

AGILENT TECHNOLOGIES INC

Form 10-Q

September 02, 2015

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE QUARTERLY PERIOD ENDED JULY 31, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 001-15405

AGILENT TECHNOLOGIES, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

77-0518772

(State or other jurisdiction of
incorporation or organization)

(IRS employer
Identification no.)

5301 STEVENS CREEK BLVD.,

SANTA CLARA, CALIFORNIA

(Address of principal executive offices)

95051

(Zip Code)

Registrant's telephone number, including area code: (408) 345-8886

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the exchange act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS

OUTSTANDING AT AUGUST 31, 2015

COMMON STOCK, \$0.01 PAR VALUE

331,403,231

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PART I— FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AGILENT TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(in millions, except per share amounts)

(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------|-------------------|---------|
| | July 31, | | July 31, | |
| | 2015 | 2014 | 2015 | 2014 |
| Net revenue: | | | | |
| Products | \$798 | \$795 | \$2,372 | \$2,376 |
| Services and other | 216 | 214 | 631 | 629 |
| Total net revenue | 1,014 | 1,009 | 3,003 | 3,005 |
| Costs and expenses: | | | | |
| Cost of products | 380 | 384 | 1,140 | 1,147 |
| Cost of services and other | 121 | 123 | 357 | 361 |
| Total costs | 501 | 507 | 1,497 | 1,508 |
| Research and development | 79 | 86 | 248 | 261 |
| Selling, general and administrative | 290 | 285 | 892 | 887 |
| Total costs and expenses | 870 | 878 | 2,637 | 2,656 |
| Income from operations | 144 | 131 | 366 | 349 |
| Interest income | 2 | 3 | 6 | 7 |
| Interest expense | (17 |) (28 |) (50 |) (87 |
| Other income (expense), net | (1 |) (21 |) 15 | (18 |
| Income from continuing operations before taxes | 128 | 85 | 337 | 251 |
| Provision for income taxes | 23 | 22 | 42 | 27 |
| Income from continuing operations | 105 | 63 | 295 | 224 |
| Income (loss) from discontinued operations, net of tax expense (benefit) of \$0, \$15, \$(2) and \$53 | (2 |) 84 | (37 |) 257 |
| Net income | \$103 | \$147 | \$258 | \$481 |
| Net income per share - basic: | | | | |
| Income from continuing operations | \$0.32 | \$0.19 | \$0.88 | \$0.67 |
| Income (loss) from discontinued operations | (0.01 |) 0.25 | (0.11 |) 0.77 |
| Net income per share - basic | \$0.31 | \$0.44 | \$0.77 | \$1.44 |
| Net income per share - diluted: | | | | |
| Income from continuing operations | \$0.31 | \$0.19 | \$0.88 | \$0.66 |
| Income (loss) from discontinued operations | — | 0.24 | (0.11 |) 0.76 |
| Net income per share - diluted | \$0.31 | \$0.43 | \$0.77 | \$1.42 |
| Weighted average shares used in computing net income per share: | | | | |
| Basic | 332 | 334 | 334 | 333 |
| Diluted | 334 | 338 | 336 | 338 |

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| | | | | |
|--|---------|---------|---------|---------|
| Cash dividends declared per common share | \$0.100 | \$0.132 | \$0.300 | \$0.396 |
|--|---------|---------|---------|---------|

The accompanying notes are an integral part of these condensed consolidated financial statements.

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AGILENT TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(in millions)

(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------|-------------------|--------|
| | July 31, 2015 | 2014 | July 31, 2015 | 2014 |
| Net income | \$ 103 | \$ 147 | \$ 258 | \$ 481 |
| Other comprehensive income (loss): | | | | |
| Unrealized gain on investments, net of tax expense of \$0, \$(2), \$0 and \$(1) | — | 8 | — | 8 |
| Amounts reclassified into earnings related to investments, net of tax of \$0, \$0 and \$0 | — | (1) | — | (1) |
| Unrealized gain on derivative instruments, net of tax expense of \$(2), \$(1), \$(4) and \$0 | 1 | 2 | 7 | 1 |
| Amounts reclassified into earnings related to derivative instruments, net of tax (expense) benefit of \$2, \$0, \$5 and \$(1) | (1) | 1 | (9) | 1 |
| Foreign currency translation, net of tax (expense) benefit of \$1, \$(1), \$8 and \$(1) | (66) | (92) | (337) | (59) |
| Net defined benefit pension cost and post retirement plan costs: | | | | |
| Change in actuarial net loss, net of tax expense of \$(2), \$(4), \$(6) and \$(10) | 7 | 11 | 17 | 36 |
| Change in net prior service benefit, net of tax benefit of \$1, \$4, \$4 and \$12 | (3) | (8) | (8) | (24) |
| Other comprehensive loss | (62) | (79) | (330) | (38) |
| Total comprehensive income (loss) | \$ 41 | \$ 68 | \$ (72) | \$ 443 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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AGILENT TECHNOLOGIES, INC.
 CONDENSED CONSOLIDATED BALANCE SHEET
 (in millions, except par value and share amounts)
 (Unaudited)

| | July 31, 2015 | October 31, 2014 |
|--|------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$2,075 | \$2,218 |
| Accounts receivable, net | 584 | 626 |
| Inventory | 545 | 574 |
| Other current assets | 274 | 261 |
| Current assets of discontinued operations | — | 1,821 |
| Total current assets | 3,478 | 5,500 |
| Property, plant and equipment, net | 587 | 631 |
| Goodwill | 2,366 | 2,507 |
| Other intangible assets, net | 484 | 649 |
| Long-term investments | 88 | 96 |
| Other assets | 248 | 283 |
| Non-current assets of discontinued operations | — | 1,165 |
| Total assets | \$7,251 | \$10,831 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$248 | \$302 |
| Employee compensation and benefits | 186 | 228 |
| Deferred revenue | 265 | 260 |
| Other accrued liabilities | 154 | 289 |
| Current liabilities of discontinued operations | — | 623 |
| Total current liabilities | 853 | 1,702 |
| Long-term debt | 1,655 | 1,663 |
| Retirement and post-retirement benefits | 168 | 209 |
| Other long-term liabilities | 469 | 522 |
| Long-term liabilities of discontinued operations | — | 1,434 |
| Total liabilities | 3,145 | 5,530 |
| Commitments and contingencies (Note 13) | | |
| Total equity: | | |
| Stockholders' equity: | | |
| Preferred stock; \$0.01 par value; 125 million shares authorized; none issued and outstanding | — | — |
| Common stock; \$0.01 par value; 2 billion shares authorized; 611 million shares at July 31, 2015 and 608 million shares at October 31, 2014 issued | 6 | 6 |
| Treasury stock at cost; 279 million shares at July 31, 2015 and 273 million shares at October 31, 2014 | (10,074 |) (9,807 |
| Additional paid-in-capital | 9,029 | 8,967 |
| Retained earnings | 5,474 | 6,466 |
| Accumulated other comprehensive loss | (332 |) (334 |
| Total stockholders' equity | 4,103 | 5,298 |
| Non-controlling interest | 3 | 3 |
| Total equity | 4,106 | 5,301 |

| | | |
|------------------------------|---------|----------|
| Total liabilities and equity | \$7,251 | \$10,831 |
|------------------------------|---------|----------|

The accompanying notes are an integral part of these condensed consolidated financial statements.

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AGILENT TECHNOLOGIES, INC.
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 (in millions)
 (Unaudited)

| | Nine Months Ended | |
|---|-------------------|-------|
| | July 31, | |
| | 2015 | 2014 |
| Cash flows from operating activities: | | |
| Net income | \$258 | \$481 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 193 | 291 |
| Accelerated amortization of interest rate swap gain (due to early redemption of debt) | — | (8) |
| Share-based compensation | 43 | 77 |
| Excess tax benefit from share-based plans | (5) | (3) |
| Deferred taxes | (15) | |