

**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, 2023**

**OR**

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

For transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 001-15405

**AGILENT TECHNOLOGIES, INC.**

(Exact Name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**77-0518772**

(IRS Employer Identification No.)

**5301 Stevens Creek Blvd.,  
Santa Clara, California 95051**  
(Address of principal executive offices)

Registrant's telephone number, including area code: **(800) 227-9770**

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of each Class</b>	<b>Trading Symbol</b>	<b>Name of each Exchange on which registered</b>
Common Stock, \$0.01 par value	A	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>			Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of August 23, 2023, the registrant had 292,587,273 shares of common stock, \$0.01 par value per share, outstanding.

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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)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>July 31,</b>		<b>July 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Net revenue:				
Products	\$ 1,222	\$ 1,306	\$ 3,819	\$ 3,773
Services and other	450	412	1,326	1,226
Total net revenue	1,672	1,718	5,145	4,999
Costs and expenses:				
Cost of products	784	558	1,890	1,633
Cost of services and other	230	221	705	656
Total costs	1,014	779	2,595	2,289
Research and development	118	116	367	348
Selling, general and administrative	407	412	1,241	1,215
Total costs and expenses	1,539	1,307	4,203	3,852
Income from operations	133	411	942	1,147
Interest income	13	2	34	4
Interest expense	(24)	(19)	(73)	(61)
Other income (expense), net	10	3	16	(41)
Income before taxes	132	397	919	1,049
Provision for income taxes	21	68	154	163
Net income	\$ 111	\$ 329	\$ 765	\$ 886
Net income per share:				
Basic	\$ 0.38	\$ 1.10	\$ 2.59	\$ 2.95
Diluted	\$ 0.38	\$ 1.10	\$ 2.58	\$ 2.94
Weighted average shares used in computing net income per share:				
Basic	294	298	295	300
Diluted	295	299	296	301

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

**AGILENT TECHNOLOGIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)**  
(in millions)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	July 31,		July 31,	
	2023	2022	2023	2022
Net income	\$ 111	\$ 329	\$ 765	\$ 886
Other comprehensive income (loss):				
Unrealized gain (loss) on derivative instruments, net of tax expense (benefit) of \$0, \$1, \$(5) and \$8	2	4	(13)	26
Amounts reclassified into earnings related to derivative instruments, net of tax expense (benefit) of \$1, \$(3), \$0 and \$(5)	1	(8)	—	(14)
Foreign currency translation, net of tax expense (benefit) of \$(1), \$0, \$(2) and \$0	9	(29)	87	(110)
Net defined benefit pension cost and post retirement plan costs:				
Change in actuarial net loss, net of tax expense of \$0, \$2, \$0 and \$7	(1)	5	3	19
Change in net prior service benefit, net of tax expense of \$0, \$0, \$0 and \$0	—	(1)	(1)	(1)
Other comprehensive income (loss)	11	(29)	76	(80)
Total comprehensive income	<u>\$ 122</u>	<u>\$ 300</u>	<u>\$ 841</u>	<u>\$ 806</u>

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

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

	July 31, 2023	October 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,329	\$ 1,053
Accounts receivable, net	1,339	1,405
Inventory	1,072	1,038
Other current assets	290	282
Total current assets	4,030	3,778
Property, plant and equipment, net	1,211	1,100
Goodwill	3,984	3,952
Other intangible assets, net	502	821
Long-term investments	190	195
Other assets	758	686
Total assets	\$ 10,675	\$ 10,532
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 452	\$ 580
Employee compensation and benefits	331	455
Deferred revenue	512	461
Short-term debt	55	36
Other accrued liabilities	410	329
Total current liabilities	1,760	1,861
Long-term debt	2,734	2,733
Retirement and post-retirement benefits	92	97
Other long-term liabilities	531	536
Total liabilities	5,117	5,227
Commitments and contingencies (Notes 9 and 12)		
Total equity:		
Stockholders' equity:		
Preferred stock; \$0.01 par value; 125 million shares authorized; none issued and outstanding at July 31, 2023 and October 31, 2022	—	—
Common stock; \$0.01 par value; 2 billion shares authorized; 293 million shares at July 31, 2023 and 295 million shares at October 31, 2022 issued and outstanding	3	3
Additional paid-in-capital	5,382	5,325
Retained earnings	444	324
Accumulated other comprehensive loss	(271)	(347)
Total stockholders' equity	5,558	5,305
Total liabilities and stockholders' equity	\$ 10,675	\$ 10,532

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

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

	Nine Months Ended July 31,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 765	\$ 886
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	209	244
Share-based compensation	97	99
Deferred taxes	(69)	25
Excess and obsolete inventory related charges	27	16
Loss on extinguishment of debt	—	9
Net loss on equity securities	13	60
Asset impairment charges	277	—
Change in fair value of contingent consideration	1	(25)
Other non-cash (income) expense, net	4	10
Changes in assets and liabilities:		
Accounts receivable, net	113	(233)
Inventory	(53)	(206)
Accounts payable	(117)	110
Employee compensation and benefits	(137)	(98)
Other assets and liabilities	126	(33)
Net cash provided by operating activities	1,256	864
Cash flows from investing activities:		
Payments to acquire property, plant and equipment	(214)	(221)
Payments to acquire equity securities	(3)	(10)
Proceeds from sale of equity securities	5	22
Payments in exchange for convertible note	(11)	(1)
Proceeds from convertible note	4	—
Acquisitions of businesses and intangible assets, net of cash acquired	(51)	(18)
Net cash used in investing activities	(270)	(228)
Cash flows from financing activities:		
Proceeds from issuance of common stock under employee stock plans	65	55
Payments of taxes related to net share settlement of equity awards	(53)	(65)
Payments of dividends	(199)	(188)
Proceeds from issuance of long-term debt	—	600
Repayments of senior notes	—	(609)
Net proceeds from short-term debt	20	180
Payment for contingent consideration	(67)	—
Payments for repurchase of common stock	(495)	(1,004)
Net cash used in financing activities	(729)	(1,031)
Effect of exchange rate movements	19	(22)
Net increase (decrease) in cash, cash equivalents and restricted cash	276	(417)
Cash, cash equivalents and restricted cash at beginning of period	1,056	1,490
Cash, cash equivalents and restricted cash at end of period	\$ 1,332	\$ 1,073
Supplemental cash flow information:		
Income tax paid, net of refunds received	\$ 143	\$ 217
Interest payments, net of capitalized interest	\$ 60	\$ 56
Net change in property, plant and equipment included in accounts payable and accrued liabilities-increase (decrease)	\$ (20)	\$ 1

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

**AGILENT TECHNOLOGIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF EQUITY**  
(in millions, except number of shares in thousands)  
(Unaudited)

	<b>Common Stock</b>						
	<b>Number of Shares</b>	<b>Par Value</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Total Stockholders' Equity</b>	
<b>Three Months Ended July 31, 2023</b>							
Balance as of April 30, 2023	295,261	\$ 3	\$ 5,360	\$ 700	\$ (282)	\$ 5,781	
Components of comprehensive income, net of tax:							
Net income	—	—	—	111	—	111	
Other comprehensive income	—	—	—	—	11	11	
Total comprehensive income						122	
Cash dividends declared (\$0.225 per common share)	—	—	—	(66)	—	(66)	
Share-based awards issued, net of tax of \$1	298	—	29	—	—	29	
Repurchase of common stock, including excise taxes	(2,812)	—	(36)	(301)	—	(337)	
Share-based compensation	—	—	29	—	—	29	
Balance as of July 31, 2023	292,747	\$ 3	\$ 5,382	\$ 444	\$ (271)	\$ 5,558	

	<b>Common Stock</b>						
	<b>Number of Shares</b>	<b>Par Value</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Total Stockholders' Equity</b>	
<b>Nine Months Ended July 31, 2023</b>							
Balance as of October 31, 2022	295,259	\$ 3	\$ 5,325	\$ 324	\$ (347)	\$ 5,305	
Components of comprehensive income, net of tax:							
Net income	—	—	—	765	—	765	
Other comprehensive income	—	—	—	—	76	76	
Total comprehensive income						841	
Cash dividends declared (\$0.675 per common share)	—	—	—	(199)	—	(199)	
Share-based awards issued, net of tax of \$53	1,405	—	11	—	—	11	
Repurchase of common stock, including excise taxes	(3,917)	—	(51)	(446)	—	(497)	
Share-based compensation	—	—	97	—	—	97	
Balance as of July 31, 2023	292,747	\$ 3	\$ 5,382	\$ 444	\$ (271)	\$ 5,558	

	Common Stock						
	Number of Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	
<b>Three Months Ended July 31, 2022</b>							
Balance as of April 30, 2022	298,565	\$ 3	\$ 5,292	\$ 160	\$ (333)	\$ 5,122	
Components of comprehensive income, net of tax:							
Net income	—	—	—	329	—	329	
Other comprehensive loss	—	—	—	—	(29)	(29)	
Total comprehensive income						300	
Cash dividends declared (\$0.210 per common share)	—	—	—	(62)	—	(62)	
Share-based awards issued, net of tax of \$1	308	—	26	—	—	26	
Repurchase of common stock	(2,673)	—	(35)	(288)	—	(323)	
Share-based compensation	—	—	28	—	—	28	
Balance as of July 31, 2022	296,200	\$ 3	\$ 5,311	\$ 139	\$ (362)	\$ 5,091	

	Common Stock						
	Number of Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	
<b>Nine Months Ended July 31, 2022</b>							
Balance as of October 31, 2021	302,208	\$ 3	\$ 5,320	\$ 348	\$ (282)	\$ 5,389	
Components of comprehensive income, net of tax:							
Net income	—	—	—	886	—	886	
Other comprehensive loss	—	—	—	—	(80)	(80)	
Total comprehensive income						806	
Cash dividends declared (\$0.630 per common share)	—	—	—	(188)	—	(188)	
Share-based awards issued, net of tax of \$65	1,323	—	(11)	—	—	(11)	
Repurchase of common stock	(7,331)	—	(97)	(907)	—	(1,004)	
Share-based compensation	—	—	99	—	—	99	
Balance as of July 31, 2022	296,200	\$ 3	\$ 5,311	\$ 139	\$ (362)	\$ 5,091	

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



**AGILENT TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**1. OVERVIEW, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Overview.* Agilent Technologies, Inc. ("we," "Agilent" or the "company"), incorporated in Delaware in May 1999, is a global leader in life sciences, diagnostics and applied chemical markets, providing application focused solutions that include instruments, software, services and consumables for the entire laboratory workflow.

Our fiscal year-end is October 31, and our fiscal quarters end on January 31, April 30 and July 31. Unless otherwise stated, these dates refer to our fiscal year and fiscal quarters.

*Shutdown of Resolution Bioscience Business.* During the three months ended July 31, 2023, we made the decision to shut down the Resolution Bioscience business. As a result, we have recorded a long-lived asset impairment charge of \$270 million in both the three and nine months ended July 31, 2023.

*Basis of Presentation.* We have prepared the accompanying financial data for the three and nine months ended July 31, 2023 and 2022 pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles ("GAAP") in the U.S. have been condensed or omitted pursuant to such rules and regulations. The October 31, 2022 condensed balance sheet data was derived from audited financial statements but does not include all the disclosures required in audited financial statements by U.S. GAAP. The accompanying financial data and information should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended October 31, 2022.

In the opinion of management, the accompanying condensed consolidated financial statements contain all normal and recurring adjustments necessary for a fair statement of our condensed consolidated balance sheet as of July 31, 2023 and October 31, 2022, condensed consolidated statement of comprehensive income (loss) for the three and nine months ended July 31, 2023 and 2022, condensed consolidated statement of operations for the three and nine months ended July 31, 2023 and 2022, condensed consolidated statement of cash flows for the nine months ended July 31, 2023 and 2022 and condensed consolidated statement of equity for the three and nine months ended July 31, 2023 and 2022.

*Use of Estimates.* The preparation of condensed consolidated financial statements in accordance with GAAP in the U.S. requires management to make estimates and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management's best knowledge of current events and actions that may impact the company in the future, actual results may be different from the estimates. Our critical accounting policies are those that affect our financial statements materially and involve difficult, subjective or complex judgments by management. Those policies are revenue recognition, valuation of goodwill and purchased intangible assets, inventory valuation, retirement and post-retirement benefit plan assumptions and accounting for income taxes.

*Restricted Cash and Restricted Cash Equivalents.* Restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. A reconciliation of cash, cash equivalents and restricted cash to the condensed consolidated balance sheet follows:

	July 31, 2023	October 31, 2022
	(in millions)	
Cash and cash equivalents	\$ 1,329	\$ 1,053
Restricted cash included in other assets	3	3
Total cash, cash equivalents and restricted cash	<u>\$ 1,332</u>	<u>\$ 1,056</u>

**AGILENT TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

*Leases.* As of July 31, 2023 and October 31, 2022, operating lease right-of-use assets where we are the lessee were \$166 million and \$150 million, respectively, and were included within other assets in the accompanying condensed consolidated balance sheet. The associated operating lease liabilities were \$178 million and \$152 million as of July 31, 2023 and October 31, 2022, respectively, and were included in other accrued liabilities and other long-term liabilities in the accompanying condensed consolidated balance sheet.

*Variable Interest Entities.* We make a determination upon entering into an arrangement whether an entity in which we have made an investment is considered a Variable Interest Entity ("VIE"). We evaluate our investments in privately held companies on an ongoing basis. We have determined that as of July 31, 2023 and October 31, 2022, there were no VIEs required to be consolidated in our consolidated financial statements because we do not have a controlling financial interest in any of the VIEs in which we have invested nor are we the primary beneficiary. We account for these investments under either the equity method or as equity investments without readily determinable fair value ("RDFV"), depending on the circumstances. We periodically reassess whether we are the primary beneficiary of a VIE. The reassessment process considers whether we have acquired the power to direct the most significant activities of the VIE through changes in governing documents or other circumstances. We also reconsider whether entities previously determined not to be VIEs have become VIEs and vice-versa, based on changes in facts and circumstances including changes in contractual arrangements and capital structure.

As of July 31, 2023 and October 31, 2022, the total carrying value of investments and loans in privately held companies considered as VIEs was \$77 million and \$87 million respectively. The maximum exposure is equal to the carrying value because we do not have future funding commitments. The investments are included on the long-term investments line and the loans on the other current assets and other assets lines (depending upon tenure of loan) on the condensed consolidated balance sheet.

*Fair Value of Financial Instruments.* The carrying values of certain of our financial instruments including cash and cash equivalents, accounts receivable, accounts payable, accrued compensation and other accrued liabilities approximate fair value because of their short maturities. The fair value of long-term equity investments which are readily determinable, and which are not accounted under the equity method are reported at fair value using quoted market prices for those securities when available with gains and losses included in net income. The fair value of long-term equity investments which are not readily determinable, and which are not accounted under the equity method are reported at cost with adjustments for observable changes in prices or impairments included in net income. As of July 31, 2023 and October 31, 2022, the fair value of the term loan approximates its carrying value. As of July 31, 2023, the fair value of our senior notes was \$1,830 million with a carrying value of \$2,134 million. This compares to the fair value of our senior notes of \$1,754 million with a carrying value of \$2,133 million as of October 31, 2022. The change in the fair value compared to carrying value in the nine months ended July 31, 2023 is primarily due to decreased market interest rates. The fair value was calculated from quoted prices which are primarily Level 1 inputs under the accounting guidance. The fair value of foreign currency contracts used for hedging purposes is estimated internally by using inputs tied to active markets. These inputs, for example, interest rate yield curves, foreign exchange rates, and forward and spot prices for currencies are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. See also Note 9, "Fair Value Measurements" for additional information on the fair value of financial instruments and contingent consideration.

## 2. NEW ACCOUNTING PRONOUNCEMENTS

### *Recently Adopted Accounting Pronouncements*

In November 2021, the FASB issued updates to increase the transparency in the annual disclosure requirements relating to government assistance received by business entities in Topic 832, Government Assistance. The guidance requires certain disclosures about transactions with a government that are accounted for by applying a grant or contribution model. On November 1, 2022, we adopted this guidance which did not have a material impact on our condensed consolidated financial statements and disclosures.

AGILENT TECHNOLOGIES, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

**Accounting Pronouncements Not Yet Adopted**

There were no additions to the new accounting pronouncements not yet adopted as described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2022.

Other amendments to GAAP in the U.S. that have been issued by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on our condensed consolidated financial statements upon adoption.

**3. REVENUE**

The following table presents the company's total revenue and segment revenue disaggregated by geographical region:

	Three Months Ended July 31,				2022			
	Life Sciences and Applied Markets	Agilent CrossLab	Diagnostics and Genomics	Total	Life Sciences and Applied Markets	Agilent CrossLab	Diagnostics and Genomics	Total
(in millions)								
<b>Revenue by Region</b>								
Americas	\$ 312	\$ 159	\$ 196	\$ 667	\$ 336	\$ 147	\$ 188	\$ 671
Europe	217	108	107	432	210	94	103	407
Asia Pacific	398	129	46	573	473	118	49	640
Total	\$ 927	\$ 396	\$ 349	\$ 1,672	\$ 1,019	\$ 359	\$ 340	\$ 1,718

	Nine Months Ended July 31,				2022			
	Life Sciences and Applied Markets	Agilent CrossLab	Diagnostics and Genomics	Total	Life Sciences and Applied Markets	Agilent CrossLab	Diagnostics and Genomics	Total
(in millions)								
<b>Revenue by Region</b>								
Americas	\$ 954	\$ 467	\$ 609	\$ 2,030	\$ 974	\$ 416	\$ 577	\$ 1,967
Europe	701	309	311	1,321	678	289	314	1,281
Asia Pacific	1,273	388	133	1,794	1,239	366	146	1,751
Total	\$ 2,928	\$ 1,164	\$ 1,053	\$ 5,145	\$ 2,891	\$ 1,071	\$ 1,037	\$ 4,999

The following table presents the company's total revenue disaggregated by end markets and by revenue type:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2023	2022	2023	2022
(in millions)				
<b>Revenue by End Markets</b>				
Pharmaceutical and Biopharmaceutical	\$ 592	\$ 643	\$ 1,843	\$ 1,843
Chemicals and Advanced Materials	378	389	1,162	1,162
Diagnostics and Clinical	241	234	730	730
Food	151	151	472	472
Academia and Government	146	139	451	451
Environmental and Forensics	164	162	487	487
Total	\$ 1,672	\$ 1,718	\$ 5,145	\$ 5,145
<b>Revenue by Type</b>				
Instrumentation	\$ 643	\$ 737	\$ 2,091	\$ 2,091
Non-instrumentation and other	1,029	981	3,054	3,054
Total	\$ 1,672	\$ 1,718	\$ 5,145	\$ 5,145

**AGILENT TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

Revenue by region is based on the ship to location of the customer. Revenue by end market is determined by the market indicator of the customer and by customer type. Instrumentation revenue includes sales from instruments, remarketed instruments and third-party products. Non-instrumentation and other revenue include sales from contract and per incident services, our companion diagnostics and our nucleic acid solutions businesses as well as sales from spare parts, consumables, reagents, vacuum pumps, subscriptions, software licenses and associated services.

***Contract Balances***

***Contract Assets***

Contract assets (unbilled accounts receivable) primarily relate to the company's right to consideration for work completed but not billed at the reporting date. The unbilled receivables are reclassified to trade receivables when billed to customers. Contract assets are generally classified as current assets and are included in "Accounts receivable, net" in the condensed consolidated balance sheet. The balances of contract assets as of July 31, 2023 and October 31, 2022 were \$240 million and \$275 million, respectively.

***Contract Liabilities***

The following table provides information about contract liabilities (deferred revenue) and the significant changes in the balances during the nine months ended July 31, 2023:

	<b>Contract Liabilities</b>
	<b>(in millions)</b>
Ending balance as of October 31, 2022	\$ 557
Net revenue deferred in the period	438
Revenue recognized that was included in the contract liability balance at the beginning of the period	(368)
Change in deferrals from customer cash advances, net of revenue recognized	(24)
Currency translation and other adjustments	19
Ending balance as of July 31, 2023	<u>\$ 622</u>

During the nine months ended July 31, 2022 revenue recognized that was included in the contract liability balance at October 31, 2021 was \$336 million.

Contract liabilities primarily relate to multiple element arrangements for which billing has occurred but transfer of control of all elements to the customer has either partially or not occurred at the balance sheet date. This includes cash received from customers for products and related installation and services in advance of the transfer of control. Contract liabilities are classified as either current in deferred revenue or long-term in other long-term liabilities in the condensed consolidated balance sheet based on the timing of when we expect to complete our performance obligation.

***Contract Costs***

Incremental costs of obtaining a contract with a customer are recognized as an asset if we expect the benefit of those costs to be longer than one year. We have determined that certain sales incentive programs meet the requirements to be capitalized. The change in total capitalized costs to obtain a contract was immaterial during the three and nine months ended July 31, 2023 and was included in other current and long-term assets on the condensed consolidated balance sheet. We have applied the practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. These costs include the company's internal sales force compensation program, as we have determined that annual compensation is commensurate with annual sales activities.

***Transaction Price Allocated to the Remaining Performance Obligations***

We have applied the practical expedient in ASC 606-10-50-14 and have not disclosed information about transaction price allocated to remaining performance obligations that have original expected durations of one year or less.

**AGILENT TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

The estimated revenue expected to be recognized for remaining performance obligations that have an original term of more than one year, as of July 31, 2023, was \$354 million, the majority of which is expected to be recognized over the next 12 months. Remaining performance obligations primarily include extended warranty, customer manufacturing contracts, software maintenance contracts and revenue associated with lease arrangements.

**4. SHARE-BASED COMPENSATION**

We account for share-based awards in accordance with the provisions of the authoritative accounting guidance which requires the measurement and recognition of compensation expense for all share-based payment awards made to our employees and directors including employee stock options, restricted stock units, employee stock purchases made under our employee stock purchase plan and performance share awards granted to selected members of our senior management under the long-term performance plan ("LTPP") based on estimated fair values.

We have two LTPP performance stock award programs, which are administered under the 2018 Stock Plan, for our executive officers and other key employees. Participants in our LTPP Total Stockholders' Return ("TSR") and LTPP Earnings Per Share ("EPS") programs are entitled to receive shares of the company's stock after the end of a three-year period, if specified performance targets for the programs are met. The LTPP-TSR awards are generally designed to meet the criteria of a performance award with the performance metrics and peer group comparison based on the TSR set at the beginning of the performance period. The LTPP-EPS awards are based on the company's EPS performance over a three-year period. The performance targets for the LTPP-EPS for year 2 and year 3 of the performance period are set in the first quarter of year 2 and year 3, respectively. All LTPP awards are subject to a one-year post-vest holding period.

The final LTPP award may vary from 0 percent to 200 percent of the target award. We consider the dilutive impact of these programs in our diluted net income per share calculation only to the extent that the performance conditions are expected to be met. Restricted stock units generally vest, with some exceptions, at a rate of 25 percent per year over a period of four years from the date of grant.

In fiscal year 2021, we resumed granting stock options. Stock options granted under the 2018 Stock Plan may be either "incentive stock options", as defined in Section 422 of the Internal Revenue Code, or non-statutory. Options generally vest at a rate of 25 percent per year over a period of four years from the date of grant with a maximum contractual term of ten years. The exercise price for stock options is generally not less than 100 percent of the fair market value of our common stock on the date the stock award is granted. We issue new shares of common stock when employee stock options are exercised.

The impact on our results for share-based compensation was as follows:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2023	2022	2023	2022
	(in millions)			
Cost of products and services	\$ 8	\$ 7	\$ 28	\$ 24
Research and development	5	3	13	11
Selling, general and administrative	16	18	57	65
Total share-based compensation expense	<u>\$ 29</u>	<u>\$ 28</u>	<u>\$ 98</u>	<u>\$ 100</u>

At July 31, 2023 and October 31, 2022, no share-based compensation was capitalized within inventory.

**AGILENT TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

The following assumptions were used to estimate the fair value of awards granted.

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2023	2022	2023	2022
<b>Stock Option Plans:</b>				
Weighted average risk-free interest rate	3.8%	3.2%	3.9%	1.4%
Dividend yield	0.7%	0.7%	0.6%	0.5%
Weighted average volatility	29%	27%	28%	26%
Expected life	5.5 years	5.5 years	5.5 years	5.5 years
<b>LTPP:</b>				
Volatility of Agilent shares	31%	29%	31%	29%
Volatility of selected peer-company shares	22%-84%	23%-81%	22%-84%	23%-81%
Pair-wise correlation with selected peers	42%	41%	42%	41%
Post-vest holding restriction discount for all executive awards	7.1%	6.5%	7.1%	6.5%

The fair value of share-based awards for our employee stock option awards was estimated using the Black-Scholes option pricing model. Shares granted under the LTPP (TSR) were valued using a Monte Carlo simulation model. The Monte Carlo simulation fair value model requires the use of highly subjective and complex assumptions, including the price volatility of the underlying stock. For the volatility of our LTPP (TSR) grants, we used our own historical stock price volatility.

The ESPP allows eligible employees to purchase shares of our common stock at 85 percent of the price at purchase and uses the purchase date to establish the fair market value.

We use historical volatility to estimate the expected stock price volatility assumption for employee stock option awards. In reaching the conclusion, we have considered many factors including the extent to which our options are currently traded and our ability to find traded options in the current market with similar terms and prices to the options we are valuing. In estimating the expected life of our options granted, we considered the historical option exercise behavior of our executives, which we believe is representative of future behavior.

The estimated fair value of restricted stock units and LTPP (EPS) awards is determined based on the market price of our common stock on the date of grant adjusted for expected dividend yield. The compensation cost for LTPP (EPS) reflects the cost of awards that are probable to vest at the end of the performance period.

All LTPP awards granted to our senior management employees have a one-year post-vest holding restriction. The estimated discount associated with post-vest holding restrictions is calculated using the Finnerty model. The model calculates the potential lost value if the employees were able to sell the shares during the lack of marketability period, instead of being required to hold the shares. The model used the same historical stock price volatility and dividend yield assumption used for the Monte Carlo simulation model and an expected dividend yield to compute the discount.

## 5. INCOME TAXES

For the three and nine months ended July 31, 2023, our income tax expense was \$21 million with an effective tax rate of 15.9 percent and \$154 million with an effective tax rate of 16.8 percent, respectively. Our effective tax rate increased in 2023 compared to 2022, primarily due to the mandatory capitalization of research and development expenses, which became effective for Agilent in the first quarter of 2023, due to a change in tax law from the Tax Cuts and Jobs Act of 2017. For the three and nine months ended July 31, 2023, our effective tax rate and the resulting provision for income taxes were impacted by the tax benefit of \$63 million due to the asset impairment charge related to the shutdown of our Resolution Bioscience business. For the nine months ended July 31, 2023, our effective tax rate and the resulting provision for income taxes were also impacted by the excess tax benefits from stock-based compensation of \$13 million along with the expiration of various foreign statutes of limitations which resulted in the recognition of previously unrecognized tax benefits of \$10 million.

**AGILENT TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

For the three and nine months ended July 31, 2022, our income tax expense was \$68 million with an effective tax rate of 17.1 percent and \$163 million with an effective tax rate of 15.5 percent, respectively. For the three months ended July 31, 2022, there were no significant discrete items. For the nine months ended July 31, 2022, our effective tax rate and the resulting provision for income taxes were impacted by the excess tax benefits from stock-based compensation of \$18 million along with the expiration of various foreign statutes of limitations which resulted in the recognition of previously unrecognized tax benefits of \$8 million.

In the U.S., tax years remain open back to the year 2018 for federal income tax purposes and for significant states. In other major jurisdictions where the company conducts business, the tax years generally remain open back to the year 2013.

With these jurisdictions and the U.S., it is reasonably possible there could be significant changes to our unrecognized tax benefits in the next twelve months due to either the expiration of a statute of limitation or a tax audit settlement which will be partially offset by an anticipated tax liability related to unremitted foreign earnings, where applicable. Given the number of years and numerous matters that remain subject to examination in various tax jurisdictions, management is unable to estimate the range of possible changes to the balance of our unrecognized tax benefits.

**6. NET INCOME PER SHARE**

The following is a reconciliation of the numerator and denominator of the basic and diluted net income per share computations for the periods presented below:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2023	2022	2023	2022
	(in millions)			
<b>Numerator:</b>				
Net income	\$ 111	\$ 329	\$ 765	\$ 886
<b>Denominator:</b>				
Basic weighted-average shares	294	298	295	300
Potential common shares— stock options and other employee stock plans	1	1	1	1
Diluted weighted-average shares	295	299	296	301

The dilutive effect of share-based awards is reflected in diluted net income per share by application of the treasury stock method, which includes consideration of unamortized share-based compensation expense and the dilutive effect of in-the-money options and non-vested restricted stock units. Under the treasury stock method, the amount the employee must pay for exercising stock options and unamortized share-based compensation expense collectively are assumed proceeds to be used to repurchase hypothetical shares. An increase in the fair market value of the company's common stock can result in a greater dilutive effect from potentially dilutive awards.

We exclude stock options with exercise prices greater than the average market price of our common stock from the calculation of diluted earnings per share because their effect would be anti-dilutive. In addition, we exclude from the calculation of diluted earnings per share stock options, ESPP, LTTP and restricted stock awards whose combined exercise price and unamortized fair value were greater than the average market price of our common stock because their effect would also be anti-dilutive.

For both the three and nine months ended July 31, 2023 and 2022, potential common shares excluded from the calculation of diluted earnings per share were not material.

**AGILENT TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

**7. INVENTORY**

Inventory as of July 31, 2023 and October 31, 2022 consisted of the following:

	July 31, 2023	October 31, 2022
	(in millions)	
Finished goods	\$ 574	\$ 555
Purchased parts and fabricated assemblies	498	483
Inventory	<u>\$ 1,072</u>	<u>\$ 1,038</u>

**8. GOODWILL AND OTHER INTANGIBLE ASSETS**

The following table presents goodwill balances and the movements for each of our reportable segments during the nine months ended July 31, 2023:

	Life Sciences and Applied Markets	Diagnostics and Genomics	Agilent CrossLab	Total
	(in millions)			
Goodwill as of October 31, 2022	\$ 1,743	\$ 1,953	\$ 256	\$ 3,952
Foreign currency translation impact	11	1	5	17
Goodwill arising from acquisitions and adjustments	—	15	—	15
Goodwill as of July 31, 2023	<u>\$ 1,754</u>	<u>\$ 1,969</u>	<u>\$ 261</u>	<u>\$ 3,984</u>

The component parts of other intangible assets as of October 31, 2022 and July 31, 2023 are shown in the table below:

	Other Intangible Assets		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
	(in millions)		
<b>As of October 31, 2022</b>			
Purchased technology	\$ 1,733	\$ 1,068	\$ 665
Trademark/Tradename	196	148	48
Customer relationships	180	105	75
Backlog	8	8	—
Third-party technology and licenses	32	9	23
Total amortizable intangible assets	2,149	1,338	811
In-Process R&D	10	—	10
Total	<u>\$ 2,159</u>	<u>\$ 1,338</u>	<u>\$ 821</u>
<b>As of July 31, 2023</b>			
Purchased technology	\$ 1,470	\$ 1,078	\$ 392
Trademark/Tradename	196	159	37
Customer relationships	156	114	42
Third-party technology and licenses	33	12	21
Total amortizable intangible assets	1,855	1,363	492
In-Process R&D	10	—	10
Total	<u>\$ 1,865</u>	<u>\$ 1,363</u>	<u>\$ 502</u>

During the nine months ended July 31, 2023, we recorded additions of \$15 million to goodwill and \$49 million to other intangible assets in our diagnostics and genomics and life sciences and applied markets segments related to two acquisitions. During the nine months ended July 31, 2023, other intangible assets in total increased \$3 million due to the impact of foreign currency translation.



**AGILENT TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

In general, for U.S. federal tax purposes, goodwill from asset purchases is amortizable; however, any goodwill created as part of a stock acquisition is not deductible.

Each quarter we review the events and circumstances to determine if impairment of indefinite-lived intangible assets and goodwill is indicated. During the three and nine months ended July 31, 2023 and 2022 we did not identify any triggering events or circumstances which would indicate an impairment of goodwill or indefinite-lived intangible assets. During the three and nine months ended July 31, 2023, we recorded an impairment of finite-lived intangible assets of \$258 million related to the shutdown of our Resolution Bioscience business in our diagnostics and genomics segment. Of the \$258 million, \$249 million was recorded in cost of sales and \$9 million was recorded in selling, general and administrative expenses on our condensed consolidated statement of operations in both the three and nine months ended July 31, 2023.

Amortization expense of intangible assets was \$39 million and \$113 million for the three and nine months ended July 31, 2023, respectively. Amortization expense of intangible assets was \$48 million and \$150 million for the three and nine months ended July 31, 2022, respectively.

Future amortization expense related to existing finite-lived purchased intangible assets for the remainder of fiscal year 2023 and for each of the next five fiscal years and thereafter is estimated below:

**Estimated future amortization expense:**

(in millions)

Remainder of 2023	\$ 27
2024	\$ 100
2025	\$ 83
2026	\$ 53
2027	\$ 52
2028	\$ 45
Thereafter	\$ 132

**9. FAIR VALUE MEASUREMENTS**

The authoritative guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, we consider the principal or most advantageous market and assumptions that market participants would use when pricing the asset or liability.

***Fair Value Hierarchy***

The guidance establishes a fair value hierarchy that prioritizes the use of inputs used in valuation techniques into three levels. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. There are three levels of inputs that may be used to measure fair value:

*Level 1*- applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

*Level 2*- applies to assets or liabilities for which there are inputs other than quoted prices included within level 1 that are observable, either directly or indirectly, for the asset or liability such as: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in less active markets; or other inputs that can be derived principally from, or corroborated by, observable market data.

*Level 3*- applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

AGILENT TECHNOLOGIES, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

**Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis**

Financial assets and liabilities measured at fair value on a recurring basis as of July 31, 2023 were as follows:

	July 31, 2023	Fair Value Measurement at July 31, 2023 Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
		(in millions)			
Assets:					
Short-term					
Cash equivalents (money market funds)	\$ 719	\$ 719	\$ —	\$ —	
Derivative instruments (foreign exchange contracts)	11	—	11	—	
Long-term					
Trading securities	38	38	—	—	
Other investments	29	—	29	—	
Total assets measured at fair value	<u>\$ 797</u>	<u>\$ 757</u>	<u>\$ 40</u>	<u>\$ —</u>	
Liabilities:					
Short-term					
Derivative instruments (foreign exchange contracts)	\$ 10	\$ —	\$ 10	\$ —	
Contingent consideration	2	—	—	2	
Long-term					
Deferred compensation liability	38	—	38	—	
Contingent consideration	1	—	—	1	
Total liabilities measured at fair value	<u>\$ 51</u>	<u>\$ —</u>	<u>\$ 48</u>	<u>\$ 3</u>	

Financial assets and liabilities measured at fair value on a recurring basis as of October 31, 2022 were as follows:

	October 31, 2022	Fair Value Measurement at October 31, 2022 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in millions)		
Assets:				
Short-term				
Cash equivalents (money market funds)	\$ 492	\$ 492	\$ —	\$ —
Derivative instruments (foreign exchange contracts)	31	—	31	—
Long-term				
Trading securities	31	31	—	—
Other investments	23	—	23	—
Total assets measured at fair value	<u>\$ 577</u>	<u>\$ 523</u>	<u>\$ 54</u>	<u>\$ —</u>
Liabilities:				
Short-term				
Derivative instruments (foreign exchange contracts)	\$ 5	\$ —	\$ 5	\$ —
Contingent consideration	66	—	—	66
Long-term				
Deferred compensation liability	31	—	31	—
Contingent consideration	1	—	—	1
Total liabilities measured at fair value	<u>\$ 103</u>	<u>\$ —</u>	<u>\$ 36</u>	<u>\$ 67</u>

**AGILENT TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

Our money market funds and trading securities are generally valued using quoted market prices and therefore are classified within level 1 of the fair value hierarchy. Our derivative financial instruments are classified within level 2, as there is not an active market for each hedge contract, but the inputs used to calculate the value of the instruments are tied to active markets. Our deferred compensation liability is classified as level 2 because, although the values are not directly based on quoted market prices, the inputs used in the calculations are observable.

Other investments represent shares we own in a special fund that targets underlying investments of approximately 40 percent in debt securities and 60 percent in equity securities. These shares have been classified as level 2 because, although the shares of the fund are not traded on any active stock exchange, each of the individual underlying securities are or can be derived from similar securities traded on an active market and hence we have a readily determinable value for the underlying securities, from which we are able to determine the fair market value for the special fund itself.

Trading securities, which are comprised of mutual funds, bonds and other similar instruments, other investments and deferred compensation liability are reported at fair value, with gains or losses resulting from changes in fair value recognized currently in net income. Certain derivative instruments are reported at fair value, with unrealized gains and losses, net of tax, included in accumulated other comprehensive income (loss) within stockholders' equity. Realized gains and losses from the sale of these instruments are recorded in net income.

Gains and losses reflected in other income (expense), net for our equity investments with readily determinable fair value ("RDFV") and equity investments without RDFV are summarized below:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2023	2022	2023	2022
	(in millions)			
Net gain (loss) recognized during the period on equity securities	\$ 1	\$ 2	\$ (13)	\$ (60)
Less: Net gain (loss) on equity securities sold during the period	\$ —	\$ 12	\$ (15)	\$ 12
Unrealized gain (loss) on equity securities	\$ 1	\$ (10)	\$ 2	\$ (72)

*Contingent Consideration.* As of July 31, 2023, the fair value of the contingent consideration liability relates to milestone payments in connection with one acquisition.

The contingent consideration liability is our only recurring Level 3 asset or liability. A summary of the Level 3 activity follows:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2023	2022	2023	2022
	(in millions)			
<b>Beginning balance</b>	\$ 8	\$ 67	\$ 67	\$ 89
Additions to contingent consideration (including measurement period adjustment)	\$ —	\$ —	\$ 5	\$ 3
Payments	\$ (5)	\$ —	\$ (70)	\$ —
Change in fair value (included within selling, general and administrative expenses)	\$ —	\$ —	\$ 1	\$ (25)
<b>Ending balance</b>	\$ 3	\$ 67	\$ 3	\$ 67

The fair value of the contingent consideration liability as of July 31, 2023, was estimated to be \$3 million of which \$2 million was recorded in other accrued liabilities and \$1 million was recorded in other long-term liabilities on the condensed consolidated balance sheet. During the nine months ended July 31, 2023, we made contingent consideration payments totaling \$70 million related to the achievement of a certain technical milestones associated with our acquisition of Resolution Bioscience and another acquisition.

*Resolution Bioscience.* In the third quarter of fiscal year 2023, we decided to shut down the Resolution Bioscience business. As a result, there are no potential future milestone payments.

*Impairment of Investments.* There were no impairments of investments for the three and nine months ended July 31, 2023 and 2022.

***Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis***

For the three and nine months ended July 31, 2023, long-lived assets held and used with a carrying amount of \$277 million were written down to fair value of zero, resulting in an impairment charge of \$277 million primarily related to the shutdown of our Resolution Bioscience business in our diagnostics and genomics segment. For the three and nine months ended July 31, 2023, there were no impairments of long-lived assets held for sale.

For the three and nine months ended July 31, 2022, there were no impairments of long-lived assets held and used or long-lived assets held for sale.

***Non-Marketable Equity Securities***

For the three and nine months ended July 31, 2023, there were no impairments or unrealized gain (loss) adjustments to the carrying value of non-marketable securities without readily determinable fair value based on an observable market transaction.

For the three and nine months ended July 31, 2022, there were no impairments of non-marketable securities. For the three and nine months ended July 31, 2022, an unrealized gain of \$2 million and \$5 million, respectively, was included in net income as an adjustment to the carrying value of non-marketable securities without readily determinable fair value based on an observable market transaction.

As of July 31, 2023, the cumulative net gain (loss) on our non-marketable equity securities without readily determinable fair values was comprised of a \$36 million gain and a \$1 million loss, and the carrying amount was \$124 million. As of July 31, 2022, the cumulative net gain (loss) on our non-marketable equity securities without readily determinable fair values was comprised of a \$35 million gain and no losses, and the carrying amount was \$136 million.

Fair values for the non-marketable securities included in long-term investments on the condensed consolidated balance sheet were measured using Level 3 inputs because they are primarily equity stock issued by private companies without quoted market prices. To estimate the fair value of our non-marketable securities, we use the measurement alternative to record these investments at cost and adjust for impairments and observable price changes (orderly transactions for the identical or a similar security from the same issuer) as and when they occur.

**10. DERIVATIVES**

We are exposed to foreign currency exchange rate fluctuations and interest rate changes in the normal course of our business. As part of our risk management strategy, we use derivative instruments, primarily forward contracts and purchased options to hedge economic and/or accounting exposures resulting from changes in foreign currency exchange rates.

***Cash Flow Hedges***

We enter into foreign exchange contracts to hedge our forecasted operational cash flow exposures resulting from changes in foreign currency exchange rates. These foreign exchange contracts, carried at fair value, have maturities between one and twelve months. These derivative instruments are designated and qualify as cash flow hedges under the criteria prescribed in the authoritative guidance and are assessed for effectiveness against the underlying exposure every reporting period. For open contracts as of July 31, 2023, changes in the time value of the foreign exchange contract are excluded from the assessment of hedge effectiveness and are recognized in cost of sales over the life of the foreign exchange contract. The changes in fair value of the effective portion of the derivative instrument are recognized in accumulated other comprehensive income (loss). Amounts associated with cash flow hedges are reclassified to cost of sales in the condensed consolidated statement of operations when the forecasted transaction occurs. If it becomes probable that the forecasted transaction will not occur, the hedge relationship will be de-designated and amounts accumulated in other comprehensive income (loss) will be reclassified to other income (expense), net in the current period. Changes in the fair value of the ineffective portion of derivative instruments are recognized in other income (expense), net in the condensed consolidated statement of operations in the current period. We record the premium paid (time value) of an option on the date of purchase as an asset. For options designated as cash flow hedges, changes in the time value are excluded from the assessment of hedge effectiveness and are recognized in cost of sales over the life of the option contract. For the three and nine months ended July 31, 2023 and 2022, ineffectiveness and gains and losses recognized in other income (expense), net due to de-designation of cash flow hedge contracts were not significant.

**AGILENT TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

In February 2016, Agilent executed three forward-starting pay fixed/receive variable interest rate swaps for the notional amount of \$300 million in connection with future interest payments to be made on our 2026 senior notes issued on September 15, 2016. These derivative instruments were designated and qualified as cash flow hedges under the criteria prescribed in the authoritative guidance. The swap arrangements were terminated on September 15, 2016 with a payment of \$10 million, and we recognized this as a deferred loss in accumulated other comprehensive income (loss) which is being amortized to interest expense over the life of the 2026 senior notes. The remaining loss to be amortized related to the interest rate swap agreements at July 31, 2023 was \$3 million.

In August 2019, Agilent executed treasury lock agreements for \$250 million in connection with future interest payments to be made on our 2029 senior notes issued on September 16, 2019. We designated the treasury lock as a cash flow hedge. The treasury lock contracts were terminated on September 6, 2019, and we recognized a deferred loss of \$6 million in accumulated other comprehensive income (loss) which is being amortized to interest expense over the life of the 2029 senior notes. The remaining loss to be amortized related to the treasury lock agreements at July 31, 2023 was \$4 million.

***Net Investment Hedges***

We enter into foreign exchange contracts to hedge net investments in foreign operations to mitigate the risk of adverse movements in exchange rates. These foreign exchange contracts are carried at fair value and are designated and qualify as net investment hedges under the criteria prescribed in the authoritative guidance. Changes in fair value of the effective portion of the derivative instrument are recognized in accumulated other comprehensive income (loss)- translation adjustment and are assessed for effectiveness against the underlying exposure every reporting period. If the company's net investment changes during the year, the hedge relationship will be assessed and re-designated if the hedge notional amount is outside of prescribed tolerance with a gain/loss reclassified from other comprehensive income (loss) to other income (expense) in the current period. For the three and nine months ended July 31, 2023, ineffectiveness and the resultant effect of any gains or losses recognized in other income (expense) due to designation of the hedge contracts were not significant.

***Other Hedges***

Additionally, we enter into foreign exchange contracts to hedge monetary assets and liabilities that are denominated in currencies other than the functional currency of our subsidiaries. These foreign exchange contracts are carried at fair value and do not qualify for hedge accounting treatment and are not designated as hedging instruments. Changes in value of the derivative instruments are recognized in other income (expense), net in the condensed consolidated statement of operations, in the current period, along with the offsetting foreign currency gain or loss on the underlying assets or liabilities.

Our use of derivative instruments exposes us to credit risk to the extent that the counterparties may be unable to meet the terms of the agreement. We do, however, seek to mitigate such risks by limiting our counterparties to major financial institutions which are selected based on their credit ratings and other factors. We have established policies and procedures for mitigating credit risk that include establishing counterparty credit limits, monitoring credit exposures, and continually assessing the creditworthiness of counterparties.

A number of our derivative agreements contain threshold limits to the net liability position with counterparties and are dependent on our corporate credit rating determined by the major credit rating agencies. The counterparties to the derivative instruments may request collateralization, in accordance with derivative agreements, on derivative instruments in net liability positions.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position as of July 31, 2023, was \$6 million. The credit-risk-related contingent features underlying these agreements had not been triggered as of July 31, 2023.

There were 270 foreign exchange forward contracts open as of July 31, 2023, and designated as cash flow hedges. There were 191 foreign exchange forward contracts open as of July 31, 2023, and not designated as hedging instruments. There were 3 foreign exchange forward contracts open as of July 31, 2023, and designated as a net investment hedge.

AGILENT TECHNOLOGIES, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

The aggregated notional amounts by currency and designation as of July 31, 2023, were as follows:

	Derivatives Designated as Cash Flow Hedges	Derivatives Designated as Net Investment Hedges	Derivatives Not Designated as Hedging Instruments
	Forward Contracts USD	Forward Contracts USD	Forward Contracts USD
Currency	Buy/(Sell)	Buy/(Sell)	Buy/(Sell)
	(in millions)		
Euro	\$ (94)	\$ (11)	\$ 25
British Pound	(59)	—	(6)
Canadian Dollar	(44)	—	(14)
Japanese Yen	(79)	—	(35)
Danish Krone	—	—	25
Korean Won	(59)	—	(3)
Singapore Dollar	19	—	16
Chinese Yuan Renminbi	(72)	—	(121)
Taiwan Dollar	—	—	(11)
Indian Rupee	—	—	(18)
Other	4	—	7
Totals	\$ (384)	\$ (11)	\$ (135)

Derivative instruments are subject to master netting arrangements and are disclosed gross in the balance sheet in accordance with the authoritative guidance. The gross fair values and balance sheet location of derivative instruments held in the condensed consolidated balance sheet as of July 31, 2023, and October 31, 2022, were as follows:

Fair Values of Derivative Instruments									
Asset Derivatives			Liability Derivatives						
Balance Sheet Location	Fair Value		Balance Sheet Location	Fair Value					
	July 31, 2023	October 31, 2022		July 31, 2023	October 31, 2022				
(in millions)									
Derivatives designated as hedging instruments:									
Cash flow hedges									
Foreign exchange contracts									
Other current assets	\$	7	\$	23	Other accrued liabilities	\$	6	\$	2
Net investment hedges									
Foreign exchange contracts									
Other current assets	\$	—	\$	—	Other accrued liabilities	\$	—	\$	—
Derivatives not designated as hedging instruments:									
Foreign exchange contracts									
Other current assets	\$	4	\$	8	Other accrued liabilities	\$	4	\$	3
Total derivatives	\$	11	\$	31		\$	10	\$	5

AGILENT TECHNOLOGIES, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

The effects of derivative instruments for foreign exchange contracts designated as hedging instruments and not designated as hedging instruments in our condensed consolidated statement of operations were as follows:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2023	2022	2023	2022
	(in millions)			
Derivatives designated as hedging instruments:				
Cash Flow Hedges				
Foreign exchange contracts:				
Gain (loss) recognized in accumulated other comprehensive loss	\$ 2	\$ 5	\$ (18)	\$ 34
Loss reclassified from accumulated other comprehensive loss into interest expense	\$ —	\$ (1)	\$ (1)	\$ (1)
Gain (loss) reclassified from accumulated other comprehensive loss into cost of sales	\$ (2)	\$ 12	\$ 1	\$ 20
Gain on time value of forward contracts recorded in cost of sales	\$ 2	\$ —	\$ 5	\$ —
Net Investment Hedges				
Foreign exchange contracts:				
Gain (loss) recognized in accumulated other comprehensive loss - translation adjustment	\$ —	\$ —	\$ (1)	\$ 4
Derivatives not designated as hedging instruments:				
Gain (loss) recognized in other income (expense)	\$ 5	\$ —	\$ (1)	\$ (1)

At July 31, 2023, the amount of existing net gain that is expected to be reclassified from accumulated other comprehensive income (loss) is \$6 million. Within the next twelve months it is estimated that \$1 million of loss included within the net amount of accumulated other comprehensive income (loss) will be reclassified to cost of sales in respect of cash flow hedges.

**AGILENT TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

**11. RETIREMENT PLANS AND POST RETIREMENT PENSION PLANS**

*Components of net periodic costs (benefits).* For the three and nine months ended July 31, 2023 and 2022, our net pension and post retirement benefit costs (benefits) were comprised of the following:

	<b>Three Months Ended July 31,</b>					
	<b>U.S. Pension Plans</b>		<b>Non-U.S. Pension Plans</b>		<b>U.S. Post Retirement Benefit Plans</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>(in millions)</b>					
Service cost—benefits earned during the period	\$ —	\$ —	\$ 5	\$ 6	\$ —	\$ —
Interest cost on benefit obligation	5	3	6	2	1	1
Expected return on plan assets	(5)	(6)	(9)	(10)	(1)	(1)
Amortization:						
Actuarial losses	—	—	—	6	—	—
Prior service credits	—	—	—	—	—	(1)
<b>Total net plan costs (benefits)</b>	<b>\$ —</b>	<b>\$ (3)</b>	<b>\$ 2</b>	<b>\$ 4</b>	<b>\$ —</b>	<b>\$ (1)</b>

  

	<b>Nine Months Ended July 31,</b>					
	<b>U.S. Pension Plans</b>		<b>Non-U.S. Pension Plans</b>		<b>U.S. Post Retirement Benefit Plans</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>(in millions)</b>					
Service cost—benefits earned during the period	\$ —	\$ —	\$ 13	\$ 18	\$ —	\$ —
Interest cost on benefit obligation	15	10	18	7	3	2
Expected return on plan assets	(14)	(20)	(27)	(33)	(3)	(4)
Amortization:						
Actuarial losses (gains)	—	—	(1)	19	—	(1)
Prior service credits	—	—	—	—	(1)	(1)
<b>Total net plan costs (benefits)</b>	<b>\$ 1</b>	<b>\$ (10)</b>	<b>\$ 3</b>	<b>\$ 11</b>	<b>\$ (1)</b>	<b>\$ (4)</b>

The service cost component is recorded in cost of sales and operating expenses in the condensed consolidated statement of operations. All other cost components are recorded in other income (expense), net in the condensed consolidated statement of operations.

Employer contributions and expected future employer contributions for the remainder of the year were as follows:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>		<b>Employer Contributions</b>	
	<b>July 31,</b>		<b>July 31,</b>		<b>For Remainder of Year</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	
	<b>(in millions)</b>					
U.S. defined benefit plans	\$ —	\$ —	\$ —	\$ —	\$ —	
Non-U.S. defined benefit plans	\$ 8	\$ 5	\$ 17	\$ 13	\$ 4	

**12. WARRANTIES AND CONTINGENCIES**

***Warranties***

We accrue for standard warranty costs based on historical trends in actual warranty charges over the past 12 months. The accrual is reviewed regularly and periodically adjusted to reflect changes in warranty cost over the period. The standard warranty accrual balances are held in other accrued and other long-term liabilities on our condensed consolidated balance sheet. Our standard warranty terms typically extend to one year from the date of delivery, depending on the product.



**AGILENT TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

A summary of the standard warranty accrual activity is shown in the table below:

	Nine Months Ended July 31,	
	2023	2022
	(in millions)	
Standard warranty accrual, beginning balance	\$ 30	\$ 30
Accruals for warranties including change in estimates	42	38
Settlements made during the period	(44)	(37)
Standard warranty accrual, ending balance	\$ 28	\$ 31
Accruals for warranties due within one year	\$ 28	\$ 30
Accruals for warranties due after one year	—	1
Standard warranty accrual, ending balance	\$ 28	\$ 31

***Bank Guarantees***

Guarantees consist primarily of outstanding standby letters of credit and bank guarantees and were approximately \$42 million and \$37 million as of July 31, 2023 and October 31, 2022, respectively. A standby letter of credit is a guarantee of payment issued by a bank on behalf of us that is used as payment of last resort should we fail to fulfill a contractual commitment with a third party. A bank guarantee is a promise from a bank or other lending institution that if we default on a loan, the bank will cover the loss.

***Contingencies***

We are involved in lawsuits, claims, investigations and proceedings, including, but not limited to, intellectual property, commercial, real estate, environmental and employment matters, which arise in the ordinary course of business. There are no matters pending that we currently believe are reasonably possible of having a material impact to our business, condensed consolidated financial condition, results of operations or cash flows.

**13. SHORT-TERM DEBT**

***Credit Facilities***

On June 7, 2023, we entered into a credit agreement with a group of financial institutions which provides for a \$1.5 billion five-year unsecured credit facility that will expire on June 7, 2028 and incremental term loan facilities in an aggregate amount of up to \$750 million. The credit facility replaced the existing credit facility which was terminated on the closing date of the new facility. During the nine months ended July 31, 2023, we borrowed and repaid \$360 million. As of July 31, 2023, we had no borrowings outstanding under both the credit facility and the incremental facilities. We were in compliance with the covenants for the credit facility during the nine months ended July 31, 2023.

On June 2, 2023, we entered into an Uncommitted Money Market Line Credit agreement with Societe Generale which provides for an aggregate borrowing capacity of \$300 million. The credit facility is an uncommitted short-term cash advance facility where each request must be at least \$1 million. The interest rate is set by the lender at the time of the borrowing and is fixed for the duration of the advance. During the nine months ended July 31, 2023, we borrowed and repaid \$1 million. As of July 31, 2023, we had no borrowings outstanding under the credit facility.

### Commercial Paper

Under our U.S. commercial paper program, the company may issue and sell unsecured, short-term promissory notes in the aggregate principal amount not to exceed \$1.35 billion with up to 397-day maturities. On July 3, 2023, we increased the authorized maximum amount of notes that may be outstanding to \$1.5 billion. At any point in time, the company intends to maintain available commitments under its revolving credit facility in an amount at least equal to the amount of the commercial paper notes outstanding. Amounts available under the program may be borrowed, repaid and re-borrowed from time to time. The proceeds from issuances under the program may be used for general corporate purposes. During the nine months ended July 31, 2023, we borrowed \$1.54 billion and repaid \$1.52 billion. As of July 31, 2023, we had borrowings of \$55 million outstanding under our U.S. commercial paper program and had a weighted average annual interest rate of 5.4 percent.

## 14. LONG-TERM DEBT

### Term Loan Facility

On April 15, 2022, we entered into a term loan agreement with a group of financial institutions, which provided for a \$600 million delayed draw term loan that will mature on April 15, 2025. As of July 31, 2023, we had \$600 million borrowings outstanding under the term loan facility and had a weighted average interest rate of 6.13 percent. Loans under the term loan agreement bear interest, at our option, either at: (i) the alternate base rate, as defined in the term loan agreement, plus the applicable margin for such loans or (ii) adjusted term SOFR, as defined in the term loan agreement, plus the applicable margin for such loans. The term loan agreement contains customary representations and warranties as well as customary affirmative and negative covenants. We were in compliance with the covenants for the term loan during the nine months ended July 31, 2023.

### Senior Notes

The following table summarizes the company's long-term senior notes:

	July 31, 2023	October 31, 2022
	Amortized Principal	Amortized Principal
	(in millions)	
2026 Senior Notes	299	299
2029 Senior Notes	495	495
2030 Senior Notes	496	496
2031 Senior Notes	844	843
Total Senior Notes	\$ 2,134	\$ 2,133

All outstanding notes listed above are unsecured and rank equally in right of payment with all of Agilent's other senior unsecured indebtedness. There have been no other changes to the principal, maturity, interest rates and interest payment terms of the Agilent senior notes, detailed in the table above, in the nine months ended July 31, 2023, as compared to the senior notes described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2022.

## 15. STOCKHOLDERS' EQUITY

### Stock Repurchase Program

On February 16, 2021 we announced that our board of directors had approved a new share repurchase program (the "2021 repurchase program") designed, among other things, to reduce or eliminate dilution resulting from issuance of stock under the company's employee equity incentive programs. The 2021 repurchase program authorizes the purchase of up to \$2.0 billion of our common stock at the company's discretion and has no fixed termination date. The 2021 repurchase program which became effective on February 18, 2021, replaced and terminated the 2019 repurchase program on that date. The 2021 repurchase program does not require the company to acquire a specific number of shares and may be suspended, amended or discontinued at any time. During the nine months ended July 31, 2023, we repurchased and retired 661,739 shares for \$99 million under this authorization. During the three and nine months ended July 31, 2022, we repurchased and retired 2.673 million shares for \$323

**AGILENT TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

million and 7.331 million shares for \$1.004 billion, respectively, under this authorization. On March 1, 2023, the 2021 repurchase program was terminated and the remaining authorization of \$339 million expired.

On January 9, 2023, we announced that our board of directors had approved a share repurchase program (the "2023 repurchase program") designed, among other things, to reduce or eliminate dilution resulting from issuance of stock under the company's employee equity incentive programs. The 2023 repurchase program authorizes the purchase of up to \$2.0 billion, excluding excise taxes, of our common stock at the company's discretion and has no fixed termination date. The 2023 repurchase program does not require the company to acquire a specific number of shares and may be suspended, amended or discontinued at any time. The 2023 repurchase program commenced on March 1, 2023, and also terminated and replaced the 2021 repurchase program. During the three and nine months ended July 31, 2023, we repurchased and retired 2.812 million shares for \$335 million and 3.256 million shares for \$396 million, respectively, excluding excise taxes, under this authorization. As of July 31, 2023, we had remaining authorization to repurchase up to approximately \$1.604 billion of our common stock under the 2023 repurchase program.

The Inflation Reduction Act of 2022, which was enacted into law on August 16, 2022, imposed a nondeductible 1% excise tax on the net value of certain stock repurchases made after December 31, 2022. As a result, we recorded the applicable excise tax of \$2.4 million as an incremental cost of the shares repurchased and a corresponding liability for the excise tax payable in other accrued liabilities on our condensed consolidated balance sheet.

**Cash Dividends on Shares of Common Stock**

During the three and nine months ended July 31, 2023, we paid cash dividends of \$0.225 per common share or \$66 million and \$0.675 per common share or \$199 million, respectively, on the company's common stock. During the three and nine months ended July 31, 2022, we paid cash dividends of \$0.210 per common share or \$62 million and \$0.630 per common share or \$188 million, respectively, on the company's common stock. The timing and amounts of any future dividends are subject to determination and approval by our board of directors.

AGILENT TECHNOLOGIES, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

**Accumulated Other Comprehensive Income (Loss)**

Changes in accumulated other comprehensive income (loss) by component and related tax effects were as follows (in millions):

Three Months Ended July 31, 2023	Foreign currency translation	Net defined benefit pension cost and post retirement plan costs		Unrealized gains (losses) on derivatives	Total
		Prior service credits	Actuarial Losses		
			(in millions)		
As of April 30, 2023	\$ (257)	\$ 122	\$ (151)	\$ 4	\$ (282)
Other comprehensive income (loss) before reclassifications	8	—	—	2	10
Amounts reclassified out of accumulated other comprehensive income (loss)	—	—	(1)	2	1
Tax benefit (expense)	1	—	—	(1)	—
Other comprehensive income (loss)	9	—	(1)	3	11
As of July 31, 2023	<u>\$ (248)</u>	<u>\$ 122</u>	<u>\$ (152)</u>	<u>\$ 7</u>	<u>\$ (271)</u>
<b>Nine Months Ended July 31, 2023</b>					
As of October 31, 2022	\$ (335)	\$ 123	\$ (155)	\$ 20	\$ (347)
Other comprehensive income (loss) before reclassifications	85	—	4	(18)	71
Amounts reclassified out of accumulated other comprehensive income (loss)	—	(1)	(1)	—	(2)
Tax benefit	2	—	—	5	7
Other comprehensive income (loss)	87	(1)	3	(13)	76
As of July 31, 2023	<u>\$ (248)</u>	<u>\$ 122</u>	<u>\$ (152)</u>	<u>\$ 7</u>	<u>\$ (271)</u>

**AGILENT TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

Reclassifications out of accumulated other comprehensive income (loss) for the three and nine months ended July 31, 2023 and 2022 were as follows (in millions):

Details about accumulated other comprehensive income (loss) components	Amounts Reclassified from other comprehensive income (loss)				Affected line item in statement of operations
	Three Months Ended July 31,		Nine Months Ended July 31,		
	2023	2022	2023	2022	
Unrealized gain (loss) on derivatives	\$ (2)	\$ 12	\$ 1	\$ 20	Cost of products
Unrealized gain (loss) on derivatives	—	(1)	(1)	(1)	Interest expense
	(2)	11	—	19	Total before income tax
	1	(3)	—	(5)	(Provision) benefit for income tax
	(1)	8	—	14	Total net of income tax
Net defined benefit pension cost and post retirement plan costs:					
Actuarial net gain (loss)	1	(7)	1	(19)	Other income (expense)
Prior service benefit	—	1	1	1	Other income (expense)
	1	(6)	2	(18)	Total before income tax
	—	2	(1)	5	(Provision) benefit for income tax
	1	(4)	1	(13)	Total net of income tax
Total reclassifications for the period	\$ —	\$ 4	\$ 1	\$ 1	

Amounts in parentheses indicate reductions to income and increases to other comprehensive income (loss).

Reclassifications out of accumulated other comprehensive income (loss) of prior service benefit and actuarial net gain (loss) in respect of retirement plans and post retirement pension plans are included in the computation of net periodic cost (see Note 11, "Retirement Plans and Post Retirement Pension Plans").

#### 16. SEGMENT INFORMATION

*Description of segments.* We are a global leader in life sciences, diagnostics and applied chemical markets, providing application focused solutions that include instruments, software, services and consumables for the entire laboratory workflow.

We continue to have three business segments comprised of life sciences and applied markets, diagnostics and genomics and Agilent CrossLab, each of which continues to comprise a reportable segment. The three operating segments were determined based primarily on how the chief operating decision maker views and evaluates our operations. Operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Other factors, including market separation and customer specific applications, go-to-market channels, products and services and manufacturing are considered in determining the formation of these operating segments.

A description of our three reportable segments is as follows:

Our life sciences and applied markets business provides application-focused solutions that include instruments, consumables and software that enable customers to identify, quantify and analyze the physical and biological properties of substances and products, as well as enable customers in the clinical and life sciences research areas to interrogate samples at the molecular and cellular level. Key product categories include: liquid chromatography ("LC") systems and components; liquid chromatography mass spectrometry ("LCMS") systems; gas chromatography ("GC") systems and components; gas chromatography mass spectrometry ("GCMS") systems; inductively coupled plasma mass spectrometry ("ICP-MS")

**AGILENT TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

instruments; atomic absorption ("AA") instruments; microwave plasma-atomic emission spectrometry ("MP-AES") instruments; inductively coupled plasma optical emission spectrometry ("ICP-OES") instruments; raman spectroscopy; cell analysis plate based assays; flow cytometer; real-time cell analyzer; cell imaging systems; microplate reader; laboratory software for sample tracking; information management and analytics; laboratory automation and robotic systems; dissolution testing; vacuum pumps and measurement technologies. Our consumables portfolio is designed to improve customer outcomes. Most of the portfolio is vendor neutral, meaning Agilent can serve and supply customers regardless of their instrument purchase choices. Solutions range from chemistries to supplies. Key product categories in consumables include GC and LC columns, sample preparation products, custom chemistries, and a large selection of laboratory instrument supplies.

Our diagnostics and genomics business is comprised of six areas of activity providing active pharmaceutical ingredients ("APIs") for oligo-based therapeutics as well as solutions that include reagents, instruments, software and consumables, which enable customers in the clinical and life sciences research areas to interrogate samples at the cellular and molecular level. First, our genomics business includes arrays for DNA mutation detection, genotyping, gene copy number determination, identification of gene rearrangements, DNA methylation profiling, gene expression profiling, as well as next generation sequencing ("NGS") target enrichment and genetic data management and interpretation support software. This business also includes solutions that enable clinical labs to identify DNA variants associated with genetic disease and help direct cancer therapy. Second, our nucleic acid solutions business is a contract and development manufacturing organization that provides services related to and the production of synthesized oligonucleotides under pharmaceutical good manufacturing practices ("GMP") conditions for use as API in a class of drugs that utilize nucleic acid molecules for disease therapy. Third, our pathology solutions business is focused on product offerings for cancer diagnostics and anatomic pathology workflows. The broad portfolio of offerings includes immunohistochemistry ("IHC"), in situ hybridization ("ISH"), hematoxylin and eosin ("H&E") staining and special staining. Fourth, we also collaborate with a number of major pharmaceutical companies to develop new potential tissue and liquid-based pharmacodiagnostics, also known as companion diagnostics, which may be used to identify patients most likely to benefit from a specific targeted therapy. Fifth, the reagent partnership business provides clinical flow cytometry reagents for routine cancer diagnostics. This business also provides bulk antibodies as raw materials and associated assay development services to IVD manufacturers, biotechnology and pharmaceutical companies. Finally, our biomolecular analysis business provides complete workflow solutions, including instruments, consumables and software, for quality control analysis of nucleic acid samples. Samples are analyzed using quantitative and qualitative techniques to ensure accuracy in further genomics analysis techniques including NGS, utilized in clinical and life science research applications.

The Agilent CrossLab business spans the entire lab with its extensive services portfolio, which is designed to improve customer outcomes. The majority of the portfolio is vendor neutral, meaning we can serve and supply customers regardless of their instrument purchase choices. The services portfolio include repairs, parts, maintenance, installations, training, compliance support, software as a service, asset management, consulting and various other custom services to support the customers' laboratory operations. Custom services are tailored to meet the specific application needs of various industries and to keep instruments fully operational and compliant with the respective industry requirements.

A significant portion of the segments' expenses arise from shared services and infrastructure that we have historically provided to the segments in order to realize economies of scale and to efficiently use resources. These expenses, collectively called corporate charges, include legal, accounting, tax, real estate, insurance services, information technology services, treasury, order administration, other corporate infrastructure expenses, costs of centralized research and development and joint sales and marketing costs. Charges are allocated to the segments, and the allocations have been determined on a basis that we consider to be a reasonable reflection of the utilization of services provided to or benefits received by the segments. In addition, we do not allocate amortization of acquisition-related intangible assets, asset impairments, changes in the fair value of acquisition-related contingent consideration, acquisition and integration costs, transformational initiatives expenses, acceleration of share-based compensation expense, special compliance costs, business exit and divestiture costs and certain other charges to the operating margin for each segment because management does not include this information in its measurement of the performance of the operating segments. Transformational initiatives include expenses associated with targeted cost reduction activities such as manufacturing transfers, site consolidations, legal entity and other business reorganizations, in-sourcing or outsourcing of activities.

The following tables reflect the results of our reportable segments under our management reporting system. The performance of each segment is measured based on several metrics, including segment income from operations. These results are used, in part, by the chief operating decision maker in evaluating the performance of, and in allocating resources to, each of the segments.

**AGILENT TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

The profitability of each of the segments is measured after excluding items such as transformational initiatives, acquisition and integration costs, amortization of intangible assets related to business combinations, interest income, interest expense and other items as noted in the reconciliations below:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2023	2022	2023	2022
(in millions)				
<b>Net Revenue:</b>				
Life Sciences and Applied Markets	\$ 927	\$ 1,019	\$ 2,928	\$ 2,891
Diagnostics and Genomics	349	340	1,053	1,037
Agilent CrossLab	396	359	1,164	1,071
Total net revenue	<u>\$ 1,672</u>	<u>\$ 1,718</u>	<u>\$ 5,145</u>	<u>\$ 4,999</u>
<b>Segment Income From Operations:</b>				
Life Sciences and Applied Markets	\$ 277	\$ 311	\$ 855	\$ 821
Diagnostics and Genomics	84	73	216	232
Agilent CrossLab	129	88	335	266
Total segment income from operations	<u>\$ 490</u>	<u>\$ 472</u>	<u>\$ 1,406</u>	<u>\$ 1,319</u>

The following table reconciles segment income from operations to Agilent's total enterprise income before taxes:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2023	2022	2023	2022
(in millions)				
Total segment income from operations	\$ 490	\$ 472	\$ 1,406	\$ 1,319
Transformational initiatives	(19)	(8)	(31)	(21)
Amortization of intangible assets related to business combinations	(38)	(48)	(112)	(149)
Acquisition and integration costs	(5)	(4)	(12)	(19)
Asset impairment	(277)	—	(277)	—
Change in fair value of contingent consideration	—	—	(1)	25
Acceleration of share-based compensation expense	(5)	—	(5)	—
Business exit and divestiture costs	—	—	—	(7)
Special compliance costs	(4)	—	(9)	—
Other	(9)	(1)	(17)	(1)
Interest income	13	2	34	4
Interest expense	(24)	(19)	(73)	(61)
Other income (expense), net <sup>(1)</sup>	10	3	16	(41)
Income before taxes, as reported	<u>\$ 132</u>	<u>\$ 397</u>	<u>\$ 919</u>	<u>\$ 1,049</u>

(1) For the three and nine months ended July 31, 2023 and 2022, other income (expense), net includes net (gains) losses on the fair value of equity securities.

The following table reflects segment and unallocated assets. Segment assets include allocations of corporate assets, goodwill, net other intangibles and other assets. Unallocated assets primarily consist of cash, cash equivalents, short-term and long-term investments, deferred tax assets, right-of-use assets and other assets.

	July 31, 2023	October 31, 2022
(in millions)		
<b>Assets:</b>		
Life Sciences and Applied Markets	\$ 3,924	\$ 3,955
Diagnostics and Genomics	3,255	3,489
Agilent CrossLab	926	869
Unallocated Assets	2,570	2,219
Total assets	<u>\$ 10,675</u>	<u>\$ 10,532</u>

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (UNAUDITED)**

The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Form 10-Q and our Annual Report on Form 10-K. This report contains forward-looking statements including, without limitation, statements regarding growth opportunities, including for revenue and our end markets, strength and drivers of the markets into which we sell, sales funnels, our strategic direction, new product and service introductions and the position of our current products and services, market demand for and adoption of our products, the ability of our products and solutions to address customer needs and meet industry requirements, our focus on differentiating our product solutions, improving our customers' experience and growing our earnings, future financial results, our operating margin, mix, our investments, including in manufacturing infrastructure, research and development and expanding and improving our applications and solutions portfolios, expanding our position in developing countries and emerging markets, our focus on balanced capital allocation, our contributions to our pension and other defined benefit plans, impairment of goodwill and other intangible assets, the impact of foreign currency movements, our hedging programs and other actions to offset the effects of tariffs and foreign currency movements, our future effective tax rate, tax valuation allowance and unrecognized tax benefits, the impact of local government regulations on our ability to pay vendors or conduct operations, our ability to satisfy our liquidity requirements, including through cash generated from operations, the potential impact of adopting new accounting pronouncements, indemnification, source and supply of materials used in our products, our sales, our purchase commitments, our capital expenditures, the integration and effects of our acquisitions and other transactions, our stock repurchase program and dividends, macroeconomic environment and geopolitical uncertainties, interest rate and inflationary pressures, and the potential or anticipated direct or indirect impact of COVID-19 on our business that involve risks and uncertainties. Our actual results could differ materially from the results contemplated by these forward-looking statements due to various factors, including those discussed in Part II Item 1A and elsewhere in this Form 10-Q.

**Basis of Presentation**

The financial information presented in this Form 10-Q is not audited and is not necessarily indicative of our future consolidated financial position, results of operations, comprehensive income (loss) or cash flows. Our fiscal year-end is October 31, and our fiscal quarters end on January 31, April 30 and July 31. Unless otherwise stated, these dates refer to our fiscal year and fiscal periods.

**Executive Summary**

Agilent Technologies, Inc. ("we," "Agilent" or the "company"), incorporated in Delaware in May 1999, is a global leader in life sciences, diagnostics and applied chemical markets, providing application focused solutions that include instruments, software, services and consumables for the entire laboratory workflow.

**Actual Results**

Net revenue of \$1,672 million and \$5,145 million for the three and nine months ended July 31, 2023 decreased 3 percent and increased 3 percent, respectively, when compared to the same periods last year. Foreign currency movements for the three and nine months ended July 31, 2023 had an overall unfavorable impact on revenue growth of 1 percentage point and 3 percentage points, respectively, when compared to the same periods last year. Net revenue for the three months ended July 31, 2023, declined in our life sciences and applied markets segment, in the pharmaceutical and chemical and applied materials markets and in the Asia Pacific region primarily related to weaker demand in China compared to the same period last year. Net revenue for the nine months ended July 31, 2023, increased in all of our segments, geographic regions and in all of our end markets when compared to the same period last year. Revenue generated by our life sciences and applied markets business in the three and nine months ended July 31, 2023 decreased 9 percent and increased 1 percent, respectively, when compared to the same periods last year. Foreign currency movements for the three and nine months ended July 31, 2023, had an overall unfavorable impact on revenue growth of 1 percentage point and 3 percentage points, respectively, when compared to the same periods last year. Revenue generated by our diagnostics and genomics business for the three and nine months ended July 31, 2023 increased 3 percent and 2 percent, respectively, when compared to the same periods last year. Foreign currency movements for the three and nine months ended July 31, 2023 had no overall impact and an overall unfavorable impact on revenue growth of 2 percentage points, respectively, when compared to the same periods last year. Revenue generated by our Agilent CrossLab business in the three and nine months ended July 31, 2023 increased 10 percent and 9 percent, respectively, when compared to the same periods last year. Foreign currency movements for the three and nine months ended July 31, 2023 had an overall unfavorable impact on revenue growth of 1 percentage point and 3 percentage points, respectively, when compared to the same periods last year.



Net income for the three and nine months ended July 31, 2023 was \$111 million and \$765 million, respectively, compared to net income of \$329 million and \$886 million, respectively, for the corresponding periods last year. The decrease in net income for both the three and nine months ended July 31, 2023 were impacted by the asset impairment charges primarily related to the shutdown of our Resolution Bioscience business. In the nine months ended July 31, 2023, cash provided by operations was \$1,256 million compared to cash provided by operations of \$864 million in the same period last year.

*Dividends.* During the three and nine months ended July 31, 2023, we paid cash dividends of \$0.225 per common share or \$66 million and \$0.675 per common share or \$199 million, respectively, on the company's common stock. During the three and nine months ended July 31, 2022, we paid cash dividends of \$0.210 per common share or \$62 million and \$0.630 per common share or \$188 million, respectively, on the company's common stock.

*2021 Repurchase Program.* During the nine months ended July 31, 2023, we repurchased and retired 661,739 shares for \$99 million under this authorization. During the three and nine months ended July 31, 2022, we repurchased and retired 2.673 million shares for \$323 million and 7.331 million shares for \$1.004 billion, respectively, under this authorization. On March 1, 2023, the 2021 repurchase program was terminated and the remaining authorization of \$339 million expired.

*2023 Repurchase Program.* On January 9, 2023, we announced that our board of directors had approved a share repurchase program (the "2023 repurchase program") designed, among other things, to reduce or eliminate dilution resulting from issuance of stock under the company's employee equity incentive programs. The 2023 repurchase program authorizes the purchase of up to \$2.0 billion, excluding excise taxes, of our common stock at the company's discretion and has no fixed termination date. The 2023 repurchase program does not require the company to acquire a specific number of shares and may be suspended, amended or discontinued at any time. The 2023 repurchase program commenced on March 1, 2023, and also terminated and replaced the 2021 repurchase program. During the three and nine months ended July 31, 2023, we repurchased and retired 2.812 million shares for \$335 million and 3.256 million shares for \$396 million, respectively, excluding excise taxes, under this authorization. As of July 31, 2023, we had remaining authorization to repurchase up to approximately \$1.604 billion of our common stock under the 2023 repurchase program.

The Inflation Reduction Act of 2022, which was enacted into law on August 16, 2022, imposed a nondeductible 1% excise tax on the net value of certain stock repurchases made after December 31, 2022. As a result, we recorded the applicable excise tax of \$2.4 million as an incremental cost of the shares repurchased and a corresponding liability for the excise tax payable in other accrued liabilities on our condensed consolidated balance sheet.

Looking forward, we remain focused on improving our customers' experience, differentiating product solutions and productivity. While we anticipate a challenging macroeconomic environment, particularly in China, and an overall pressure on our customers' capital expenditures in the near-term, we remain optimistic about our long-term growth opportunities in all of our key end markets. We expect to continue to face inflationary pressures which we will continue to mitigate through targeted pricing and various other cost savings strategies.

#### **Critical Accounting Policies and Estimates**

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles ("GAAP") in the U.S. The preparation of condensed consolidated financial statements in conformity with GAAP in the U.S. requires management to make estimates, judgments and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. Our critical accounting policies are those that affect our financial statements materially and involve difficult, subjective or complex judgments by management. Those policies are revenue recognition, inventory valuation, retirement and post-retirement benefit plan assumptions, valuation of goodwill and purchased intangible assets and accounting for income taxes. There have been no significant changes to our critical accounting policies as described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2022. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management's best knowledge of current events and actions that may impact the company in the future, actual results may be different from the estimates.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made and if different estimates that reasonably could have been used or changes in the accounting estimate that are reasonably likely to occur could materially change the financial statements.

## Adoption of New Pronouncements

See Note 2, “New Accounting Pronouncements,” to the condensed consolidated financial statements for a description of new accounting pronouncements.

## Foreign Currency

Our revenues, costs and expenses, and monetary assets and liabilities and equity are exposed to changes in foreign currency exchange rates as a result of our global operating and financing activities. Foreign currency movements for the nine months ended July 31, 2023 had an overall unfavorable impact on revenue of 3 percentage points when compared to the same period last year. When movements in foreign currency exchange rates have a negative impact on revenue, they will also have a positive impact by reducing our costs and expenses. We calculate the impact of movements in foreign currency exchange rates by applying the actual foreign currency exchange rates in effect during the last month of each quarter of the current year to both the applicable current and prior year periods. We hedge revenues, expenses and balance sheet exposures that are not denominated in the functional currencies of our subsidiaries on a short term and anticipated basis. We do experience some fluctuations within individual lines of the condensed consolidated statement of operations and balance sheet because our hedging program is not designed to offset the currency movements in each category of revenues, expenses, monetary assets and liabilities. Our hedging program is designed to hedge currency movements on a relatively short-term basis (up to a rolling twelve-month period). We may also hedge equity balances denominated in foreign currency on a long-term basis. To the extent that we are required to pay for all, or portions, of an acquisition price in foreign currencies, we may enter into foreign exchange contracts to reduce the risk that currency movements will impact the U.S. dollar cost of the transaction.

## Results from Operations

### Net Revenue

	Three Months Ended July 31,		Nine Months Ended July 31,		Year over Year Change	
	2023	2022	2023	2022	Three Months	Nine Months
(in millions)						
Net revenue:						
Products	\$ 1,222	\$ 1,306	\$ 3,819	\$ 3,773	(6)%	1%
Services and other	450	412	1,326	1,226	9%	8%
Total net revenue	<u>\$ 1,672</u>	<u>\$ 1,718</u>	<u>\$ 5,145</u>	<u>\$ 4,999</u>	(3)%	3%

Net revenue of \$1,672 million and \$5,145 million for the three and nine months ended July 31, 2023 decreased 3 percent and increased 3 percent, respectively, when compared to the same periods last year. Foreign currency movements for the three and nine months ended July 31, 2023 had an overall unfavorable impact on revenue growth of 1 percentage point and 3 percentage points, respectively, when compared to the same periods last year. In the three months ended July 31, 2023, net revenue declined in our life sciences and applied markets segment, in the pharmaceutical and chemical and applied materials markets and in the Asia Pacific region primarily related to weaker demand in China compared to the same period last year. In addition, net revenue in the three months ended July 31, 2022, benefited from the recognition of deferred revenue from the second quarter when we shut down our production facility and logistics center in Shanghai due to a COVID-19 outbreak in China. The net revenue decline was partially offset by revenue growth from our other segments primarily in Agilent Crosslab. For the nine months ended July 31, 2023 net revenue increased in all of our segments, geographic regions and in all of our end markets when compared to the same period last year.

Revenue from products for the three and nine months ended July 31, 2023 decreased 6 percent and increased 1 percent, respectively, when compared to the same periods last year. Product revenue in the three months ended July 31, 2023 was driven primarily by declines in our liquid chromatography, cell analysis and mass spectroscopy businesses partially offset by revenue growth from our nucleic acid solutions and pathology businesses. Product revenue growth in the nine months ended July 31, 2023 was driven by our nucleic acid solutions, liquid chromatography, spectroscopy and pathology businesses partially offset by declines in our genomics, mass spectroscopy and cell analysis businesses.

Services and other revenue for the three and nine months ended July 31, 2023 increased 9 percent and 8 percent, respectively, when compared to the same periods last year. Services and other revenue consist of contract repair, preventative maintenance, compliance services, relocation services, installation services and consulting services related to the companion diagnostics and nucleic acid solutions businesses. For the three and nine months ended July 31, 2023, service revenue increases reflected strong growth from the majority of the services portfolio.

#### Net Revenue By Segment

	Three Months Ended		Nine Months Ended		Year over Year Change	
	July 31,		July 31,		Three	Nine
	2023	2022	2023	2022	Months	Months
(in millions)						
<b>Net revenue by segment:</b>						
Life sciences and applied markets	\$ 927	\$ 1,019	\$ 2,928	\$ 2,891	(9)%	1%
Diagnostics and genomics	349	340	1,053	1,037	3%	2%
Agilent CrossLab	396	359	1,164	1,071	10%	9%
Total net revenue	<u>\$ 1,672</u>	<u>\$ 1,718</u>	<u>\$ 5,145</u>	<u>\$ 4,999</u>	(3)%	3%

Revenue in the life sciences and applied markets business for the three and nine months ended July 31, 2023 decreased 9 percent and increased 1 percent, respectively, when compared to the same periods last year. Foreign currency movements for the three and nine months ended July 31, 2023 had an overall unfavorable impact on revenue growth of 1 percentage point and 3 percentage points, respectively, when compared to the same periods last year. For the three months ended July 31, 2023, we saw revenue decline significantly within the pharmaceutical market and modestly within the chemical and applied materials and food markets with modest revenue growth within the academia and government market when compared to the same period last year. For the nine months ended July 31, 2023, we saw revenue growth across most of our end markets led by strong revenue growth within the chemicals and advanced materials, academia and government and food markets partially offset by a significant decline in revenue from the pharmaceutical market when compared to the same period last year.

Revenue in the diagnostics and genomics business for the three and nine months ended July 31, 2023, increased 3 percent and 2 percent, respectively, when compared to the same periods last year. Foreign currency movements for the three and nine months ended July 31, 2023 had no overall impact and an overall unfavorable impact on revenue growth of 2 percentage points, respectively, when compared to the same periods last year. For the three months ended July 31, 2023, we saw strong revenue growth in the pharmaceutical market led by our nucleic acid solutions business partially offset by decline in our biomolecular analysis business when compared to the same period last year. We saw modest revenue growth in the diagnostics and clinical market led by our pathology business partially offset by our genomics business when compared to the same period last year. For the nine months ended July 31, 2023, revenue growth in the pharmaceutical market was strong led by our nucleic acid solutions business which was partially offset by a decline in the academia and government markets when compared to the same period last year.

Revenue generated by Agilent CrossLab in the three and nine months ended July 31, 2023, increased 10 percent and 9 percent, respectively, when compared to the same periods last year. Foreign currency movements for the three and nine months ended July 31, 2023 had an overall unfavorable impact on revenue growth of 1 percentage point and 3 percentage points, respectively, when compared to the same periods last year. For the three and nine months ended July 31, 2023, we saw strong revenue growth across all of our end markets led by the pharmaceutical, chemicals and advanced materials and academia and government markets when compared to the same periods last year.

## Operating Results

	Three Months Ended		Nine Months Ended		Year over Year Change	
	July 31,		July 31,		Three	Nine
	2023	2022	2023	2022	Months	Months
(in millions, except margin data)						
Total gross margin	39.3 %	54.7 %	49.6 %	54.2 %	(15) pts	(5) pts
Research and development	\$ 118	\$ 116	\$ 367	\$ 348	2%	6%
Selling, general and administrative	\$ 407	\$ 412	\$ 1,241	\$ 1,215	(1)%	2%
Operating margin	7.9 %	23.9 %	18.3 %	22.9 %	(16) pts	(5) pts
Income from operations	\$ 133	\$ 411	\$ 942	\$ 1,147	(68)%	(18)%

Total gross margin for the three and nine months ended July 31, 2023 decreased 15 percentage points and 5 percentage points, respectively, when compared to the same periods last year. Gross margin for the three and nine months ended July 31, 2023 was significantly impacted by asset impairment charges of \$253 million primarily related to the shutdown of our Resolution Bioscience business. Excluding these asset impairment charges, gross margin for the three and nine months ended July 31, 2023 was relatively flat in both periods when compared to the same periods last year. Gross margin for the three months ended July 31, 2023 was also impacted by lower variable pay expenses, lower shipping and logistics costs offset by lower sales volume, higher wages and inventory charges. Gross margin for the nine months ended July 31, 2023 was impacted by higher sales volume, targeted sales price increases, and lower variable pay expenses, shipping and logistics costs, and intangible amortization expense partially offset by the unfavorable impact of currency movements, higher wages and inventory charges.

Research and development expenses for the three and nine months ended July 31, 2023 increased 2 percent and 6 percent, respectively, when compared to the same periods last year. Research and development expenses for the three months ended July 31, 2023 increased due to higher wages offset by lower variable pay expenses. Research and development expenses for the nine months ended July 31, 2023 increased due to higher wages and program costs in our life sciences and applied markets and diagnostics and genomics businesses partially offset by the lower variable pay expenses.

Selling, general and administrative expenses for the three and nine months ended July 31, 2023 decreased 1 percent and increased 2 percent, respectively, when compared to the same periods last year. The decrease in the three months ended July 31, 2023, was due to lower variable pay and intangible amortization expenses partially offset by asset impairment charges and other expenses primarily related to the shutdown of our Resolution Bioscience business and higher wages. The increase in the nine months ended July 31, 2023, was due to higher wages and asset impairment charges primarily related to the shutdown of our Resolution Bioscience business partially offset by lower variable pay, intangible amortization expense, sales commissions and the favorable impact of currency movements. Selling, general and administrative expenses for the nine months ended July 31, 2022 included a credit in expenses related to the decrease in the fair value of a contingent consideration liability.

Total operating margin for the three and nine months ended July 31, 2023 decreased 16 percentage points and 5 percentage points, respectively, when compared to the same periods last year. Operating margin for the three and nine months ended July 31, 2023 decreased due to asset impairment charges primarily related to the shutdown of our Resolution Bioscience business.

Income from operations for the three and nine months ended July 31, 2023 decreased \$278 million or 68 percent and \$205 million or 18 percent, respectively, due to asset impairment charges primarily related to the shutdown of our Resolution Bioscience business.

At July 31, 2023, our headcount was approximately 18,300 as compared to approximately 17,700 at July 31, 2022.

## **Other income (expense), net**

In the three and nine months ended July 31, 2023 other income and expense, net includes a net gain of \$1 million and a net loss of \$13 million on equity securities, respectively. In the three and nine months ended July 31, 2023 other income and expense, net includes \$3 million and \$10 million, respectively, of income related to the defined benefit retirement and post-retirement benefit plans (interest cost, expected return on assets, amortization of net actuarial (gain) loss and prior service credits). In the three and nine months ended July 31, 2023 other income and expense, net also includes income of \$3 million and \$8 million, respectively, related to the provision of site service costs to, and lease income from Keysight Technologies, Inc. The costs associated with these services are reported within income from operations.

In the three months ended July 31, 2022, other income and expense, net includes a \$9 million loss on the extinguishment of long-term debt and a net gain on equity securities of \$2 million. In the nine months ended July 31, 2022 other income and expense, net includes a \$9 million loss on the extinguishment of long-term debt and net loss on equity securities of \$60 million. In the three and nine months ended July 31, 2022 other income and expense, net also includes income of \$3 million and \$8 million, respectively, related to the provision of site service costs to, and lease income from Keysight Technologies, Inc. The costs associated with these services are reported within income from operations.

## **Income Taxes**

For the three and nine months ended July 31, 2023, our income tax expense was \$21 million with an effective tax rate of 15.9 percent and \$154 million with an effective tax rate of 16.8 percent, respectively. Our effective tax rate increased in 2023 compared to 2022, primarily due to the mandatory capitalization of research and development expenses, which became effective for Agilent in the first quarter of 2023, due to a change in tax law from the Tax Cuts and Jobs Act of 2017. For the three and nine months ended July 31, 2023, our effective tax rate and the resulting provision for income taxes were impacted by the tax benefit of \$63 million due to the asset impairment charge related to the shutdown of our Resolution Bioscience business. For the nine months ended July 31, 2023, our effective tax rate and the resulting provision for income taxes were also impacted by the excess tax benefits from stock-based compensation of \$13 million along with the expiration of various foreign statutes of limitations which resulted in the recognition of previously unrecognized tax benefits of \$10 million.

For the three and nine months ended July 31, 2022, our income tax expense was \$68 million with an effective tax rate of 17.1 percent and \$163 million with an effective tax rate of 15.5 percent, respectively. For the three months ended July 31, 2022, there were no significant discrete items. For the nine months ended July 31, 2022, our effective tax rate and the resulting provision for income taxes were impacted by the excess tax benefits from stock-based compensation of \$18 million along with the expiration of various foreign statutes of limitations which resulted in the recognition of previously unrecognized tax benefits of \$8 million.

In the U.S., tax years remain open back to the year 2018 for federal income tax purposes and for significant states. In other major jurisdictions where the company conducts business, the tax years generally remain open back to the year 2013.

With these jurisdictions and the U.S., it is reasonably possible there could be significant changes to our unrecognized tax benefits in the next twelve months due to either the expiration of a statute of limitation or a tax audit settlement which will be partially offset by an anticipated tax liability related to unremitted foreign earnings, where applicable. Given the number of years and numerous matters that remain subject to examination in various tax jurisdictions, management is unable to estimate the range of possible changes to the balance of our unrecognized tax benefits.

## **Segment Overview**

We continue to have three business segments comprised of life sciences and applied markets, diagnostics and genomics and Agilent CrossLab.

## Life Sciences and Applied Markets

Our life sciences and applied markets business provides application-focused solutions that include instruments, consumables and software that enable customers to identify, quantify and analyze the physical and biological properties of substances and products, as well as enable customers in the clinical and life sciences research areas to interrogate samples at the molecular and cellular level. Key product categories include: liquid chromatography ("LC") systems and components; liquid chromatography mass spectrometry ("LCMS") systems; gas chromatography ("GC") systems and components; gas chromatography mass spectrometry ("GCMS") systems; inductively coupled plasma mass spectrometry ("ICP-MS") instruments; atomic absorption ("AA") instruments; microwave plasma-atomic emission spectrometry ("MP-AES") instruments; inductively coupled plasma optical emission spectrometry ("ICP-OES") instruments; raman spectroscopy; cell analysis plate based assays; flow cytometer; real-time cell analyzer; cell imaging systems; microplate reader; laboratory software for sample tracking; information management and analytics; laboratory automation and robotic systems; dissolution testing; vacuum pumps and measurement technologies. Our consumables portfolio is designed to improve customer outcomes. Most of the portfolio is vendor neutral, meaning Agilent can serve and supply customers regardless of their instrument purchase choices. Solutions range from chemistries to supplies. Key product categories in consumables include GC and LC columns, sample preparation products, custom chemistries, and a large selection of laboratory instrument supplies.

## Net Revenue

	Three Months Ended		Nine Months Ended		Year over Year Change	
	July 31,		July 31,		Three	Nine
	2023	2022	2023	2022	Months	Months
	(in millions)					
Net revenue	\$ 927	\$ 1,019	\$ 2,928	\$ 2,891	(9)%	1%

Life sciences and applied markets business revenue for the three and nine months ended July 31, 2023 decreased 9 percent and increased 1 percent, respectively, when compared to the same periods last year. Foreign currency movements for the three and nine months ended July 31, 2023 had an overall unfavorable impact on revenue growth of 1 percentage point and 3 percentage points, respectively, when compared to the same periods last year.

Geographically, revenue for the three months ended July 31, 2023 decreased 7 percent in the Americas with no currency impact, increased 3 percent in Europe with a 2 percentage point favorable currency impact and decreased 16 percent in Asia Pacific with a 2 percentage point unfavorable currency impact. The revenue decline in Asia Pacific was mainly driven by a significant revenue decline in China due to weakness in the overall economy. The revenue decline in the Americas was driven by weakness in our liquid chromatography and cell analysis businesses when compared to the same period last year.

Revenue for the nine months ended July 31, 2023 decreased 2 percent in the Americas with no currency impact, increased 3 percent in Europe with a 4 percentage point unfavorable currency impact and increased 3 percent in Asia Pacific with a 5 percentage point unfavorable currency impact compared to the same period last year. The revenue growth in Asia Pacific was driven by the spectroscopy and cell analysis businesses in China. Revenue growth in Europe was driven by the liquid chromatography and cell analysis businesses when compared to the same period last year.

For the three months ended July 31, 2023, revenue declined significantly in the pharmaceutical market as customers remain cautious in making capital purchases. The revenue decline was mainly driven by weakness in our liquid chromatography and cell analysis businesses when compared to the same period last year. Revenue also declined in the chemical and advanced material market driven by weakness in our mass spectrometry, spectroscopy and liquid chromatography businesses when compared to the same period last year.

For the nine months ended July 31, 2023, revenue growth by end market was strong across chemicals and advanced materials, food and academia and government partially offset by a significant decline in the pharmaceutical market when compared to the same period last year. Revenue growth in the chemicals and advanced materials market was mainly driven by strength in the spectroscopy, gas chromatography, liquid chromatography and consumables businesses when compared to the same period last year. Revenue growth in the food market was primarily driven by the spectroscopy, liquid chromatography and cell analysis businesses when compared to the same period last year. Revenue growth in the academia and government market was mainly driven by strength in liquid chromatography, gas chromatography and mass spectrometry when compared to the

same period last year. Revenue declined significantly in the pharmaceutical market driven by weakness in our cell analysis, liquid chromatography mass spectrometry, spectroscopy and liquid chromatography businesses when compared to the same period last year.

Looking forward, despite the challenging macroeconomic environment, our customers' capital expenditure pressures and geopolitical uncertainties, we are optimistic about our long-term growth opportunities in the life sciences and applied markets as our broad portfolio of products and solutions are well suited to address customer needs. While we anticipate volatility in our markets, we expect long term growth across most end markets as we continue to invest in expanding and improving our applications and solutions portfolio.

### Operating Results

	Three Months Ended		Nine Months Ended		Year over Year Change	
	July 31,		July 31,		Three	Nine
	2023	2022	2023	2022	Months	Months
<b>(in millions, except margin data)</b>						
Gross margin	60.0 %	60.5 %	60.4 %	60.0 %	(1) ppt	—
Research and development	\$ 70	\$ 73	\$ 225	\$ 219	(4)%	3%
Selling, general and administrative	\$ 210	\$ 233	\$ 689	\$ 696	(10)%	(1)%
Operating margin	29.9 %	30.5 %	29.2 %	28.4 %	(1) ppt	1 ppt
Income from operations	\$ 277	\$ 311	\$ 855	\$ 821	(11)%	4%

Gross margin for products and services for the three and nine months ended July 31, 2023, decreased 1 percentage point and was relatively flat, respectively, when compared to the same periods last year. Gross margin for the three months ended July 31, 2023 was impacted by lower sales volume, higher wages and the unfavorable impact of currency movements partially offset by lower variable pay and logistics costs when compared to the same period last year. Gross margin for the nine months ended July 31, 2023 was flat due to higher sales volume, targeted price increases, lower variable pay and logistics costs fully offset by the unfavorable impact of currency movements, higher wages, inventory and warranty costs when compared to the same period last year.

Research and development expenses for the three and nine months ended July 31, 2023, decreased 4 percent and increased 3 percent, respectively, when compared to the same periods last year. Research and development expenses for the three months ended July 31, 2023 decreased due to lower variable pay and reduced consumables spending when compared to the same period last year. Research and development expenses for the nine months ended July 31, 2023 increased due to higher wages and program investments in the digital lab platform technology partially offset by lower variable pay when compared to the same period last year.

Selling, general and administrative expenses for the three and nine months ended July 31, 2023, decreased 10 percent and 1 percent, respectively, when compared to the same periods last year. Selling, general and administrative expenses for the three and nine months ended July 31, 2023, decreased due to lower variable pay, lower commissions, lower marketing expenses and the favorable impact of currency movements partially offset by higher wages when compared to the same period last year.

Operating margin for products and services for the three and nine months ended July 31, 2023 decreased 1 percentage point and increased 1 percentage point, respectively, when compared to the same periods last year. Operating margin for the three months ended July 31, 2023 was impacted by lower sales volume and the unfavorable impact of currency movements partially offset by lower variable pay and logistics costs when compared to the same period last year. Operating margin for the nine months ended July 31, 2023 was impacted by higher sales volume, lower variable pay and logistics costs partially offset by higher wages and the unfavorable impact of currency movements when compared to the same period last year.

Income from operations for the three and nine months ended July 31, 2023, decreased \$34 million or 11 percent and increased \$34 million or 4 percent, respectively, on a corresponding revenue decrease of \$92 million and an increase of \$37 million, respectively.

## Diagnostics and Genomics

Our diagnostics and genomics business includes the genomics, nucleic acid contract manufacturing and research and development, pathology, companion diagnostics, reagent partnership and biomolecular analysis businesses.

Our diagnostics and genomics business is comprised of six areas of activity providing active pharmaceutical ingredients ("APIs") for oligo-based therapeutics as well as solutions that include reagents, instruments, software and consumables, which enable customers in the clinical and life sciences research areas to interrogate samples at the cellular and molecular level. First, our genomics business includes arrays for DNA mutation detection, genotyping, gene copy number determination, identification of gene rearrangements, DNA methylation profiling, gene expression profiling, as well as next generation sequencing ("NGS") target enrichment and genetic data management and interpretation support software. This business also includes solutions that enable clinical labs to identify DNA variants associated with genetic disease and help direct cancer therapy. Second, our nucleic acid solutions business is a contract and development manufacturing organization that provides services related to and the production of synthesized oligonucleotides under pharmaceutical good manufacturing practices ("GMP") conditions for use as API in a class of drugs that utilize nucleic acid molecules for disease therapy. Third, our pathology solutions business is focused on product offerings for cancer diagnostics and anatomic pathology workflows. The broad portfolio of offerings includes immunohistochemistry ("IHC"), in situ hybridization ("ISH"), hematoxylin and eosin ("H&E") staining and special staining. Fourth, we also collaborate with a number of major pharmaceutical companies to develop new potential tissue and liquid-based pharmacodiagnosics, also known as companion diagnostics, which may be used to identify patients most likely to benefit from a specific targeted therapy. Fifth, the reagent partnership business provides clinical flow cytometry reagents for routine cancer diagnostics. This business also provides bulk antibodies as raw materials and associated assay development services to IVD manufacturers, biotechnology and pharmaceutical companies. Finally, our biomolecular analysis business provides complete workflow solutions, including instruments, consumables and software, for quality control analysis of nucleic acid samples. Samples are analyzed using quantitative and qualitative techniques to ensure accuracy in further genomics analysis techniques including NGS, utilized in clinical and life science research applications.

## Net Revenue

	Three Months Ended		Nine Months Ended		Year over Year Change	
	July 31,		July 31,		Three	Nine
	2023	2022	2023	2022	Months	Months
	(in millions)					
Net revenue	\$ 349	\$ 340	\$ 1,053	\$ 1,037	3%	2%

Diagnostics and genomics business revenue for the three and nine months ended July 31, 2023 increased 3 percent and 2 percent, respectively, when compared to the same periods last year. Foreign currency movements for the three and nine months ended July 31, 2023 had no overall impact and an overall unfavorable impact on revenue growth of 2 percentage points, respectively, when compared to the same periods last year.

Geographically, revenue for the three months ended July 31, 2023 increased 4 percent in the Americas with no currency impact, increased 4 percent in Europe with a 2 percentage point favorable currency impact and decreased 8 percent in Asia Pacific with a 5 percentage point unfavorable currency impact compared to the same period last year. For the three months ended July 31, 2023, the revenue increase in the Americas was driven by strong performance in our nucleic acid solutions and pathology businesses and was partially offset by declines in our genomics business. In Europe, the revenue increase was driven by our pathology and reagent partnership businesses and was partially offset by a decline in the companion diagnostics business. The decline in Asia Pacific revenue was driven by our biomolecular analysis and genomics businesses. On a worldwide level, our genomics and biomolecular analysis businesses were impacted by a challenging macroeconomic environment, customers delaying purchasing decisions and a general softness in next generation sequencing test markets in comparison to significant revenue growth in the same period last year.

Revenue for the nine months ended July 31, 2023 increased 6 percent in the Americas with no currency impact, decreased 1 percent in Europe with a 4 percentage point unfavorable currency impact and decreased 10 percent in Asia Pacific with an 8 percentage point unfavorable currency impact compared to the same period last year. For the nine months ended July 31, 2023, the increase in the Americas was driven by strong performance in our nucleic acid solutions, pathology and reagent partnership businesses partially offset by a decline in our genomics business. In Europe, the unfavorable impact of



currency on revenue was partially offset by strong growth in our pathology and reagent partnership businesses. The decline in Asia Pacific revenue was driven by our biomolecular analysis and genomics businesses.

For the three months ended July 31, 2023, revenue growth in the pharmaceutical market was driven by strong performance in our nucleic acid solutions business which was partially offset by a decline in the biomolecular analysis business. Revenue growth in the diagnostics and clinical market was driven by strong results in our pathology and reagent partnership businesses which was partially offset by a decline in the genomics business.

For the nine months ended July 31, 2023, revenue growth in the pharmaceutical market was driven by our nucleic acid solutions business partially offset by declines in our biomolecular analysis and genomics businesses. Our diagnostics and clinical market growth resulted from the pathology and reagent partnership businesses which was partially offset by a decline in the genomics business. The revenue in the academia and government markets declined due to our genomics business.

Looking forward, despite the challenging macroeconomic environment, geopolitical uncertainties and the short-term unfavorable market conditions affecting our genomics business, we are optimistic about our long-term growth opportunities in our end markets and continue to invest in expanding and improving our applications and solutions portfolio. We remain positive about our growth in our end markets as our product portfolio around OMNIS and PD-L1 assays continues to gain strength with our customers in clinical oncology applications, and our next generation sequencing related solutions continue to be adopted. Market demand in the nucleic acid solutions business related to therapeutic oligo programs continues, and with the planned expansion of our nucleic acid solutions production facility in Frederick, Colorado, we are well positioned to serve more of the market demand. We will continue to invest in research and development and seek to expand our position in developing countries and emerging markets.

## Operating Results

	Three Months Ended		Nine Months Ended		Year over Year Change	
	July 31,		July 31,		Three	Nine
	2023	2022	2023	2022	Months	Months
<b>(in millions, except margin data)</b>						
Gross margin	52.2 %	54.0 %	51.8 %	54.3 %	(2) ppts	(3) ppts
Research and development	\$ 30	\$ 34	\$ 106	\$ 103	(11)%	4%
Selling, general and administrative	\$ 68	\$ 77	\$ 223	\$ 228	(11)%	(2)%
Operating margin	24.0 %	21.5 %	20.5 %	22.4 %	3 ppts	(2) ppts
Income from operations	\$ 84	\$ 73	\$ 216	\$ 232	15%	(7)%

Gross margin for products and services for the three and nine months ended July 31, 2023, decreased 2 percentage points and 3 percentage points, respectively, when compared to the same periods last year. Gross margin for the three and nine months ended July 31, 2023 decreased due to the unfavorable market conditions in our genomics business which impacted our overall business mix. Gross margin was also impacted by the unfavorable impact of currency movements, higher wages and infrastructure costs partially offset by lower variable pay.

Research and development expenses for the three and nine months ended July 31, 2023, decreased 11 percent and increased 4 percent, respectively, when compared to the same periods last year. Research and development expenses for the three months ended July 31, 2023 decreased primarily due to lower variable pay and consumables expenses. Research and development expenses for the nine months ended July 31, 2023 increased due to higher wages, additional expenses related to an acquisition and program investments in multiple next generation platform projects partially offset by lower variable pay.

Selling, general and administrative expenses for the three and nine months ended July 31, 2023, decreased 11 percent and 2 percent, respectively, when compared to the same periods last year. Selling, general and administrative expenses for the three and nine months ended July 31, 2023 decreased due to lower variable pay, the favorable impact of currency movements and lower infrastructure costs.

Operating margin for products and services for the three and nine months ended July 31, 2023 increased 3 percentage points and decreased 2 percentage points, respectively, when compared to the same periods last year. Operating margin for products and services for the three months ended July 31, 2023, increased due to higher revenue and lower operating expenses.

Operating margin for products and services for the nine months ended July 31, 2023, decreased due to lower gross margin, the unfavorable impact of currency and additional costs related to a recent acquisition partially offset by lower variable pay.

Income from operations for the three and nine months ended July 31, 2023 increased \$11 million or 15 percent and decreased \$16 million or 7 percent, respectively, on a corresponding revenue increase of \$9 million and \$16 million, respectively.

#### **Agilent CrossLab**

The Agilent CrossLab business spans the entire lab with its extensive services portfolio, which is designed to improve customer outcomes. The majority of the portfolio is vendor neutral, meaning we can serve and supply customers regardless of their instrument purchase choices. The services portfolio include repairs, parts, maintenance, installations, training, compliance support, software as a service, asset management, consulting and various other custom services to support the customers' laboratory operations. Custom services are tailored to meet the specific application needs of various industries and to keep instruments fully operational and compliant with the respective industry requirements.

#### **Net Revenue**

	Three Months Ended		Nine Months Ended		Year over Year Change	
	July 31,		July 31,		Three	Nine
	2023	2022	2023	2022	Months	Months
	(in millions)					
Net revenue	\$ 396	\$ 359	\$ 1,164	\$ 1,071	10%	9%

Agilent CrossLab business revenue for the three and nine months ended July 31, 2023 increased 10 percent and 9 percent, respectively, when compared to the same periods last year. Foreign currency movements for the three and nine months ended July 31, 2023 had an overall unfavorable impact on revenue growth of 1 percentage point and 3 percentage points, respectively, when compared to the same periods last year.

Geographically, revenue for the three months ended July 31, 2023 increased 8 percent in the Americas with no currency impact, increased 15 percent in Europe with a 3 percentage point favorable currency impact and increased 8 percent in Asia Pacific with a 5 percentage point unfavorable currency impact compared to the same period last year. For the three months ended July 31, 2023, revenue growth in all three regions reflected consistent high demand for repair services, compliance services and consultative services across the entire portfolio.

Revenue for the nine months ended July 31, 2023 increased 12 percent in the Americas with no currency impact, increased 7 percent in Europe with a 4 percentage point unfavorable currency impact and increased 6 percent in Asia Pacific with a 7 percentage point unfavorable currency impact compared to the same period last year. For the nine months ended July 31, 2023, revenue growth in all three regions reflected consistent high demand for repair services, compliance services, installation services, consultative services and relocation services across the entire portfolio.

For the three and nine months ended July 31, 2023, we saw strong revenue growth across all of the end markets, and it was mainly driven by the biomolecular, spectroscopy and liquid chromatography mass spectrometry platforms when compared to the same periods last year.

Looking forward, Agilent CrossLab services are well positioned to continue their success in our key end markets by supporting a growing installed base of instruments. Digital and remote capabilities will continue to be a key factor in improving the service quality and the customers' experience. Geographically, the business is well diversified across all regions to take advantage of local market opportunities and to hedge against weakness in any one region.

## Operating Results

(in millions, except margin data)	Three Months Ended		Nine Months Ended		Year over Year Change	
	July 31,		July 31,		Three	Nine
	2023	2022	2023	2022	Months	Months
Gross margin	50.9 %	47.0 %	48.8 %	47.2 %	4 ppts	2 ppts
Research and development	\$ 8	\$ 8	\$ 25	\$ 23	—	5%
Selling, general and administrative	\$ 65	\$ 72	\$ 209	\$ 216	(11)%	(3)%
Operating margin	32.7 %	24.6 %	28.8 %	24.8 %	8 ppts	4 ppts
Income from operations	\$ 129	\$ 88	\$ 335	\$ 266	46%	26%

Gross margin for the three and nine months ended July 31, 2023 increased 4 percentage points and 2 percentage points, respectively, when compared to the same periods last year. Gross margin for the three and nine months ended July 31, 2023 was impacted by higher sales volume, targeted price increases and lower variable pay that improved margins, which were partially offset by higher wages, service delivery and parts costs and unfavorable impact of currency movements.

Research and development expenses for the three and nine months ended July 31, 2023 were flat and increased 5 percent, respectively, when compared to the same periods last year. Research and development expenses for the three months ended July 31, 2023 were flat mainly due to higher wages offset by lower variable pay and the favorable impact of currency movements. Research and development expenses for the nine months ended July 31, 2023 increased mainly due to higher wages.

Selling, general and administrative expenses for the three and nine months ended July 31, 2023 decreased 11 percent and 3 percent, respectively, when compared to the same periods last year. Selling, general and administrative expenses for the three and nine months ended July 31, 2023 decreased primarily due to lower variable pay and a favorable impact of currency movements partially offset by higher wages.

Operating margin for products and services for the three and nine months ended July 31, 2023 increased 8 percentage points and 4 percentage points, respectively, when compared to the same periods last year. Operating margin for the three and nine months ended July 31, 2023 increased mostly driven by higher sales volume, targeted price increases that improved margins in addition to reduction in expenses.

Income from operations for the three and nine months ended July 31, 2023 increased \$41 million or 46 percent and \$69 million or 26 percent, respectively, on a corresponding revenue increase of \$37 million and \$93 million, respectively.

## FINANCIAL CONDITION

### Liquidity and Capital Resources

We believe our cash and cash equivalents, cash generated from operations, and ability to access capital markets and credit lines will satisfy, for at least the next twelve months and beyond, our liquidity requirements, both globally and domestically, including the following: working capital needs, capital expenditures, business acquisitions, stock repurchases, cash dividends, contractual obligations, commitments, principal and interest payments on debt, and other liquidity requirements associated with our operations.

Our financial position as of July 31, 2023 consisted of cash and cash equivalents of \$1,329 million as compared to \$1,053 million as of October 31, 2022.

We may, from time to time, retire certain outstanding debt of ours through open market cash purchases, privately-negotiated transactions or otherwise. Such transactions, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

#### *Net Cash Provided by Operating Activities*

Net cash inflow from operating activities was \$1,256 million for the nine months ended July 31, 2023 compared to cash inflow of \$864 million for the same period in 2022. Net cash from operating activities in 2023 was helped in part by deferring estimated U.S. tax payments to our fiscal fourth quarter due to the payment deferral relief made available by the IRS to taxpayers in designated counties in California. Net cash paid for income taxes in the nine months ended July 31, 2023 was approximately \$143 million compared to income taxes paid of \$217 million for the same period in 2022.

In the nine months ended July 31, 2023, accounts receivable provided cash of \$113 million compared to cash used of \$233 million for the same period in 2022. Days' sales outstanding ("DSO") as of July 31, 2023 was 72 days when compared to 70 days as of July 31, 2022. Cash used for inventory was \$53 million for the nine months ended July 31, 2023 compared to cash used of \$206 million for the same period in 2022. Inventory days on-hand was 95 days as of July 31, 2023. Excluding the asset impairment charges that were recorded in cost of sales, our days on-hand was 126 days as of July 31, 2023 compared to 117 days as of July 31, 2022 mainly due to increased inventory levels to meet anticipated customer needs.

In the nine months ended July 31, 2023, accounts payable used cash of \$117 million compared to cash provided of \$110 million for the same period in 2022.

The employee compensation and benefits liability used cash of \$137 million for the nine months ended July 31, 2023 compared to cash used of \$98 million for the same period in 2022. This was largely due to a lower accrual for variable pay.

We contributed approximately \$17 million and \$13 million to our defined benefit plans in the nine months ended July 31, 2023 and 2022, respectively. Our annual contributions are highly dependent on the relative performance of our assets versus our projected liabilities, among other factors. We expect to contribute approximately \$4 million to our defined benefit plans during the remainder of 2023.

#### *Net Cash Used in Investing Activities*

Net cash used in investing activities was \$270 million for the nine months ended July 31, 2023 as compared to net cash used in investing activities of \$228 million in the same period of 2022. In the nine months ended July 31, 2023, cash used of \$51 million was related to two acquisitions.

Investments in property, plant and equipment were \$214 million for the nine months ended July 31, 2023 compared to \$221 million in the same period of 2022. We expect that total capital expenditures for the current year will be approximately \$300 million. These continued investments in property plant and equipment are primarily due to the planned expansion of our nucleic acid solutions production facility in Frederick, Colorado. In January 2023, we announced that we will be investing \$725 million to further expand our manufacturing capacity for production of nucleic acid based therapeutics in Frederick, Colorado. Some of our investment may be eligible to qualify for reimbursement incentives, which will not fully be known until the expansion is substantially complete.

#### *Net Cash Used in Financing Activities*

Net cash used in financing activities for the nine months ended July 31, 2023 was \$729 million compared to net cash used in financing activities of \$1,031 million for the same period of 2022.

#### *Treasury Stock Repurchases*

Our 2021 repurchase program authorized the purchase of up to \$2.0 billion of our common stock at the company's discretion and had no fixed termination date. During the nine months ended July 31, 2023 and 2022 we repurchased and retired 661,739 shares for \$99 million and 7,331 million shares for \$1.004 billion, respectively, under this authorization. On March 1, 2023, the 2021 repurchase program was terminated and the remaining authorization of \$339 million expired.

Our 2023 repurchase program authorizes the purchase of up to \$2.0 billion, excluding excise taxes, of our common stock at the company's discretion and has no fixed termination date. The 2023 repurchase program does not require the company to acquire a specific number of shares and may be suspended, amended or discontinued at any time. The 2023 repurchase program commenced on March 1, 2023, and also terminated and replaced the 2021 repurchase program. During the three and nine months ended July 31, 2023, we repurchased and retired 2.812 million shares for \$335 million and 3.256 million shares for \$396 million, respectively, excluding excise taxes, under this authorization. As of July 31, 2023, we had remaining authorization to repurchase up to approximately \$1.604 billion of our common stock under the 2023 repurchase program.

The Inflation Reduction Act of 2022, which was enacted into law on August 16, 2022, imposed a nondeductible 1% excise tax on the net value of certain stock repurchases made after December 31, 2022. As a result, we recorded the applicable excise tax of \$2.4 million as an incremental cost of the shares repurchased and a corresponding liability for the excise tax payable in other accrued liabilities on our condensed consolidated balance sheet.

#### *Dividends*

During the nine months ended July 31, 2023 and 2022, we paid cash dividends of \$0.675 per common share or \$199 million, and \$0.630 per common share or \$188 million, respectively, on the company's common stock. The timing and amounts of any future dividends are subject to determination and approval by our board of directors.

#### *Contingent Consideration Payment*

During the nine months ended July 31, 2023, we paid a total of \$70 million in contingent consideration payments, of which \$3 million is included as an outflow in cash from operations. We paid \$65 million related to the achievement of a certain technical milestone associated with our acquisition of Resolution Bioscience and \$5 million related to another acquisition.

#### *Credit Facilities and Short-Term Debt*

On June 7, 2023, we entered into a credit agreement with a group of financial institutions which provides for a \$1.5 billion five-year unsecured credit facility that will expire on June 7, 2028 and incremental term loan facilities in an aggregate amount of up to \$750 million. The credit facility replaced the existing credit facility which was terminated on the closing date of the new facility. During the nine months ended July 31, 2023, we borrowed and repaid \$360 million. As of July 31, 2023, we had no borrowings outstanding under both the credit facility and the incremental facilities. We were in compliance with the covenants for the credit facility during the nine months ended July 31, 2023.

On June 2, 2023, we entered into an Uncommitted Money Market Line Credit agreement with Societe Generale which provides for an aggregate borrowing capacity of \$300 million. The credit facility is an uncommitted short-term cash advance facility where each request must be at least \$1 million. The interest rate is set by the lender at the time of the borrowing and is fixed for the duration of the advance. During the nine months ended July 31, 2023, we borrowed and repaid \$1 million. As of July 31, 2023, we had no borrowings outstanding under the credit facility.

#### *Commercial Paper*

Under our U.S. commercial paper program, the company may issue and sell unsecured, short-term promissory notes in the aggregate principal amount not to exceed \$1.35 billion with up to 397-day maturities. On July 3, 2023, we increased the authorized maximum amount of notes that may be outstanding to \$1.5 billion. At any point in time, the company intends to maintain available commitments under its revolving credit facility in an amount at least equal to the amount of the commercial paper notes outstanding. Amounts available under the program may be borrowed, repaid and re-borrowed from time to time. The proceeds from issuances under the program may be used for general corporate purposes. During the nine months ended July 31, 2023, we borrowed \$1.54 billion and repaid \$1.52 billion. As of July 31, 2023, we had borrowings of \$55 million outstanding under our U.S. commercial paper program and had a weighted average annual interest rate of 5.4 percent.

#### *Long-Term Debt*

On April 15, 2022, we entered into a term loan agreement with a group of financial institutions, which provided for a \$600 million delayed draw term loan that will mature on April 15, 2025. As of July 31, 2023, we had \$600 million borrowings outstanding under the term loan facility and had a weighted average interest rate of 6.13 percent.

On May 4, 2022, we used the proceeds from the term loan and repaid the \$600 million outstanding aggregate principal amount of our 2023 senior notes due July 15, 2023. The total redemption price of approximately \$609 million was computed in accordance with the terms of the 2023 senior notes as the present value of the remaining scheduled payments of principal and unpaid interest on the notes being redeemed. In May 2022, we recorded a loss on extinguishment of debt of \$9 million in other income (expense), net in the condensed consolidated statement of operations. In addition, \$7 million of accrued interest, up to but not including the applicable redemption date, was paid.

There have been no changes to the principal, maturity, interest rates and interest payment terms of the Agilent outstanding senior notes in the nine months ended July 31, 2023 as compared to the senior notes as described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2022.

*Other*

Our commitments for indirect material and services decreased by \$17 million from \$139 million as reported in our Annual Report on Form 10-K for the fiscal year ended October 31, 2022. These commitments are related to a variety of suppliers including IT support service providers. Our commitments to contract manufacturers and suppliers decreased by \$238 million as supply chain issues improved from \$1,043 million as reported in our Annual Report on Form 10-K for the fiscal year ended October 31, 2022. These commitments are related to a variety of suppliers, and we use several contract manufacturers to provide manufacturing services for our products. During the normal course of business, we issue purchase orders with estimates of our requirements several months ahead of the delivery dates. These open purchase orders with our suppliers have not yet been received and our agreements usually provide us the option to cancel, reschedule and adjust our requirements based on our business needs prior to the firm orders being placed. There were no other substantial changes from our Annual Report on Form 10-K for the fiscal year ended October 31, 2022 to our contractual commitments in the first nine months of fiscal year 2023. We have no other material non-cancelable guarantees or commitments.

Other long-term liabilities as of July 31, 2023 and October 31, 2022 include \$186 million and \$216 million, respectively, related to long-term income tax liabilities. Of these amounts, \$99 million related to uncertain tax positions as of both July 31, 2023 and October 31, 2022, respectively. We are unable to accurately predict when these amounts will be realized or released. However, it is reasonably possible that there could be significant changes to our unrecognized tax benefits in the next twelve months due to either the expiration of a statute of limitations or a tax audit settlement. As of July 31, 2023 the remaining \$87 million in other long-term liabilities relates to the U.S. transition tax payment which is due in installments over the next two years.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to foreign currency exchange rate risks inherent in our sales commitments, anticipated sales, and assets and liabilities and equity denominated in currencies other than the functional currency of our subsidiaries. We hedge future cash flows denominated in currencies other than the functional currency using sales forecasts up to twelve months in advance. Our exposure to exchange rate risks is mainly managed on an enterprise-wide basis. This strategy utilizes derivative financial instruments, including option and forward contracts, to hedge certain foreign currency exposures with the intent of offsetting gains and losses that occur on the underlying exposures with gains and losses on the derivative contracts hedging them. We may also hedge equity balances denominated in foreign currency on a long-term basis. We do not currently and do not intend to utilize derivative financial instruments for speculative trading purposes. To the extent that we are required to pay for all, or portions, of an acquisition price in foreign currencies, we may enter into foreign exchange contracts to reduce the risk that currency movements will impact the cost of the transaction.

Our operations generate non-functional currency cash flows such as revenues, third party vendor payments and inter-company payments. In anticipation of these foreign currency cash flows and in view of volatility of the currency market, we enter into such foreign exchange contracts as are described above to manage our currency risk. Approximately 52 percent and 55 percent of our revenue was generated in U.S. dollars during the nine months ended July 31, 2023 and 2022, respectively. The overall unfavorable effect of changes in foreign currency exchange rates, principally as a result of the strength of the U.S. dollar, has decreased revenue by 3 percentage points in the nine months ended July 31, 2023. We calculate the impact of movements in our foreign currency exchange rates by applying the actual foreign currency exchange rates in effect during the last month of each quarter of the current year to both the applicable current and prior year periods.

We performed a sensitivity analysis assuming a hypothetical 10 percent adverse movement in foreign exchange rates to the hedging contracts and the underlying exposures described above. As of July 31, 2023, the analysis indicated that these hypothetical market movements would not have a material effect on our condensed consolidated financial position, results of operations, statement of comprehensive income or cash flows.

We are also exposed to interest rate risk due to the mismatch between the interest expense we pay on our loans at fixed rates and the variable rates of interest we receive from cash, cash equivalents and other short-term investments. We have issued long-term debt in U.S. dollars or foreign currencies at fixed interest rates based on the market conditions at the time of financing.

We performed a sensitivity analysis assuming a hypothetical 10 percent adverse movement in interest rates relating to the underlying fair value of our fixed rate debt. As of July 31, 2023, the sensitivity analyses indicated that a hypothetical 10 percent adverse movement in interest rates would result in an immaterial impact to the fair value of our fixed interest rate debt.

#### **ITEM 4. CONTROLS AND PROCEDURES**

##### *Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by the Securities Exchange Act of 1934 (the "Exchange Act") Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective at ensuring that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding such required disclosure to the SEC.

##### *Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting during the quarter ended July 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We are involved in lawsuits, claims, investigations and proceedings, including, but not limited to, intellectual property, commercial, real estate, environmental and employment matters, which arise in the ordinary course of business. There are no matters pending that we currently believe are probable and reasonably possible of having a material impact to our business, consolidated financial condition, results of operations or cash flows.

### ITEM 1A. RISK FACTORS

#### Business and Strategic Risks

##### *General economic conditions may adversely affect our operating results and financial condition.*

Our business is sensitive to negative changes in general economic conditions, both inside and outside the United States. Slower global economic growth, increasing interest rates, inflationary pressures, instability and uncertainty in the markets in which we operate may adversely impact our business resulting in:

- reduced demand and longer sales cycle for our products, delays in the shipment of orders, or increases in order cancellations;
- increased risk of excess and obsolete inventories;
- increased price pressure for our products and services; and
- greater risk of impairment to the value, and a detriment to the liquidity, of our investment portfolio.

##### *Our operating results and financial condition could be harmed if the markets into which we sell our products decline or do not grow as anticipated.*

Visibility into our markets is limited. Our quarterly sales and operating results are highly dependent on the volume and timing of orders received during the fiscal quarter, which are difficult to forecast and may be cancelled by our customers. In addition, our revenue and earnings forecasts for future fiscal quarters are often based on the expected seasonality of our markets. However, the markets we serve do not always experience the seasonality that we expect as customer spending policies and budget allocations, particularly for capital items, may change. Any decline in our customers' markets or in general economic conditions would likely result in a reduction in demand for our products and services. Also, if our customers' markets decline, we may not be able to collect on outstanding amounts due to us. Such declines could harm our consolidated financial position, results of operations, cash flows and stock price, and could limit our profitability. Also, in such an environment, pricing pressures could intensify. Since a significant portion of our operating expenses is relatively fixed in nature due to sales, research and development and manufacturing costs, if we were unable to respond quickly enough, these pricing pressures could further reduce our operating margins.



***If we do not introduce successful new products and services in a timely manner to address increased competition through frequent new product and service introductions, rapid technological changes and changing industry standards, our products and services may become obsolete, and our operating results may suffer.***

We generally sell our products in industries that are characterized by increased competition through frequent new product and service introductions, rapid technological changes and changing industry standards. Without the timely introduction of new products, services and enhancements, our products and services may become technologically obsolete over time, in which case our revenue and operating results could suffer. The success of our new products and services will depend on several factors, including our ability to:

- properly identify customer needs and predict future needs;
- innovate and develop new technologies, services and applications;
- appropriately allocate our research and development spending to products and services with higher growth prospects;
- successfully commercialize new technologies in a timely manner;
- manufacture and deliver new products in sufficient volumes and on time;
- differentiate our offerings from our competitors' offerings;
- price our products competitively;
- anticipate our competitors' development of new products, services or technological innovations; and
- control product quality in our manufacturing process.

In addition, if we fail to accurately predict future customer needs and preferences or fail to produce viable technologies, we may invest in research and development of products and services that do not lead to significant revenue, which would adversely affect our profitability. Even if we successfully innovate and develop new and enhanced products and services, we may incur substantial costs in doing so, and our operating results may suffer. In addition, promising new products may fail to reach the market or realize only limited commercial success because of real or perceived concerns of our customers. Furthermore, as we collaborate with pharmaceutical customers to develop drugs such as companion diagnostics assays or provide drug components like active pharmaceutical ingredients, we face risks that those drug programs may be cancelled upon clinical trial failures.

***Public health crises such as the COVID-19 pandemic may adversely impact, and pose risks to, certain elements of our business, results of operations and financial condition, the nature and extent of which are highly uncertain and unpredictable.***

Our global operations expose us to risks associated with public health crises, including epidemics and pandemics such as COVID-19. For example, the recent global spread of COVID-19 had an adverse impact on our operations, sales and delivery and supply chains. Many countries including the United States implemented measures such as quarantine, shelter-in-place, curfew, travel and activity restrictions and similar isolation measures, including government orders and other restrictions on the conduct of business operations. Due to these measures we experienced significant and unpredictable reductions or increases in demand for certain of our products. Moreover, these measures caused delays in installations and significantly impacted our ability to service our customers on site. Public health crises may also impact our supply chain as we could experience disruptions or delays in shipments of certain materials or components of our products. We may be unable to accurately predict the full extent and duration of the impact of a public health crisis on our business and operations due to numerous uncertainties, including the duration and severity of the crisis, the efficacy and distribution of vaccines, containment measures and additional waves of infection. As conditions improve, there may be increases in demand for certain of our products, which could pose challenges to our supply chain. If there are supply shortages or delays and we are not able to meet increasing product demand, our results would be adversely affected.

***Failure to adjust our purchases due to changing market conditions or failure to accurately estimate our customers' demand could adversely affect our income.***

Our income could be harmed if we are unable to adjust our purchases to reflect market fluctuations, including those caused by the seasonal nature of the markets in which we operate. The sales of our products and services are dependent, to a large degree, on customers whose industries are subject to seasonal trends in the demand for their products. During a market upturn, we may not be able to purchase sufficient supplies or components to meet increasing product demand, which could materially affect our results. In the past, we have experienced a shortage of parts for some of our products. In addition, some of the parts that require custom design are not readily available from alternate suppliers due to their unique design or the length of time necessary for design work. Should a supplier cease manufacturing such a component, we would be forced to reengineer our product. In addition to discontinuing parts, suppliers may also extend lead times, limit supplies or increase prices due to capacity constraints or other factors. In order to secure components for the production of products, we may continue to enter into non-cancelable purchase commitments with vendors, or at times make advance payments to suppliers, which could impact our ability to adjust our inventory to declining market demands. If demand for our products is less than we expect, we may experience additional excess and obsolete inventories and be forced to incur additional expenses.

***Demand for some of our products and services depends on the capital spending policies of our customers, research and development budgets and on government funding policies.***

Our customers include pharmaceutical companies, laboratories, universities, healthcare providers, government agencies and public and private research institutions. Many factors, including public policy spending priorities, available resources, mergers and consolidations, institutional and governmental budgetary policies and spending priorities, and product and economic cycles, have a significant effect on the capital spending policies of these entities. Fluctuations in the research and development budgets at these organizations could have a significant effect on the demand for our products and services. Research and development budgets fluctuate due to changes in available resources, consolidation, spending priorities, general economic conditions, medical reimbursement policies and institutional and governmental budgetary policies. The timing and amount of revenue from customers that rely on government funding or research may vary significantly due to factors that can be difficult to forecast, including changes in spending authorizations and budgetary priorities for our products and services. If demand for our products and services is adversely affected, our revenue and operating results would suffer.

***Our business will suffer if we are not able to retain and hire key personnel.***

Our future success depends partly on the continued service of our key research, engineering, sales, marketing, manufacturing, executive and administrative personnel. If we fail to retain and hire a sufficient number of these personnel, we will not be able to maintain or expand our business. The markets in which we operate are very dynamic, and our businesses continue to respond with reorganizations, workforce reductions and site closures. We believe our pay levels are very competitive within the regions that we operate. However, there is intense competition for certain highly technical specialties in geographic areas where we continue to recruit, and it may become more difficult to hire and retain our key employees.

***Economic, political, foreign currency and other risks associated with international sales and operations could adversely affect our results of operations.***

Because we sell our products worldwide, our business is subject to risks associated with doing business internationally. We anticipate that revenue from international operations will continue to represent a majority of our total revenue. International revenue and costs are subject to the risk that fluctuations in foreign currency exchange rates could adversely affect our financial results when translated into U.S. dollars for financial reporting purposes. Foreign currency movements for the nine months ended July 31, 2023 had an overall unfavorable impact on revenue of approximately 3 percentage points when compared to the same period last year. When movements in foreign currency exchange rates have a negative impact on revenue, they will also have a positive impact by reducing our costs and expenses. In addition, many of our employees, contract manufacturers, suppliers, job functions, outsourcing activities and manufacturing facilities are located outside the United States. Accordingly, our future results could be harmed by a variety of factors, including:

- interruption to transportation flows for delivery of parts to us and finished goods to our customers;
- ongoing instability or changes in a specific country's or region's political, economic or other conditions, including inflation, recession, interest rate fluctuations and actual or anticipated military or political conflicts, including uncertainties and instability in economic and market conditions caused by pandemics like the COVID-19, the Ukraine/Russia conflict and political and trade uncertainties in the greater China region;
- changes in diplomatic and trade relationships, as well as, new tariffs, trade protection measures, import or export licensing requirements, new or different customs duties, trade embargoes and sanctions and other trade barriers;
- tariffs imposed by the U.S. on goods from other countries and tariffs imposed by other countries on U.S. goods, including the tariffs enacted by the U.S. government on various imports from China and by the Chinese government on certain U.S. goods;
- negative consequences from changes in or differing interpretations of laws and regulations, including those related to tax and import/export;
- difficulty in staffing and managing widespread operations;
- differing labor regulations;
- differing protection of intellectual property;
- unexpected changes in regulatory requirements;
- geopolitical uncertainty or turmoil, terrorism and war; and
- impact of public health crises, including pandemics and epidemics, such as COVID-19 on the global economy.

We sell our products into many countries and we also source many components and materials for our products from and manufacture our products in various countries. Future tariffs and tariffs already implemented could have negative impact on our business, results of operations and financial condition. It may be time-consuming and expensive for us to alter our business operations in order to adapt to any such change. Further, additional tariffs, the scope and duration of which, if implemented, remains uncertain, which have been proposed or threatened and the potential escalation of a trade war and retaliatory measures could have a material adverse effect on our business, results of operations and financial condition.

Most of our accounting and tax processes including general accounting, cost accounting, accounts payable, accounts receivable and tax functions are centralized at locations in India and Malaysia. If economical, political, health or other conditions change in those countries, it may adversely affect operations, including impairing our ability to pay our suppliers and collect our receivables. Our results of operations, as well as our liquidity, may be adversely affected and possible delays may occur in reporting financial results.

In addition, although the majority of our products are priced and paid for in U.S. dollars, a significant amount of certain types of expenses, such as payroll, utilities, tax, and marketing expenses, are paid in local currencies. Our hedging programs reduce, but do not always entirely eliminate, within any given twelve-month period, the impact of currency exchange rate movements, and therefore fluctuations in exchange rates, including those caused by currency controls, could impact our business, operating results and financial condition by resulting in lower revenue or increased expenses. For expenses beyond that twelve-month period, our hedging strategy does not mitigate our exposure. In addition, our currency hedging programs involve third-party financial institutions as counterparties. The weakening or failure of financial institution counterparties may adversely affect our hedging programs and our financial condition through, among other things, a reduction in available counterparties, increasingly unfavorable terms, and the failure of the counterparties to perform under hedging contracts.

***Our strategic initiatives to adjust our cost structure could have long-term adverse effects on our business, and we may not realize the operational or financial benefits from such actions.***

We have implemented multiple strategic initiatives across our businesses to adjust our cost structure, and we may engage in similar activities in the future. These strategic initiatives and our regular ongoing cost reduction activities may distract management, could slow improvements in our products and services and limit our ability to increase production quickly if demand for our products increases. In addition, delays in implementing our strategic initiatives, unexpected costs or failure to meet targeted improvements may diminish the operational and financial benefits we realize from such actions. Any of the above circumstances could have an adverse effect on our business and operating results and financial condition.

***Our acquisitions, strategic investments and alliances, joint ventures, exiting of businesses and divestitures may result in financial results that are different than expected.***

In the normal course of business, we frequently engage in discussions with third parties relating to possible acquisitions, strategic investments and alliances, joint ventures and divestitures, and generally expect to complete several transactions per year. In addition, we may decide to exit a particular business within our product portfolio. As a result of such transactions, our financial results may differ from our own or the investment community's expectations in a given fiscal quarter or over the long term. We may have difficulty developing, manufacturing and marketing the products of a newly acquired company in a way that enhances the performance of our combined businesses or product lines. Acquired businesses may also expose us to new risks and new markets, and we may have difficulty addressing these risks in a cost effective and timely manner. Transactions such as acquisitions have resulted, and may in the future result in, unexpected significant costs and expenses. In the future, we may be required to record charges to earnings during the period if we determine there is an impairment of goodwill or intangible assets, up to the full amount of the value of the assets, or, in the case of strategic investments and alliances, consolidate results, including losses, of third parties or write down investment values or loans and convertible notes related to the strategic investment.

Integrating the operations of acquired businesses within Agilent could be a difficult, costly and time-consuming process that involves a number of risks. Acquisitions and strategic investments and alliances may require us to integrate and collaborate with a different company culture, management team, business model, business infrastructure and sales and distribution methodology and assimilate and retain geographically dispersed, decentralized operations and personnel. Depending on the size and complexity of an acquisition, our successful integration of the entity depends on a variety of factors, including introducing new products and meeting revenue targets as expected, the retention of key employees and key customers, increased exposure to certain governmental regulations and compliance requirements and increased costs and use of resources. Further, the integration of acquired businesses is likely to result in our systems and internal controls becoming increasingly complex and more difficult to manage. Any difficulties in the assimilation of acquired businesses into our control system could harm our operating results or cause us to fail to meet our financial reporting obligations.

Even if we are able to successfully integrate acquired businesses within Agilent, we may not be able to realize the revenue and other synergies and growth that we anticipated from the acquisition in the time frame that we expected, and the costs of achieving these benefits may be higher than what we expected. As a result, the acquisition and integration of acquired businesses may not contribute to our earnings as expected, we may not achieve our operating margin targets when expected, or at all, and we may not achieve the other anticipated strategic and financial benefits of such transactions.

A successful divestiture depends on various factors, including our ability to effectively transfer liabilities, contracts, facilities and employees to the purchaser, identify and separate the intellectual property to be divested from the intellectual property that we wish to keep and reduce fixed costs previously associated with the divested assets or business. In addition, if customers of the divested business do not receive the same level of service from the new owners, this may adversely affect our other businesses to the extent that these customers also purchase other Agilent products. In exiting a business, we may still retain liabilities associated with the support and warranty of those businesses and other indemnification obligations. All of these efforts require varying levels of management resources, which may divert our attention from other business operations. If we do not realize the expected benefits or synergies of such transactions, our consolidated financial position, results of operations, cash flows and stock price could be negatively impacted.

***The impact of consolidation and acquisitions of competitors is difficult to predict and may harm our business.***

The life sciences industry is intensely competitive and has been subject to increasing consolidation. Consolidation in our industries could result in existing competitors increasing their market share through business combinations and result in stronger competitors, which could have a material adverse effect on our business, financial condition and results of operations. We may not be able to compete successfully in increasingly consolidated industries and cannot predict with certainty how industry consolidation will affect our competitors or us.

**Regulatory, Legal and Compliance Risks**

***If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results, which could lead to a loss of investor confidence in our financial statements and have an adverse effect on our stock price.***

Effective internal controls are necessary for us to provide reliable and accurate financial statements and to effectively prevent fraud. We devote significant resources and time to comply with the internal control over financial reporting requirements of the Sarbanes Oxley Act of 2002 and continue to enhance our controls. However, we cannot be certain that we will be able to prevent future significant deficiencies or material weaknesses. Inadequate internal controls could cause investors to lose confidence in our reported financial information, which could have a negative effect on investor confidence in our financial statements, the trading price of our stock and our access to capital.

***Our customers and we are subject to various governmental regulations. Compliance with or changes in such regulations may cause us to incur significant expenses, and if we fail to maintain satisfactory compliance with certain regulations, we may be forced to recall products and cease their manufacture and distribution, and we could be subject to civil or criminal penalties.***

Our customers and we are subject to various significant international, federal, state and local regulations, including but not limited to regulations in the areas of health and safety, packaging, product content, employment, labor and immigration, import/export controls, trade restrictions and anti-competition. In addition, as a global organization, we are subject to data privacy and security laws, regulations, and customer-imposed controls in numerous jurisdictions as a result of having access to and processing confidential, personal, sensitive and/or patient health data in the course of our business. Global privacy laws, including the EU's General Data Protection Regulation ("GDPR"), Brazil's Lei Geral de Protecao de Dados, the California Consumer Privacy Act and China's Personal Information Protection Law and Data Security Law, apply to our activities involving the processing of personal data, both in relation to our product and service offerings and the management of our workforce. The global proliferation of privacy laws, with governmental authorities around the world passing or considering passing legislative and regulatory proposals concerning privacy and data protection, continues to result in new requirements regarding the handling of personal data and when personal data may be transferred outside the country where it was collected. Many such laws impose significant penalties for non-compliance (including possible fines of up to four percent of total company revenue under the GDPR or orders to stop processing personal data in a particular jurisdiction). Each of these privacy, security and data protection laws and regulations could impose significant limitations and increase our cost of providing our products and services where we process personal data and could harm our results of operations and expose us to significant fines, penalties and other damages.

We must also comply with complex foreign and U.S. laws and regulations, such as the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and other local laws prohibiting corrupt payments to governmental officials, anti-competition regulations and sanctions imposed by the U.S. Office of Foreign Assets Control and other similar laws and regulations. Such laws demand that we implement, test, and monitor an effective compliance program, in order to detect and prevent instances of non-compliance. Violations of these laws and regulations could result in fines and penalties, criminal sanctions, restrictions on our business conduct and on our ability to offer our products in one or more countries, and could also materially affect our brand, our ability to attract and retain employees, our international operations, our business and our operating results. Although we have implemented policies and procedures designed to ensure compliance with these laws and regulations, there can be no assurance that our employees, contractors, or agents will not violate our policies.

These regulations are complex, change frequently and have tended to become more stringent over time. We may be required to incur significant expenses to comply with these regulations or to remedy any violations of these regulations. Any failure by us to comply with applicable government regulations could also result in the cessation of our operations or portions of our operations, product recalls or impositions of fines and restrictions on our ability to carry on or expand our operations. In addition, because many of our products are regulated or sold into regulated industries, we must comply with additional regulations in marketing our products. We develop, configure and market our products to meet customer needs created by these regulations. Any significant change in these regulations could reduce demand for our products, force us to modify our products to comply with new regulations or increase our costs of producing these products. If demand for our products is adversely affected or our costs increase, our operating results and business would suffer.

Our products and operations are also often subject to the rules of industrial standards bodies, like the International Standards Organization, as well as regulation by other agencies such as the FDA. We also must comply with work safety rules. If we fail to adequately address any of these regulations, our businesses could be harmed.

***We are subject to extensive regulation by the FDA and certain similar foreign regulatory agencies, and failure to comply with such regulations could harm our reputation, business, financial condition and results of operations.***

A number of our products and services are subject to regulation by the FDA, the U.S. Department of Health and Human Services, the Centers for Medicare & Medicaid Services and certain similar foreign regulatory agencies. In addition, a number of our products and services may in the future be subject to regulation by the FDA and certain similar foreign regulatory agencies. These regulations govern a wide variety of product and service-related activities, from quality management, design and development to labeling, manufacturing, promotion, sales and distribution. In addition, we are subject to inspections by these and other regulatory authorities. If we or any of our suppliers, distributors or customers fail to comply with FDA and other applicable regulatory requirements or are perceived to potentially have failed to comply, we may face, among other things, warning letters; adverse publicity affecting both us and our customers; investigations or notices of non-compliance, fines, injunctions, and civil or criminal penalties; import or export restrictions; partial suspensions or total shutdown of production facilities or the imposition of operating restrictions; suspension or revocation of our license to operate, increased difficulty in obtaining required FDA clearances or approvals or foreign equivalents; seizures or recalls of our products or those of our customers; or the inability to sell our products. Any such FDA or other regulatory agency actions could disrupt our business and operations, lead to significant remedial costs and have a material adverse impact on our financial position and results of operations. In addition, the global regulatory environment has become increasingly stringent for our products and services. For example, the EU has started to enforce new requirements, known as the EU In Vitro Diagnostic Regulation (the “EU IVDR”), which imposes stricter requirements for the marketing and sale of in vitro diagnostics in the European Union. These new regulations are more stringent in a variety of areas, including clinical requirements, quality systems and post-market surveillance activities. The new EU IVDR requirements became effective starting in May 2022. Failure to meet these requirements could adversely impact our business in the EU and other regions that tie their product registrations to the EU requirements.

***Some of our products are subject to particularly complex regulations such as regulations of toxic substances, and failure to comply with such regulations could harm our business.***

Some of our products and related consumables are used in conjunction with chemicals whose manufacture, processing, distribution and notification requirements are regulated by the U.S. Environmental Protection Agency (“EPA”) under the Toxic Substances Control Act and by regulatory bodies in other countries under similar laws. The Toxic Substances Control Act regulations govern, among other things, the testing, manufacture, processing and distribution of chemicals, the testing of regulated chemicals for their effects on human health and safety and the import and export of chemicals. The Toxic Substances Control Act prohibits persons from manufacturing any chemical in the United States that has not been reviewed by the EPA for its effect on health and safety and placed on an EPA inventory of chemical substances. We must ensure conformance of the manufacturing, storing, processing, distribution of and notification about these chemicals to these laws and adapt to regulatory requirements in all applicable countries as these requirements change. If we fail to comply with the notification, record-keeping and other requirements in the manufacture or distribution of our products, then we could be subject to civil penalties, criminal prosecution and, in some cases, prohibition from distributing or marketing our products until the products or component substances are brought into compliance.

***Our business may suffer if we fail to comply with government contracting laws and regulations.***

We derive a portion of our revenue from direct and indirect sales to U.S. federal, state, local, and foreign governments and their respective agencies. Such contracts are subject to various procurement laws and regulations and contract provisions relating to their formation, administration and performance. Failure to comply with these laws, regulations or provisions in our government contracts could result in the imposition of various civil and criminal penalties, termination of contracts, forfeiture of profits, suspension of payments, increased pricing pressure or suspension from future government contracting. If our government contracts are terminated, if we are suspended from government work, or if our ability to compete for new contracts is adversely affected, our business could suffer.

***Our reputation, ability to do business and financial statements may be harmed by improper conduct by any of our employees, agents or business partners.***

We cannot provide assurance that our internal controls and compliance systems will always protect us from acts committed by employees, agents or business partners of ours (or of businesses we acquire or partner with) that would violate U.S. and/or non-U.S. laws, including the laws governing payments to government officials, bribery, fraud, kickbacks and false claims, pricing, sales and marketing practices, conflicts of interest, competition, employment practices and workplace behavior, export and import compliance, money laundering and data privacy. In particular, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business, and we operate in many parts of the world that have experienced governmental corruption to some degree. Any such improper actions or allegations of such acts could damage our reputation and subject us to civil or criminal investigations in the United States and in other jurisdictions, and related shareholder lawsuits could lead to substantial civil and criminal, monetary and non-monetary penalties and could cause us to incur significant legal and investigatory fees. In addition, the government may seek to hold us liable as a successor for violations committed by companies in which we invest or that we acquire. We also rely on our suppliers to adhere to our supplier standards of conduct, and material violations of such standards of conduct could occur that could have a material effect on our business, reputation and financial statements.

***Environmental contamination from past and ongoing operations could subject us to substantial liabilities.***

Certain properties we have previously owned or leased are undergoing remediation for subsurface contamination. Although we are indemnified for liability relating to the required remediation at some of those properties, we may be subject to liability if these indemnification obligations are not fulfilled. In other cases, we have agreed to indemnify the current owners of certain properties for liabilities related to contamination, including companies with which we have previously been affiliated such as HP, Inc., Hewlett-Packard Enterprise (formerly Hewlett-Packard Company) and Siemens Healthineers (formerly Varian Medical Systems, Inc.). Further, other properties we have previously owned or leased at which we have operated in the past, or for which we have otherwise contractually assumed or provided indemnities, certain actual or contingent environmental liabilities, may or do require remediation. While we are not aware of any material liabilities associated with any potential environmental contamination at any of those properties or facilities, we may be exposed to material liability if environmental contamination at material levels is found to exist. In addition, in connection with the acquisition of certain companies, we have assumed other costs and potential or contingent liabilities for environmental matters. Any significant costs or liabilities could have an adverse effect on results of operations.

***We are subject to environmental laws and regulations that expose us to a number of risks and could result in significant liabilities and costs.***

Our current and historical manufacturing and research and development processes and facilities are subject to various foreign, federal, state and local environment protection and health and safety laws and regulations. As a result, we may become subject to liabilities for environmental contamination, and these liabilities may be substantial. Although our policy is to apply strict standards for environmental protection and health and safety at our sites inside and outside the United States, we may not be aware of all conditions that could subject us to liability. Further, in the event that any future climate change legislation would require that stricter standards be imposed by domestic or international environmental regulatory authorities, we may be required to make certain changes and adaptations to our manufacturing processes and facilities. We cannot predict how changes will affect our business operations or the cost of compliance to us, our customers or our suppliers. Failure to comply with these environmental protection and health and safety laws and regulations could result in civil, criminal, regulatory, administrative or contractual sanction, including fines, penalties or suspensions, restrictions on our operations and reputational damage. If we have any violations of, or incur liabilities pursuant to these laws or regulations, our financial condition and operating results could be adversely affected.

***Third parties may claim that we are infringing their intellectual property, and we could suffer significant litigation or licensing expenses or be prevented from selling products or services.***

From time to time, third parties may claim that one or more of our products or services infringe their intellectual property rights. We analyze and take action in response to such claims on a case by case basis. Any dispute or litigation regarding patents or other intellectual property could be costly and time-consuming due to the complexity of our technology and the uncertainty of intellectual property litigation and could divert our management and key personnel from our business operations. A claim of intellectual property infringement could force us to enter into a costly or restrictive license agreement, which might not be available under acceptable terms or at all, could require us to redesign our products, which would be costly and time-consuming, and/or could subject us to significant damages or to an injunction against the development and sale of certain of our products or services. Our intellectual property portfolio may not be useful in asserting a counterclaim, or negotiating a license, in response to a claim of intellectual property infringement. In certain of our businesses, we rely on third-party intellectual property licenses, and we cannot ensure that these licenses will continue to be available to us in the future or can be expanded to cover new products on favorable terms or at all.

***Third parties may infringe our intellectual property, and we may suffer competitive injury or expend significant resources enforcing our rights.***

Our success depends in large part on our proprietary technology, including technology we obtained through acquisitions. We rely on various intellectual property rights, including patents, copyrights, trademarks and trade secrets, as well as confidentiality provisions and licensing arrangements, to establish our proprietary rights. If we do not enforce our intellectual property rights successfully, our competitive position may suffer, which could hamper our operating results.

Our pending patent, copyright and trademark registration applications may not be allowed, or competitors may challenge the validity or scope of our patents, copyrights or trademarks. In addition, our patents, copyrights, trademarks and other intellectual property rights may not provide us with a significant competitive advantage.

We may need to spend significant resources monitoring and enforcing our intellectual property rights, and we may not be aware of or able to detect or prove infringement by third parties. Our competitive position may be harmed if we cannot detect infringement and enforce our intellectual property rights quickly or at all. In some circumstances, we may choose to not pursue enforcement because an infringer has a dominant intellectual property position or for other business reasons. In addition, competitors might avoid infringement by designing around our intellectual property rights or by developing non-infringing competing technologies. Intellectual property rights and our ability to enforce them may be unavailable or limited in some countries, which could make it easier for competitors to capture market share and could result in lost revenues. Furthermore, some of our intellectual property is licensed to others which may allow them to compete with us using that intellectual property.

***We are subject to evolving corporate governance and public disclosure expectations and regulations that impact compliance costs and risks of noncompliance.***

We are subject to changing rules and regulations promulgated by a number of governmental and self-regulatory organizations, including the SEC and NYSE, as well as evolving investor expectations around corporate governance and environmental and social practices and disclosures. These rules and regulations continue to evolve in scope and complexity, and many new requirements have been created in response to laws enacted by the U.S. and foreign governments, making compliance more difficult and uncertain. The increase in costs to comply with such evolving expectations, rules and regulations, as well as any risk of noncompliance, could adversely impact us.



## Operational Risks

***If we are unable to successfully manage the consolidation and streamlining of our manufacturing operations, we may not achieve desired efficiencies, and our ability to deliver products to our customers could be disrupted.***

Although we utilize manufacturing facilities throughout the world, we have consolidated, and may further consolidate, our manufacturing operations to certain of our plants to achieve efficiencies and gross margin improvements. Additionally, we typically consolidate the production of products from our acquisitions into our supply chain and manufacturing processes, which are technically complex and require expertise to operate. If we are unable to establish processes to efficiently and effectively produce high quality products in the consolidated locations, we may not achieve the anticipated synergies and production may be disrupted, which could adversely affect our business and operating results.

***Our operating results may suffer if our manufacturing capacity does not match the demand for our products.***

Because we cannot immediately adapt our production capacity and related cost structures to rapidly changing market conditions, when demand does not meet our expectations, our manufacturing capacity may exceed our production requirements. If during an economic downturn we had excess manufacturing capacity which could occur due to our plans to expand certain manufacturing capacities, then our fixed costs associated with excess manufacturing capacity would adversely affect our gross margins and operating results. If, during a general market upturn or an upturn in one of our segments, we cannot increase our manufacturing capacity to meet product demand, we may not be able to fulfill orders in a timely manner which could lead to order cancellations, contract breaches or indemnification obligations. This inability could materially and adversely limit our ability to improve our results.

***Dependence on contract manufacturing and outsourcing other portions of our supply chain, including logistics and third-party package delivery services, may adversely affect our ability to bring products to market and damage our reputation. Dependence on outsourced information technology and other administrative functions may impair our ability to operate effectively.***

As part of our efforts to streamline operations and to manage costs, we outsource aspects of our manufacturing processes and other functions and continue to evaluate additional outsourcing. If our contract manufacturers or other outsourcers fail to perform their obligations in a timely manner or at satisfactory quality levels, our ability to bring products to market and our reputation could suffer. For example, during a market upturn, our contract manufacturers may be unable to meet our demand requirements, which may preclude us from fulfilling our customers' orders on a timely basis. The ability of these manufacturers to perform is largely outside of our control. If one or more of the third-party package delivery providers experiences a significant disruption in services or institutes a significant price increase, we may have to seek alternative providers, our costs could increase, and the delivery of our products could be prevented or delayed. Additionally, changing or replacing our contract manufacturers, logistics providers or other outsourcers could cause disruptions or delays. In addition, we outsource significant portions of our information technology ("IT") and other administrative functions. Since IT is critical to our operations, any failure to perform on the part of our IT providers could impair our ability to operate effectively. In addition to the risks outlined above, problems with manufacturing or IT outsourcing could result in lower revenue and unexecuted efficiencies and impact our results of operations and our stock price.

***If we suffer a loss to our factories, facilities or distribution system due to catastrophe, our operations could be seriously harmed.***

Our factories, facilities and distribution system are subject to catastrophic loss due to fire, flood, terrorism, public health crises, increasing severity or frequency of extreme weather events, or other climate-change related risks, including resource scarcity, rationing or unexpected costs from increases in fuel and raw material prices that may be caused by extreme weather conditions. For example, in the second quarter of fiscal year 2022, the outbreak of COVID-19 in China led to mandated shutdown of our facilities in Shanghai, which adversely impacted our business and results, and impacted our supply chain. In addition, several of our facilities could be subject to a catastrophic loss caused by earthquake due to their locations. Our production facilities, headquarters and laboratories in California, and our production facilities in Japan, are all located in areas with above-average seismic activity. In addition, our facilities in California are susceptible to extreme weather conditions such as drought, flooding and wildfires. If any of our facilities were to experience a catastrophic loss, it could disrupt our operations, delay production, shipments and revenue and result in large expenses to repair or replace the facility. If such a disruption were to occur, we could breach agreements, our reputation could be harmed, and our business and operating results could be adversely affected. In addition, because we have consolidated our manufacturing facilities and we may not have redundant manufacturing capability readily available, we are more likely to experience an interruption to our operations in the event of a catastrophe in any one location. Although we carry insurance for property damage and business interruption, we do not carry insurance or financial reserves for interruptions or potential losses arising from earthquakes or terrorism. Also, our third-party insurance coverage will vary from time to time in both type and amount depending on availability, cost and our decisions with respect to risk retention. Economic conditions and uncertainties in global markets may adversely affect the cost and other terms upon which we are able to obtain third-party insurance. If our third-party insurance coverage is adversely affected or to the extent we have elected to self-insure, we may be at a greater risk that our financial condition will be harmed by a catastrophic loss.

***If we experience a significant disruption in, or breach in security of, our information technology systems, or if we fail to implement new systems and software successfully, our business could be adversely affected.***

We rely on several centralized information technology systems throughout our company to provide products and services, keep financial records, process orders, manage inventory, process shipments to customers and operate other critical functions. Our information technology systems may be susceptible to damage, disruptions or shutdowns due to power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors, catastrophes or other unforeseen events. For example, in December 2020, it was widely reported that SolarWinds, an information technology company, was the subject of a cyberattack that created security vulnerabilities for thousands of its clients. We identified an impacted SolarWinds server and promptly took steps to contain and remediate the incidents. While we believe that there were no disruptions to our operations as a result of this attack, other similar attacks could have a significant negative impact on our systems and operations. Our information technology systems also may experience interruptions, delays or cessations of service or produce errors in connection with system integration, software upgrades or system migration work that takes place from time to time. If we were to experience a prolonged system disruption in the information technology systems that involve our interactions with customers or suppliers, it could result in the loss of sales and customers and significant incremental costs, which could adversely affect our business. In addition, security breaches of our information technology systems could result in the misappropriation or unauthorized disclosure of confidential information belonging to us or to our employees, partners, customers or suppliers, which could result in our suffering significant financial or reputational damage.

**Financial and Tax Risks**

***Our retirement and post retirement pension plans are subject to financial market risks that could adversely affect our future results of operations and cash flows.***

We have significant retirement and post retirement pension plan assets and obligations. The performance of the financial markets and interest rates impact our plan expenses and funding obligations. Significant decreases in market interest rates, decreases in the fair value of plan assets and investment losses on plan assets will increase our funding obligations and adversely impact our results of operations and cash flows.

***Changes in tax laws, unfavorable resolution of tax examinations, or exposure to additional tax liabilities could have a material adverse effect on our results of operations, financial condition and liquidity.***

We are subject to taxes in the U.S., Singapore and various foreign jurisdictions. Governments in the jurisdictions in which we operate implement changes to tax laws and regulations periodically. Any implementation of tax laws that fundamentally change the taxation of corporations in the U.S. or Singapore could materially impact our effective tax rate and could have a significant adverse impact on our financial results.

The Organization for Economic Co-operation and Development (OECD), an international association comprised of 38 countries, including the United States, has made changes and is contemplating additional changes to numerous long-standing tax principles. There can be no assurance that these changes and any contemplated changes if and when finalized, once adopted by countries, will not have an adverse impact on our provision for income taxes.

We are also subject to examinations of our tax returns by tax authorities in various jurisdictions around the world. We regularly assess the likelihood of adverse outcomes resulting from ongoing tax examinations to determine the adequacy of our provision for taxes. These assessments can require a high degree of judgment and estimation. Intercompany transactions associated with the sale of inventory, services, intellectual property and cost share arrangements are complex and affect our tax liabilities. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in multiple jurisdictions. There can be no assurance that the outcomes from ongoing tax examinations will not have an adverse effect on our operating results and financial condition. A difference in the ultimate resolution of tax uncertainties from what is currently estimated could have an adverse effect on our financial results and condition.

***If tax incentives change or cease to be in effect, our income taxes could increase significantly.***

We benefit from tax incentives extended to our foreign subsidiaries to encourage investment or employment. Singapore has granted us tax incentives which require renewal at various times in the future. The incentives are conditioned on achieving various thresholds of investments and employment or specific types of income. Our taxes could increase if the incentives are not renewed upon expiration. If we cannot or do not wish to satisfy all or parts of the tax incentive conditions, we may lose the related tax incentive and could be required to refund tax incentives previously realized. As a result, our effective tax rate could be higher than it would have been had we maintained the benefits of the tax incentives.

***We have outstanding debt and may incur other debt in the future, which could adversely affect our financial condition, liquidity and results of operations.***

We are party to a \$1.5 billion five-year unsecured credit facility that will expire on June 7, 2028 and a \$600 million term loan facility that matures on April 15, 2025. Furthermore, we are permitted pursuant to the credit agreement to establish incremental facilities of up to \$750 million. We also entered into an Uncommitted Money Market Line Credit agreement with Societe Generale which provides for an aggregate borrowing capacity of \$300 million. The credit facility is an uncommitted short-term cash advance facility where each request must be at least \$1 million. As of July 31, 2023, we had no borrowings outstanding under these credit facilities and the incremental facilities. As of July 31, 2023, we had borrowings of \$55 million outstanding under our U.S. commercial paper program and had a weighted average annual interest rate of 5.4 percent. We also had outstanding an aggregate principal amount of \$2.1 billion in senior unsecured notes and \$600 million outstanding under the term loan facility. We may borrow additional amounts in the future and use the proceeds from any future borrowing for general corporate purposes, future acquisitions, expansion of our business or repurchases of our outstanding shares of common stock.

Our incurrence of this debt, and increases in our aggregate levels of debt, may adversely affect our operating results and financial condition by, among other things:

- increasing our vulnerability to downturns in our business, to competitive pressures and to adverse economic and industry conditions;
- requiring the dedication of an increased portion of our expected cash flows from operations to service our indebtedness, thereby reducing the amount of expected cash flows available for other purposes, including capital expenditures, acquisitions, stock repurchases and dividends; and
- limiting our flexibility in planning for or reacting to changes in our business and our industry.

Our credit facility and our term loan facility each imposes restrictions on us, including restrictions on our ability to create liens on our assets and engage in certain types of sale and leaseback transactions and the ability of our subsidiaries to incur indebtedness, and requires us to maintain compliance with specified financial ratios. Our ability to comply with these ratios may be affected by events beyond our control. In addition, the indentures governing our senior notes contain covenants that may adversely affect our ability to incur certain liens or engage in certain types of sale and leaseback transactions. If we breach any of the covenants and do not obtain a waiver from the lenders or noteholders, then, subject to applicable cure periods, our outstanding indebtedness could be declared immediately due and payable.

***We cannot assure that we will continue to pay dividends on our common stock.***

Since the first quarter of fiscal year 2012, we have paid a quarterly dividend on our common stock. The timing, declaration, amount and payment of any future dividends fall within the discretion of our Board of Directors and will depend on many factors, including our available cash, estimated cash needs, earnings, financial condition, operating results, capital requirements, as well as limitations in our contractual agreements, applicable law, regulatory constraints, industry practice and other business considerations that our Board of Directors considers relevant. A change in our dividend program could have an adverse effect on the market price of our common stock.

***Adverse conditions in the global banking industry and credit markets may adversely impact the value of our cash investments or impair our liquidity.***

As of July 31, 2023, we had cash and cash equivalents of approximately \$1.3 billion invested or held in a mix of money market funds, time deposit accounts and bank demand deposit accounts. Disruptions and volatility in the financial markets may, in some cases, result in an inability to access assets such as money market funds that traditionally have been viewed as highly liquid or hinder our ability to borrow money in the amounts, at interest rates or upon the more favorable terms and conditions that might be available under different economic circumstances. Any failure of our counterparty financial institutions or funds in which we have invested may adversely impact our cash and cash equivalent positions and, in turn, our operating results and financial condition.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### ISSUER PURCHASES OF EQUITY SECURITIES

The table below summarizes information about the company's purchases, based on trade date, of its equity securities registered pursuant to Section 12 of the Exchange Act during the quarterly period ended July 31, 2023.

Period	Total Number of Shares of Common Stock Purchased (1)	Weighted Average Price Paid per Share of Common Stock (2)	Total Number of Shares of Common Stock Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Approximate Dollar Value of Shares of Common Stock that May Yet Be Purchased Under the Plans or Programs (in millions) (1)
	(a)	(b)	(c)	(d)
<b>2023 Repurchase Program</b>				
May 1, 2023 through May 31, 2023	421,723	\$ 123.15	421,723	\$ 1,887
June 1, 2023 through June 30, 2023	2,183,938	\$ 118.07	2,183,938	\$ 1,629
July 1, 2023 through July 31, 2023	206,642	\$ 121.69	206,642	\$ 1,604
<b>Total</b>	<b>2,812,303</b>	<b>\$ 119.10</b>	<b>2,812,303</b>	<b>\$ 1,604</b>

- (1) On January 9, 2023, we announced that our board of directors had approved a share repurchase program (the "2023 repurchase program") designed, among other things, to reduce or eliminate dilution resulting from issuance of stock under the company's employee equity incentive programs. The 2023 repurchase program authorizes the purchase of up to \$2.0 billion, excluding excise taxes, of our common stock at the company's discretion and has no fixed termination date. The 2023 repurchase program does not require the company to acquire a specific number of shares and may be suspended, amended or discontinued at any time. As of July 31, 2023, all repurchased shares under this authorization to date have been retired.
- (2) The weighted average price paid per share of common stock does not include the cost of commissions or excise taxes.

## ITEM 5. OTHER INFORMATION

### Rule 10b5-1 Trading Arrangements

During the three months ended July 31, 2023, none of our officers or directors adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" as each term is defined in Item 408 of Regulation S-K.

**ITEM 6. EXHIBITS**

(a) Exhibits:

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#"><u>Second Amended and Restated Certificate of Incorporation of Agilent Technologies, Inc., incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 17, 2023</u></a>
3.2	<a href="#"><u>Amended and Restated Bylaws of Agilent Technologies, Inc., incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 22, 2023</u></a>
10.1	<a href="#"><u>Credit Agreement, dated June 7, 2023, by and among the Company, the Lenders party thereto and BNP Paribas, as Administrative Agent, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 7, 2023.</u></a>
31.1	<a href="#"><u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1	<a href="#"><u>Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS XBRL	Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH XBRL	Schema Document
101.CAL XBRL	Calculation Linkbase Document
101.LAB XBRL	Labels Linkbase Document
101.PRE XBRL	Presentation Linkbase Document
101.DEF XBRL	Definition Linkbase Document

**AGILENT TECHNOLOGIES, INC.**

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated:      August 30, 2023

By:      /s/ Robert W. McMahon  
Robert W. McMahon  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

Dated:      August 30, 2023

By:      /s/ Rodney Gonsalves  
Rodney Gonsalves  
Vice President, Corporate Controllershship  
(Principal Accounting Officer)