

AGILENT TECHNOLOGIES INC

Form 10-Q

September 02, 2015

Table of Contents

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

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED JULY 31, 2015

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 001-15405

AGILENT TECHNOLOGIES, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

77-0518772

(State or other jurisdiction of
incorporation or organization)

(IRS employer
Identification no.)

5301 STEVENS CREEK BLVD.,

SANTA CLARA, CALIFORNIA

(Address of principal executive offices)

95051

(Zip Code)

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(do not check if a smaller reporting company)

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

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

CLASS

OUTSTANDING AT AUGUST 31, 2015

COMMON STOCK, \$0.01 PAR VALUE

331,403,231

Table of ContentsAGILENT TECHNOLOGIES, INC.
TABLE OF CONTENTS

		Page Number
<u>Part I.</u>	<u>Financial Information</u>	<u>3</u>
	<u>Item 1.</u>	<u>3</u>
	<u>Condensed Consolidated Financial Statements (Unaudited)</u>	<u>3</u>
	<u>Condensed Consolidated Statement of Operations</u>	<u>3</u>
	<u>Condensed Consolidated Statement of Comprehensive Income (Loss)</u>	<u>4</u>
	<u>Condensed Consolidated Balance Sheet</u>	<u>5</u>
	<u>Condensed Consolidated Statement of Cash Flows</u>	<u>6</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
	<u>Item 2.</u>	<u>31</u>
	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>31</u>
	<u>Item 3.</u>	<u>47</u>
	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>47</u>
	<u>Item 4.</u>	<u>47</u>
	<u>Controls and Procedures</u>	<u>47</u>
<u>Part II.</u>	<u>Other Information</u>	<u>47</u>
	<u>Item 1.</u>	<u>48</u>
	<u>Legal Proceedings</u>	<u>48</u>
	<u>Item 1A.</u>	<u>48</u>
	<u>Risk Factors</u>	<u>48</u>
	<u>Item 2.</u>	<u>58</u>
	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>58</u>
	<u>Item 6.</u>	<u>58</u>
	<u>Exhibits</u>	<u>58</u>
<u>Signature</u>		<u>59</u>
<u>Exhibit Index</u>		<u>60</u>

Table of Contents

PART I— FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AGILENT TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(in millions, except per share amounts)

(Unaudited)

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

Edgar Filing: AGILENT TECHNOLOGIES INC - Form 10-Q

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

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

3

Table of Contents

AGILENT TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(in millions)

(Unaudited)

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

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

Table of Contents

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

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

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

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

5

Table of Contents

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

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