KEYSIGHT

Keysight Technologies
Q1 Fiscal Year 2025 Results

February 25, 2025

Safe Harbor

This communication contains forward-looking statements as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and is subject to the safe harbors created therein. Statements preceded by, followed by, or that otherwise include the words "anticipate," "assume," "plan," "estimate," "expect," "guidance," "intend," "implied," "target," "believe," "outlook," and similar words or expressions, or future or conditional verbs such as "will," "should," "would," "may," or "could", or statements regarding the company's goals, priorities, anticipated revenues, anticipated demand, growth opportunities, customer service and innovation plans, new product introductions, anticipated financial condition, anticipated gross and operating margins, future earnings, the anticipated continued strengths and expected growth of the markets the company sells into, and future operations, earnings, and tax rates are intended to identify forward-looking statements. Keysight disclaims any intention to, and undertakes no responsibility to, update or revise any forward looking statement, whether as a result of new information, a future event, or otherwise. The forward-looking statements contained herein include, but are not limited to, predictions, guidance, projections, assumptions, beliefs, opinions, and expectations regarding the company's future goals, revenues, financial condition, earnings, and operations that involve risks and uncertainties that could cause Keysight's results to differ materially from those expressed in such statements. Such risks and uncertainties include, but are not limited to, impacts of global economic conditions such as inflation or recession; uncertainty related to the impact of national election results in the U.S. and UK; volatility in financial markets, reduced access to credit, changing interest rates, slowing demand for products or services; impacts of US export control regulations; impacts of geopolitical tension and conflict; impacts related to net-zero emissions commitments; customer purchasing decisions and timing; order cancellations. For additional risks and uncertainties that could impact Keysight's actual results, please see our latest Form 10-K filed with the SEC on December 17, 2024, included but not limited to the discussion under "Risk Factors" therein, which may be viewed at www.sec.gov.

This presentation includes a number of different financial measures, both GAAP and non-GAAP, in analyzing and assessing the overall performance of the business, for making operating decisions and for forecasting and planning for future periods. Non-GAAP measures exclude primarily the impacts of amortization of acquisition-related balances, share-based compensation, acquisition and integration costs, restructuring and related costs, and any one-time adjustments that may have a material effect on the Company's expenses and income from operations calculated in accordance with GAAP. Also excluded are tax benefits or expenses that are not directly related to ongoing operations and which are either isolated or cannot be expected to occur again with any regularity or predictability. For future periods, most of these excluded amounts pertain to events that have not yet occurred and are not currently possible to estimate with a reasonable degree of accuracy. This limits our ability to provide a reconciliation of the expected non-GAAP earnings per share to the GAAP equivalent. The definitions of these non-GAAP financial measures may differ from similarly titled measures used by others, and such non-GAAP measures should be considered supplemental to and not a substitute for financial information prepared in accordance with GAAP. Keysight generally uses non-GAAP financial measures to facilitate management's comparisons to historic operating results, to competitors' operating results and to guidance provided to investors. In addition, Keysight believes that the use of these non-GAAP financial measures provides greater transparency to investors of information used by management in its financial and operational decision-making. Refer to last slide for more details on the use of non-GAAP financial measures.

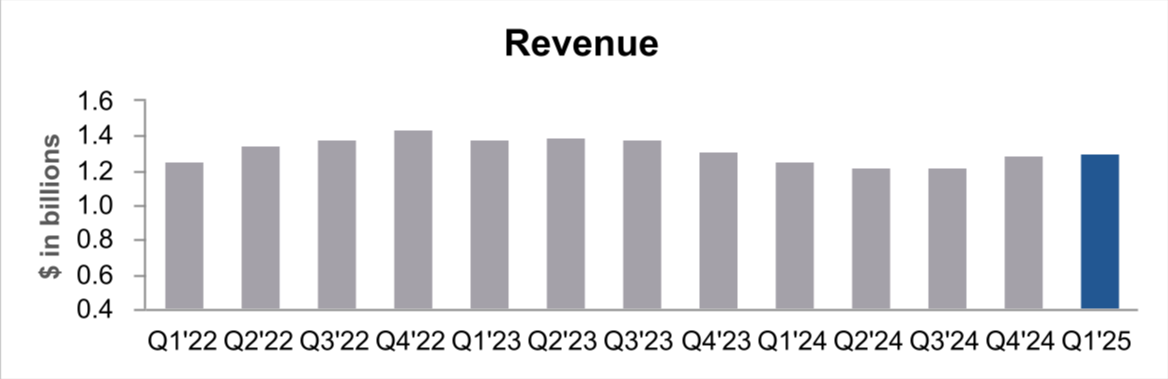
Q1’25 Highlights

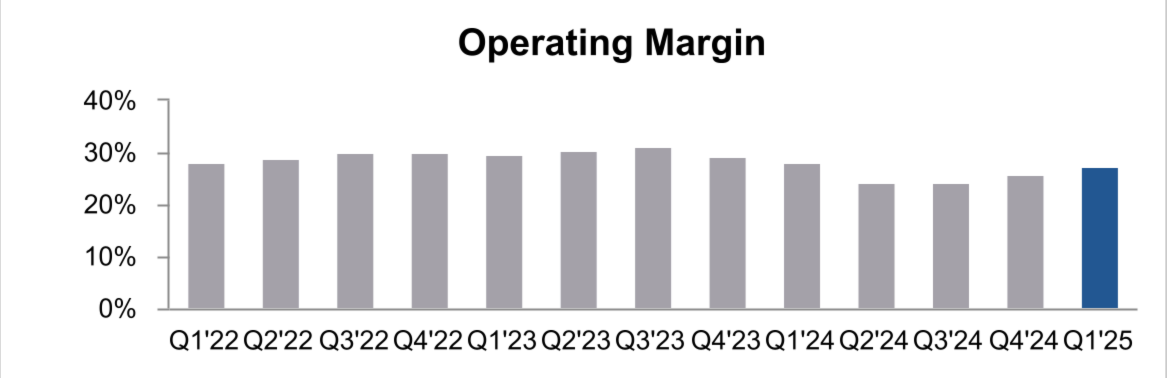
1	**Delivered a strong start to the year with first quarter results that were above expectations**	• First quarter revenue of $1.3B and earnings per share of $1.82 exceeded the high-end of guidance. • Revenue returned to growth driven by strength in commercial communications as well as aerospace, defense and government. • Expenses continue to be well-managed.
2	**Orders grew in a mixed demand environment**	• Orders grew for the second consecutive quarter, up 4% y/y to $1.3B. • Communication Solutions Group orders continued to grow driven largely by ongoing strength in AI. • Electronic Industrial Solutions Group orders were stable y/y. General electronics orders grew for a second consecutive quarter while automotive remained challenged.
3	**Continued to execute our long-term strategy and deliver on commitments to customers and shareholders**	• Software and services revenue accounted for ~40% of total revenue; recurring software and services revenue was ~31% of total revenue. • Increased R&D investment to $230M (~18% of revenue). • Q1'25 share repurchases totaled ~450 thousand shares for a total consideration of $75M. • Continue to progress the regulatory clearances for acquisition of Spirent Communications.

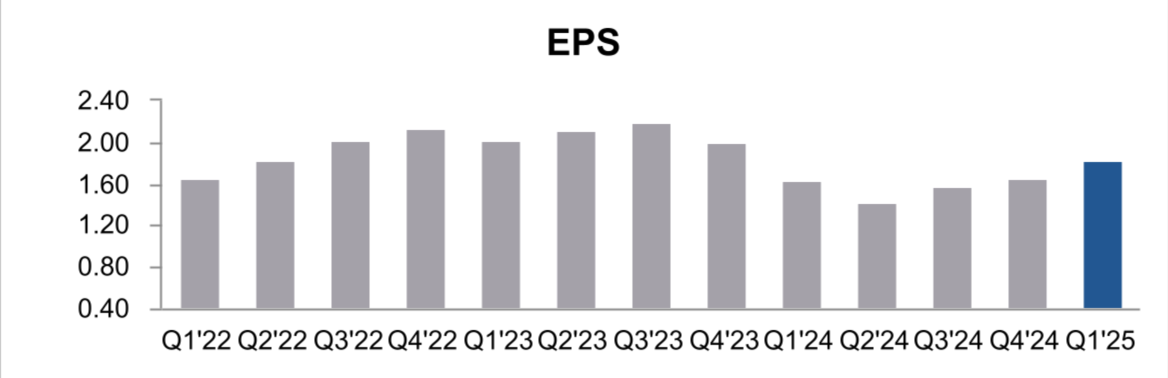
Reconciliations to closest GAAP equivalent provided for current period for all non-GAAP measures.

Q1’25 Non-GAAP Financial Highlights

Orders	Revenue	Operating Margin	EPS
$1.263B	$1.298B	27.3%	$1.82
+4%y/y (+4%core*)	+3%y/y (+3% core*)	-90 basis points y/y	+12%y/y







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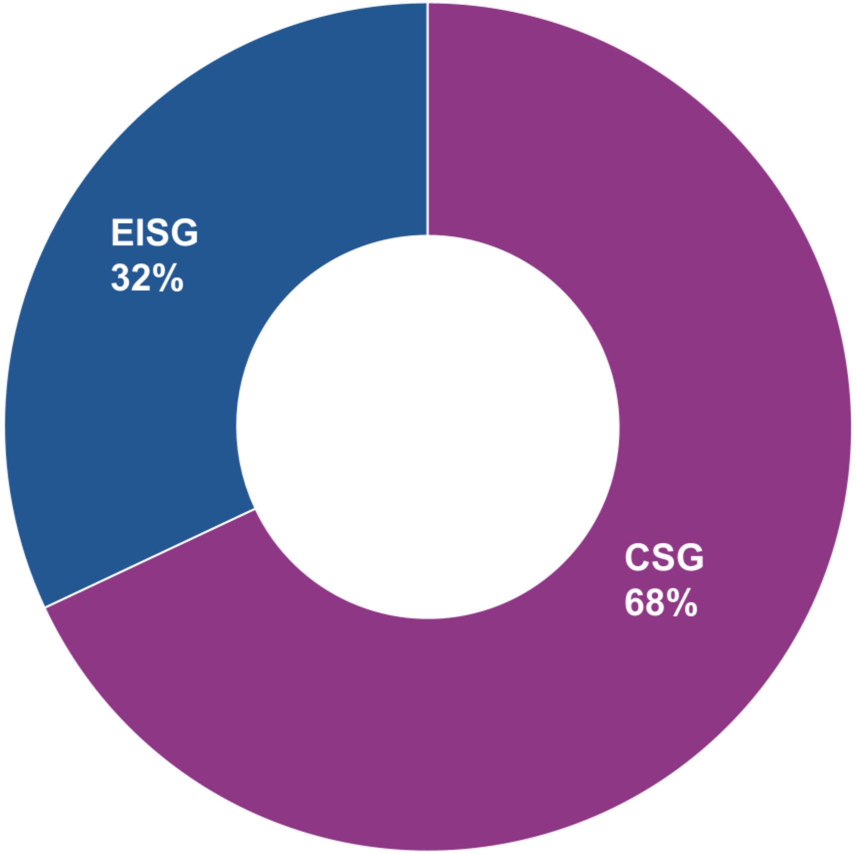
* Core excludes the impact of currency, acquisitions or divestitures closed in last twelve months; reconciliations included. Reconciliations to closest GAAP equivalent provided for current period for all non-GAAP measures. For prior periods, please refer to investor.keysight.com.

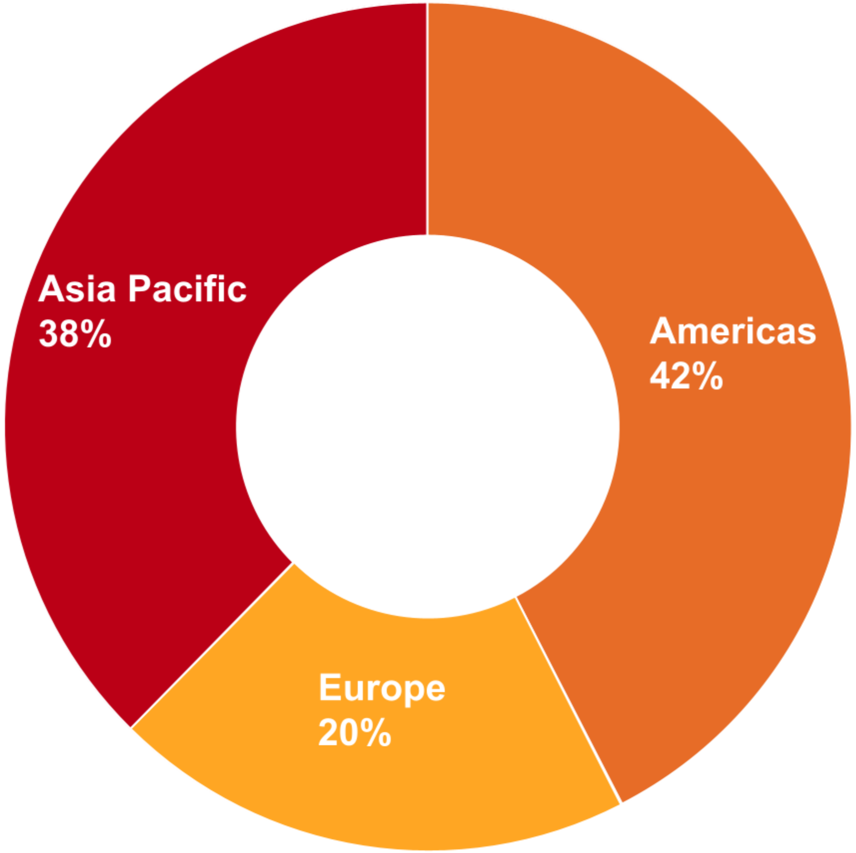
Revenue by Segment & by Region

Q1'25 Revenue: $1.298B

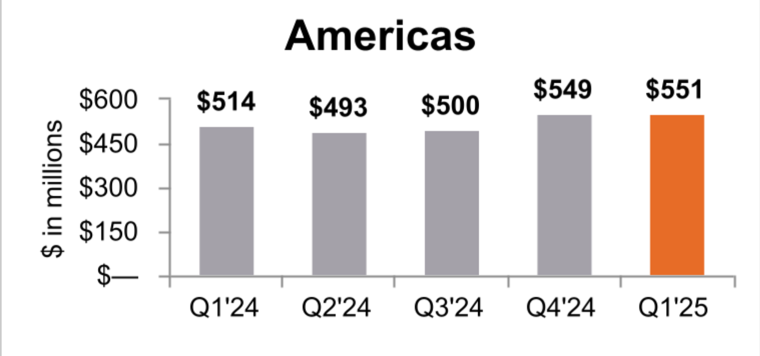
By Segment



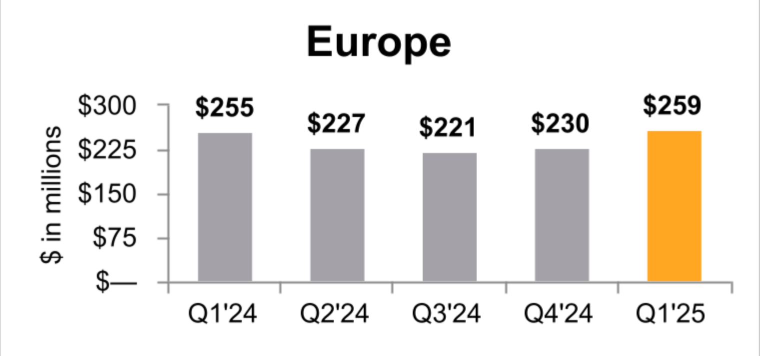
By Region



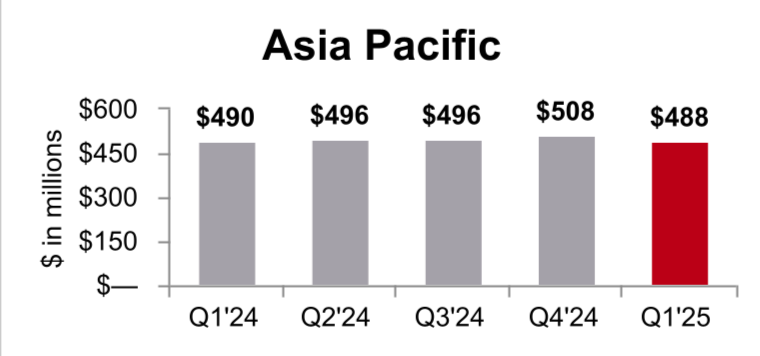
Revenue Trend by Region



+7% y/y (+7% core*): Revenue growth in ADG, CC and EI.



+1% y/y (+1% core*): Revenue growth in CC; decline in ADG and EI was flat.



-1% y/y (+1% core*): Revenue decline in EI; growth in CC and ADG.

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

Q1’25 Communications Solutions Group Highlights

Revenue

$883M

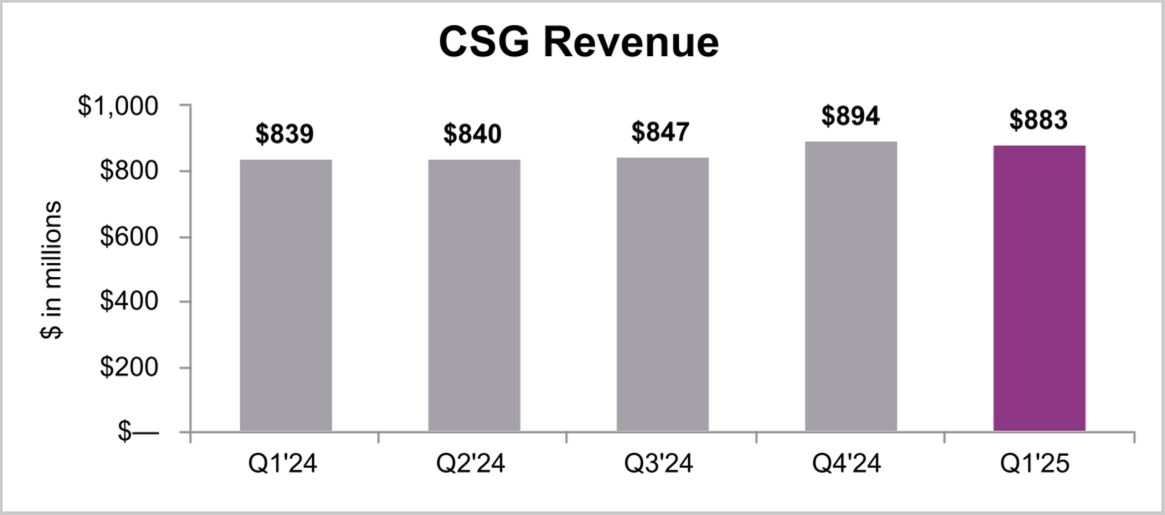
+5% y/y (+5% core*)

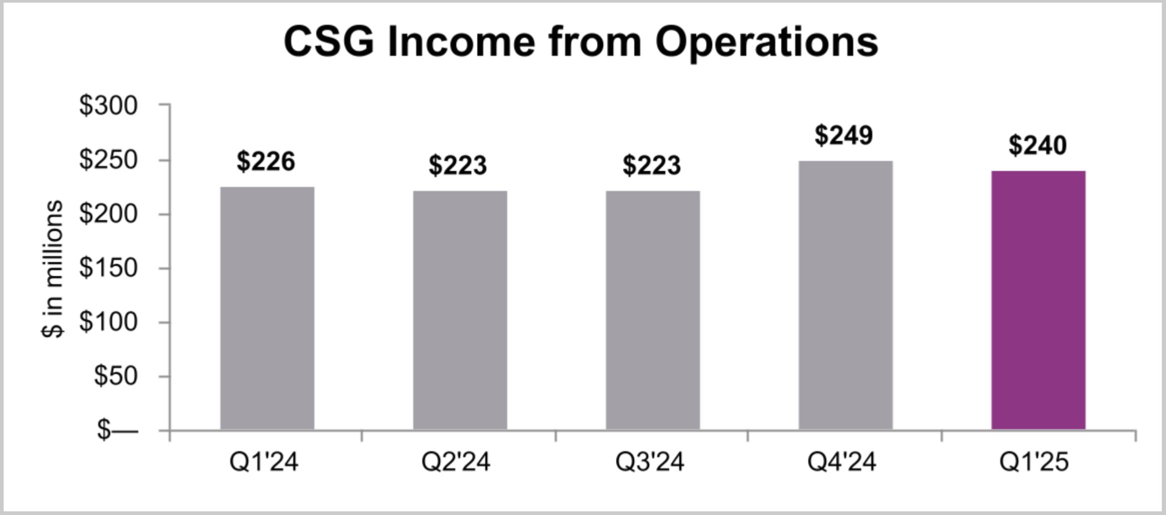
Operating Margin

27.2%

+20 basis points y/y

- Gross margin of 68% reflecting strong solutions differentiation.
- **Commercial Communications:** Revenue grew y/y for a second consecutive quarter. Strong order growth driven primarily by continued demand for AI-related solutions.
- **Aerospace, Defense & Government:** Revenue grew to a first quarter record with strength in the U.S. and Asia. Orders declined y/y, reflecting ongoing continuing resolutions.





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Q1'25 Electronic Industrial Solutions Group Highlights

Revenue

$415M

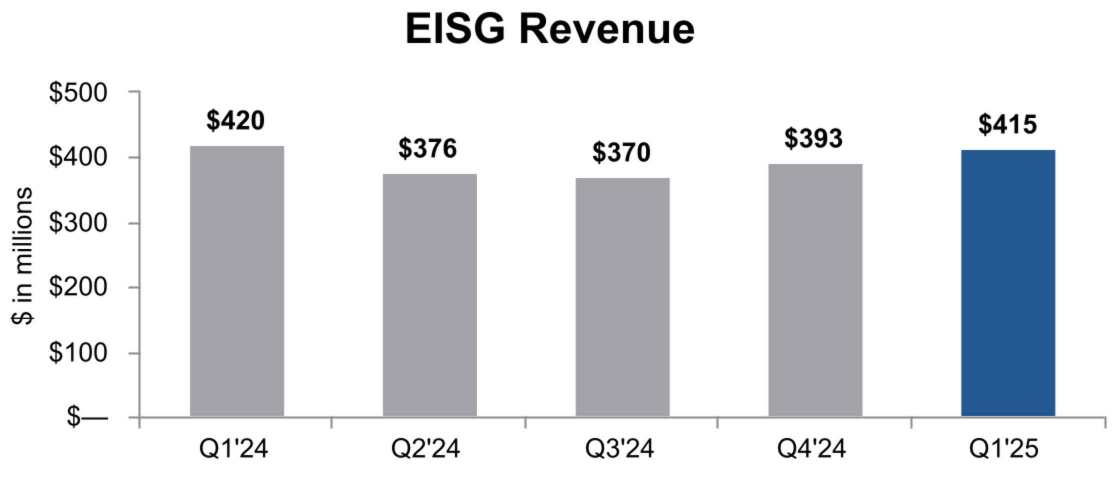
-1% y/y (— core*)

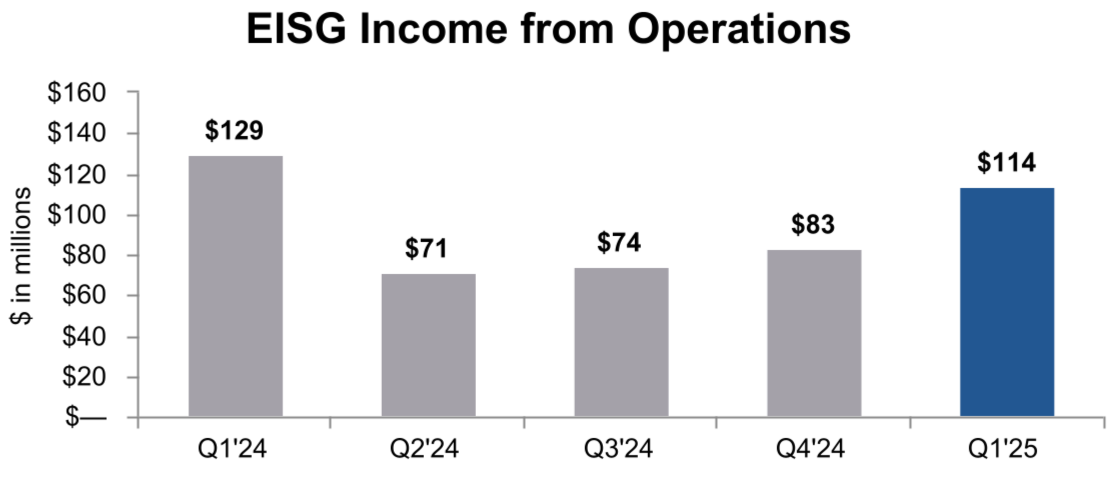
Operating Margin

27.4%

-320 basis points y/y

- **Automotive:** Market conditions remain challenged, reflecting muted activity in manufacturing and EV battery development.
- **Semiconductor:** Revenue and orders were up modestly. Foundry and memory customers drove higher demand for parametric wafer test.
- **General Electronics:** Orders grew for a second consecutive quarter driven by high-speed PCB and connectivity applications and inventory normalization in the distribution channel. Advanced research showed strength.





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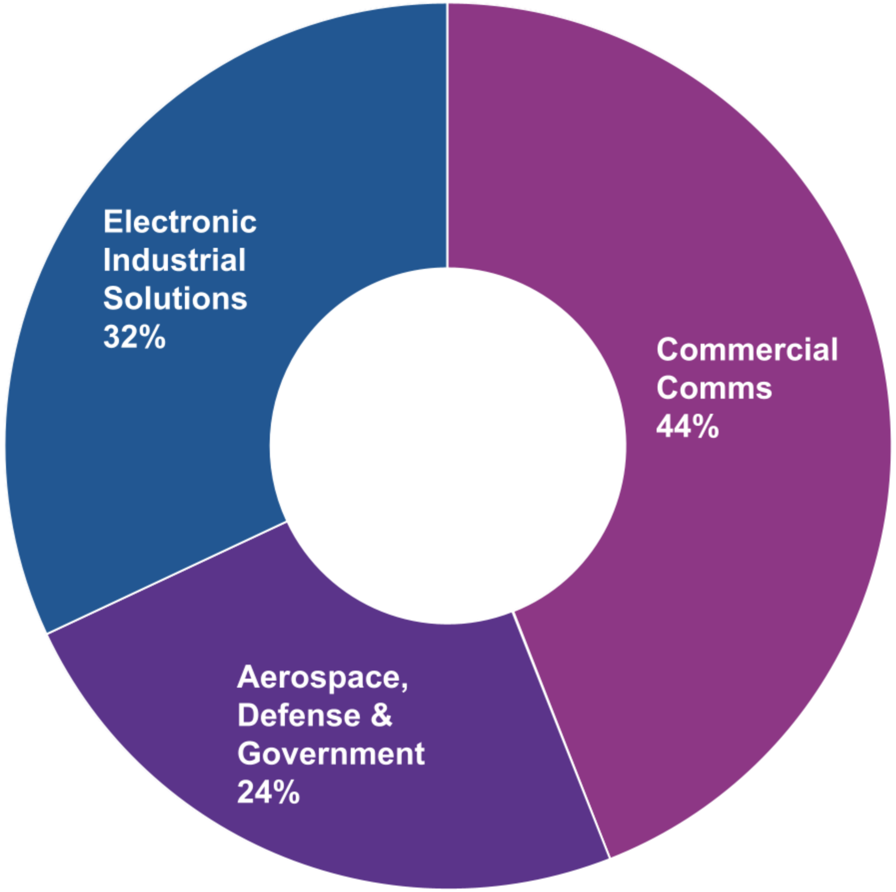
Q1'25 Revenue By End Market



End Market	Revenue	YoY %
Commercial Communications	$572M	+5%
Aerospace, Defense & Government	$311M	+5%
Electronic Industrial Solutions	$415M	-1%
Total	**$1,298M**	**+3%**

Guidance and Financial Considerations

	Q2'25 Guidance
Revenue	**$1.270B – $1.290B**
Non-GAAP Earnings per share	**$1.61 – $1.67**

Q2'25 Financial Assumptions

- Interest Income, Interest Expense and Other Income/Expense: ~$10-12M net income per quarter
- Non-GAAP tax rate of 14% for Q225 and FY25
- Guidance assumes Q2 weighted average diluted share count of approximately 174M shares
- FY25 capital expenditures expected to be approximately $150M

Reconciliations

RECONCILIATION OF CORE REVENUE

(In millions)
(Unaudited)
PRELIMINARY

	Three months ended January 31,		
	2025	**2024**	**Percent Inc/(Dec)**
Revenue	**$ 1,298**	**$ 1,259**	**3%**
Adjustments:			
Revenue from acquisitions or divestitures	(6)	—	
Currency impacts	10	—	
Core Revenue	**$ 1,302**	**$ 1,259**	**3%**

RECONCILIATIONS OF CORE REVENUE BY SEGMENT AND REGION

(In millions)

(Unaudited)

PRELIMINARY

	Year-over-Year							
	Revenue			Revenue from acquisitions or divestitures	Currency Adjustments	Core Revenue		
Revenue by Segment	Q1'25	Q1'24	YoY % Chg.	Q1'25	Q1'25	Q1'25	Q1'24	YoY % Chg.
Communications Solutions Group	$ 883	$ 839	5%	$ 6	$ (6)	$ 883	$ 839	5%
Electronic Industrial Solutions Group	415	420	(1)%	—	(4)	419	420	—
Total Revenue	**$ 1,298**	**$ 1,259**	**3%**	**$ 6**	**$ (10)**	**$ 1,302**	**$ 1,259**	**3%**

	Revenue			Revenue from acquisitions or divestitures	Currency Adjustments	Core Revenue		
Revenue by Region	Q1'25	Q1'24	YoY % Chg.	Q1'25	Q1'25	Q1'25	Q1'24	YoY % Chg.
Americas	$ 551	$ 514	7%	$ 1	$ (1)	$ 551	$ 514	7%
Europe	259	255	1%	4	(2)	257	255	1%
Asia Pacific	488	490	(1)%	1	(7)	494	490	1%
Total Revenue	**$ 1,298**	**$ 1,259**	**3%**	**$ 6**	**$ (10)**	**$ 1,302**	**$ 1,259**	**3%**

REVENUE BY END MARKETS

(In millions)
(Unaudited)
PRELIMINARY

	Q1'25	Q1'24	Percent Inc/(Dec)
Aerospace, Defense and Government	$ 311	$ 295	5%
Commercial Communications	572	544	5%
Electronic Industrial	415	420	(1)%
Total Revenue	**$ 1,298**	**$ 1,259**	**3%**

GROSS MARGIN RECONCILIATION

(In millions, except where noted)

(Unaudited)

PRELIMINARY

	Three months ended January 31, 2025	Three months ended January 31, 2024
Gross Profit, as reported	**$ 820**	**$ 813**
Amortization of acquisition-related balances	19	17
Share-based compensation	11	8
Acquisition and integration costs	1	—
Restructuring and others	3	8
Non-GAAP Gross Profit	**$ 854**	**$ 846**
GAAP Gross margin, %	**63.1%**	**64.6%**
Non-GAAP Gross margin, %	**65.8%**	**67.2%**

Please refer to the last slide for details on the use of non-GAAP financial measures.

RESEARCH & DEVELOPMENT EXPENSES RECONCILIATION

(In millions, except where noted)

(Unaudited)

PRELIMINARY

	Year-over-year	
	Q1'25	Q1'24
Research & development expenses, as reported	$ 249	$ 232
Share-based compensation	(16)	(13)
Acquisition and integration costs	(1)	—
Restructuring and others	(2)	(5)
Non-GAAP research & development expenses	$ 230	$ 214

OPERATING MARGIN RECONCILIATION

(In millions, except where noted)

(Unaudited)

PRELIMINARY

	Three months ended January 31,	
	2025	2024
Income from operations, as reported	**$ 218**	**$ 221**
Amortization of acquisition-related balances	33	38
Share-based compensation	62	50
Acquisition and integration costs	28	17
Restructuring and others	13	29
Non-GAAP income from operations	**$ 354**	**$ 355**
GAAP Operating margin, %	**16.8%**	**17.6%**
Non-GAAP Operating margin, %	**27.3%**	**28.2%**

NET INCOME AND DILUTED EPS RECONCILIATION

(In millions, except per share data)

(Unaudited)

PRELIMINARY

	Three months ended January 31,			
	2025		**2024**	
	Net Income	**Diluted EPS**	**Net Income**	**Diluted EPS**
GAAP Net income	**$ 169**	**$ 0.97**	**$ 172**	**$ 0.98**
Non-GAAP adjustments:				
Amortization of acquisition-related balances	33	0.19	38	0.21
Share-based compensation	62	0.36	50	0.29
Acquisition and integration costs	98	0.56	13	0.08
Restructuring and others	(24)	(0.14)	15	0.08
Adjustment for taxes[a]	(21)	(0.12)	(2)	(0.01)
Non-GAAP Net income	**$ 317**	**$ 1.82**	**$ 286**	**$ 1.63**
Weighted average shares outstanding - diluted	174		176	

[a] For the three months ended January 31, 2025 and 2024, management used a non-GAAP effective tax rate of 14% and 17%, respectively.

Non-GAAP Financial Measures

Management uses both GAAP and non-GAAP financial measures to analyze and assess the overall performance of the business, to make operating decisions and to forecast and plan for future periods. We believe that our investors benefit from seeing our results "through the eyes of management" in addition to seeing our GAAP results. This information enhances investors' understanding of the continuing performance of our business and facilitates comparison of performance to our historical and future periods.

Our non-GAAP financial measures may not be comparable to similarly titled measures used by other companies, including industry peer companies, limiting the usefulness of these measures for comparative purposes.

These non-GAAP measures should be considered supplemental to and not a substitute for financial information prepared in accordance with GAAP. The discussion below presents information about each of the non-GAAP financial measures and the company's reasons for including or excluding certain categories of income or expenses from our non-GAAP results. In future periods, we may exclude such items and may incur income and expenses similar to these excluded items. Accordingly, adjustments for these items and other similar items in our non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent or unusual.

Core Revenue is revenue excluding the impact of foreign currency changes and revenue associated with acquisitions or divestitures completed within the last twelve months. We exclude the impact of foreign currency changes as currency rates can fluctuate based on factors that are not within our control and can obscure revenue growth trends. As the nature, size and number of acquisitions can vary significantly from period to period and as compared to our peers, we exclude revenue associated with recently acquired businesses to facilitate comparisons of revenue growth and analysis of underlying business trends.

Free cash flow includes cash provided by operating activities adjusted for net investments in property, plant & equipment.

Non-GAAP Income from Operations, Non-GAAP Net Income and Non-GAAP Diluted EPS may include the following types of adjustments:

Acquisition-related Items: We exclude the impact of certain items recorded in connection with business combinations from our non-GAAP financial measures that are either non-cash or not normal, recurring operating expenses due to their nature, variability of amounts and lack of predictability as to occurrence or timing. These amounts may include non-cash items such as the amortization of acquired intangible assets and amortization of items associated with fair value purchase accounting adjustments. We also exclude other acquisition and integration costs associated with business acquisitions that are not normal recurring operating expenses and legal, accounting and due diligence costs. We exclude these charges to facilitate a more meaningful evaluation of our current operating performance and comparisons to our past operating performance.

Share-based Compensation Expense: We exclude share-based compensation expense from our non-GAAP financial measures because share-based compensation expense can vary significantly from period to period based on the company's share price, as well as the timing, size and nature of equity awards granted. Management believes the exclusion of this expense facilitates the ability of investors to compare the company's operating results with those of other companies, many of which also exclude share-based compensation expense in determining their non-GAAP financial measures.

Restructuring and others: We exclude incremental expenses associated with restructuring initiatives including those of acquired entities, usually aimed at material changes in the business or cost structure. Such costs may include employee separation costs, asset impairments, facility-related costs, contract termination fees, and costs to move operations from one location to another. These activities can vary significantly from period to period based on the timing, size and nature of restructuring plans; therefore, we do not consider such costs to be normal, recurring operating expenses.

We also exclude "others", not normal, recurring, cash operating income/expenses from our non-GAAP financial measures. Such items are evaluated on an individual basis, based on both quantitative and qualitative factors and generally represent items that we do not anticipate occurring as part of our normal business. While not all-inclusive, examples of such items would include net unrealized gains on equity investments still held, significant non-recurring events like realized gains or losses associated with our employee benefit plans, costs and recoveries related to unusual events, gain on sale of assets/divestitures, adjustment attributable to non-controlling interest etc. We believe that these costs do not reflect expected future operating expenses and do not contribute to a meaningful evaluation of the company's current operating performance or comparisons to our operating performance in other periods.

Estimated Tax Rate: We utilize a consistent methodology for long-term projected non-GAAP tax rate. When projecting this long-term rate, we exclude any tax benefits or expenses that are not directly related to ongoing operations and which are either isolated or cannot be expected to occur again with any regularity or predictability. Additionally, we evaluate our current long-term projections, current tax structure and other factors, such as existing tax positions in various jurisdictions and key tax holidays in major jurisdictions where Keysight operates. This tax rate could change in the future for a variety of reasons, including but not limited to significant changes in geographic earnings mix including acquisition activity, or fundamental tax law changes in major jurisdictions where Keysight operates. The above reasons also limit our ability to reasonably estimate the future GAAP tax rate and provide a reconciliation of the expected non-GAAP earnings per share for the second quarter of fiscal 2025 to the GAAP equivalent.

Management recognizes these items can have a material impact on our cash flows and/or our net income. Our GAAP financial statements, including our Condensed Consolidated Statement of Cash Flows, portray those effects. Although we believe it is useful for investors to see core performance free of special items, investors should understand that the excluded costs are actual expenses that may impact the cash available to us for other uses. To gain a complete picture of all effects on the company's profit and loss from any and all events, management does (and investors should) rely upon the Condensed Consolidated Statement of Operations prepared in accordance with GAAP. The non-GAAP measures focus instead upon the core business of the company, which is only a subset, albeit a critical one, of the company's performance.