19) | 248 | 193 | 29% |
| Asia Pacific | 618 | 555 | 11% | — | — | (32) | 650 | 555 | 17% |
| Total Revenue | \$ 1,443 | \$ 1,294 | 11% | \$ 3 | \$ — | \$ (51) | \$ 1,491 | \$ 1,294 | 15% |

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

| | Q4'22 | Q4'21 | Percent Inc/(Dec) |
|-----------------------------------|-----------------|-----------------|------------------------------|
| Aerospace, Defense and Government | \$ 311 | \$ 297 | 4% |
| Commercial Communications | 681 | 622 | 10% |
| Electronic Industrial | 451 | 375 | 20% |
| Total Revenue | \$ 1,443 | \$ 1,294 | 11% |

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

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, including amortization of amounts paid to redeem acquiree’s 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 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, 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 first quarter of fiscal 2023 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.