



Agilent Technologies

Agilent Technologies Third Quarter Fiscal 2025 Conference Call Prepared Remarks

Parmeet Ahuja, Vice President, Investor Relations

Thank you and welcome everyone to Agilent's conference call for the third quarter of fiscal-year 2025.

With me are Padraig McDonnell, Agilent president and CEO, and Rodney Gonsalves, Agilent vice president and interim CFO.

Joining the Q&A will be:

- Simon May, president of the Life Sciences and Diagnostics Markets Group
- Angelica Riemann, president of the Agilent CrossLab Group
- And Mike Zhang, president of the Applied Markets Group

This presentation is being webcast live. The press release for our third-quarter financial results, investor presentation, and information to supplement today's discussion — along with a recording of this webcast — are available on our website at investor.agilent.com.

Today's comments will refer to non-GAAP financial measures. You'll find the most directly comparable GAAP financial metrics and reconciliations on our website.

Unless otherwise noted, all references to increases or decreases in financial metrics are year-over-year, and references to revenue growth are on a core basis. Core revenue growth is adjusted for the impact of currency exchange rates and any acquisitions and divestitures completed within the past 12 months. Guidance is based on forecasted exchange rates.

As a reminder, beginning in the first quarter of fiscal 2025, we implemented certain changes to our reporting structure related to the reorganization of our three businesses segments. We have recast our historical segment information to reflect these changes and have provided the financial details on our website. These changes have no impact on our company's consolidated financial statements.

During this call we will also make forward-looking statements about the financial performance of the company. These statements are subject to risks and uncertainties and are only valid as of today. The company assumes no obligation to update them. Please look at the company's recent SEC filings for a more complete picture of our risks and other factors.

And now, I'd like to turn the call over to Padraig.

Padraig McDonnell, President and CEO

Hello, everyone, and thank you for joining today's call.

Agilent delivered outstanding results of 1.74 billion dollars in revenue in the third quarter — exceeding our guidance — while continuing to transform our enterprise operating model in a highly dynamic environment. We also delivered \$1.37 earnings per share in the quarter.

Thank you to the Agilent team, who has remained laser focused on our customers and committed to our mission of advancing the quality of life.

Our fiscal 2025 third quarter marks our fifth consecutive quarter of sequential core revenue acceleration — a testament to how we evolved our Enterprise strategy to be market-first and then realigned our businesses to our markets. For this fiscal year, we have gone from 1.2 percent in Q1, to 5.3 percent in Q2, and now 6.1 percent in Q3.

Just as important: Our two-year growth stack also is improving, showing that this is durable momentum — not just a short-term bounce.

The two-year stack is the summation of our growth over two consecutive years, providing a clearer view of sustained performance by smoothing out short-term quarterly fluctuations.

Given this strength, we are raising our fiscal 2025 full-year revenue guidance to a range of 6.91 to 6.93 billion dollars, representing core growth of 4.5 percent at the midpoint.

This is a 150-million-dollar increase from our prior range at the midpoint, and one and a half percentage points of additional core growth — a clear step-up in our growth outlook heading into Q4. This upgrade reflects our confidence in delivering another step-up in revenue into Q4 — even as we absorb the impact of tariffs this year.

Our momentum is broad-based and led by our two largest end markets: Pharma and Chemicals & Advanced Materials. In Q3, both grew 9 and 10 percent, respectively.

In Pharma, small-molecule grew double digits, fueled by demand in downstream QA/QC and strong adoption of our Infinity III LC platform.

GLP-1s also continued to drive demand — both for our leading analytical-lab solutions and the unique capabilities we bring with BIOVECTRA.

In Chemicals & Advanced Materials, demand rebounded across all major geographies.

This was supported by new investments in the semiconductor and chemicals sectors — with robust uptake in our GC and GC/MS platforms.

We also saw healthy contributions from the Food and Diagnostics & Clinical end markets. And the Academia & Government end market returned to modest growth despite continued funding pressures in the U.S.

Environmental & Forensics was the only market to decline as changes at the U.S. EPA led to some cautiousness on new capital spending.

Despite this temporary headwind, our market-leading PFAS business grew low double digits globally during the quarter, against a tough compare of nearly 50 percent growth last year.

Demand outside the Americas continued to be excellent with broad-based growth in the low 30s. PFAS remains an excellent opportunity with strong, long-term demand drivers intact globally.

Powering the strength of our execution is our Ignite enterprise operating model.

This year, our value-driven approach to pricing delivered results that were twice the impact of last year. At the same time, we streamlined the enterprise by reducing management layers by more than 15 percent. That didn't just remove cost — it gave us speed.

We are making decisions faster and empowering our teams to be agile.

We're also taking a consistent, enterprise-wide approach to manufacturing and procurement. These efforts already are delivering double-digit savings in key cost categories. And we see even greater opportunities ahead as we scale these practices globally.

Our Ignite Tariff Task Force has shown the power of the model in action.

In a highly dynamic environment, we reorganized supply chains, shifted production across our global footprint, and implemented targeted pricing actions — giving us confidence we can fully mitigate the impact of tariffs in 2026 at current rates.

Ignite continues to be a differentiating growth-driver for Agilent.

It is proving that by embedding new tools, enhanced capabilities, and smarter ways of operating across the company, we unlock the full scale of our enterprise. That means stronger performance today, and resilience and growth for tomorrow.

Innovation also continues to be a major driver.

Our Infinity III LC platform delivered mid-teens growth, with early adopters coming back for larger follow-on purchases based on its superior performance and productivity gains.

And the Pro iQ LC/MS system is tracking well ahead of our launch forecast, winning key accounts at major pharma customers.

The new system's performance benchmarks open new application possibilities across pharma and biopharma and are resonating strongly with customers — as evidenced by strong funnel growth during the quarter.

Also, the newly launched Dako Omnis family brings our gold-standard, fully automated pathology platform to a broader range of lab sizes — capturing new market segments and strengthening our diagnostics portfolio.

Together, these platforms are not just driving near-term revenue, they are continuing to build a foundation for sustained growth into FY26 and beyond.

This growth is supported by a strong funnel and accelerating customer adoption across our portfolio — demonstrated by an instrument book-to-bill above one for the last six quarters.

Importantly, we expect Q4 to be our largest revenue quarter of the year. With core growth of 5.4 percent and revenue nearly 100 million dollars higher than Q3 at the midpoint of our guidance, our sequential momentum and two-year growth stack remains solid. And the combined performance of the second half provides a sound foundation as we look into FY26.

The growth we expect in Q4 is underpinned by healthy demand for key platforms, strong funnel conversion, and broad-based strength across our end markets.

The latest industry data is evidence of our continued superior commercial execution — with market-share gains across all major geographies.

The combination of strong topline performance and stable operating margins means we have successfully delivered to our bottom-line commitments throughout the year.

However, we did have higher expectations for margin improvement in the quarter.

The increasing revenue growth also has come with additional tariff expenses and higher variable pay. We've invested in our commercial capabilities to support our growth now and into the future.

For the fourth quarter we expect to deliver significant sequential margin improvement, as increasing revenue combined with additional Ignite benefits will result in accelerated profit leverage.

Rodney will provide some additional details in his remarks.

Now, let me tell you more about why our Q3 was so strong.

Starting in our largest end market, Pharma, we grew 9 percent during the quarter and continued to see the steady improvement we've referenced for several quarters now.

This quarter, we saw positive momentum in funnel conversion as lab managers are increasingly able to access and spend their available capital budgets. There is reduced dependence on executive-level approvals that have slowed or stopped spending in the recent past.

Our longtime, lab-wide enterprise-service relationships with large pharma enable us to capitalize on these improving conditions with deeper visibility into customer needs.

This ensures we are in the right place at the right time — with the right solution when lab managers are looking to replace aging instruments and expand capacity.

In our second-largest end market, Chemicals and Advanced Materials, we delivered 10 percent growth with broad strength globally.

Growth was balanced between two submarkets.

We saw increased capital investment from Chemicals customers and robust demand in the Advanced Materials space as investments in new semi-conductor facilities globally continue to progress.

Our market leadership in key product platforms for these markets positions us well to capture the significant instrument-replacement opportunity in a market that has seen several years of under-investment.

All our business segments delivered revenue growth that exceeded guidance for the quarter.

The Life Sciences and Diagnostics Markets group grew 7 percent core.

Growth was led by excellent low-double-digit performance for LC and LC/MS instruments, leveraging our recent Infinity III launch and focused LC/MS solutions for key applications across both Pharma and the Applied Markets.

LDG also saw another strong quarter from our CDMO businesses, NASD and BIOVECTRA.

NASD grew in the high-20s as we see continued growing demand for si-RNA modalities in clinical and commercial programs.

BIOVECTRA also delivered on expectations while executing a planned facility shut down to work with a key customer to transition to a higher throughput process.

In the Applied Markets Group, growth of 5 percent was also ahead of expectations.

Breaking down the performance, our market-leading platforms — GC, GC/MS, and Spectroscopy — delivered strong growth in Q3 with encouraging momentum in the Chemicals and Advanced Materials, Food, and Pharma markets.

Geographically, all regions delivered growth led by Asia ex-China and EMEA.

The geographic growth in AMG was driven by investment from supply chain reshoring, greenfield opportunities, capacity expansion and replacement from our large installed base.

Also, our recently launched new products — including the 8850 GC — continued to ramp up ahead of expectations as customers are attracted by their exceptional performance, superior lab productivity gain, and leading sustainability benefits.

The Agilent CrossLab Group delivered 5 percent growth in Q3 — better than we had guided.

The CrossLab team drove mid-single-digit consumables, supported by our focus on e-commerce and digital. This was a strong result despite the 15-million-dollar tariff-driven pull-forward of sales into Q2 that we mentioned during our last call.

The Services business grew mid-single digits led by strength in the Applied Markets and Europe. Agilent services continue to delight our customers, achieving greater than 90 percent customer satisfaction — and meeting our vision for our customers to feel confident, valued, and inspired.

Lab activity remains strong, giving us confidence in the fundamental strength of this business.

Plus, the increasing pace of instrument sales — for replacement of aging fleets in labs where capital budgets have been reduced or withheld, expansion for new capacity, and growing demand for automation — bodes well for the CrossLab business into the future. It provides a cycle to generate customer lifetime value through connections of high-quality consumables, software, services, and automation to maximize instrument utilization and overall lab productivity.

Turning now to our geographic results, we also saw broad-based growth — with all regions growing at least mid-single digits during the quarter.

Our business in Asia ex-China continues to capitalize on opportunities from reshoring of supply chains, growing 10 percent. And we saw increasing safety regulations across the region drive an excellent mid-20s-percent growth for our Food market.

Within the region, India continued to lead the way with broad strength across our end markets, resulting in 20 percent overall growth.

We are seeing great success with the Infinity III as existing and new customers in Pharma QA/QC environments look to benefit from its productivity improvements.

As the country invests to build domestic semiconductor and EV manufacturing capabilities, we are seeing increasing demand for our solutions in these markets.

India is a strategic growth market for Agilent.

As part of our increasing investments there, I visited India in July to open Agilent's Biopharma Experience Center in Hyderabad.

This center will bring together advanced lab technologies, expert training, and regulatory-ready workflows to help researchers, scientists, and companies develop high-quality, life-saving medicines faster and more efficiently.

In Europe, growth of 7 percent also was broad-based — with double-digit growth in Pharma and Food, and high-single-digit results in Chemicals & Advanced Materials and Academia and Government.

In China, results continue to be stable as expected, growing 4 percent during Q3.

We saw some government funding flowing to some of our academia and government customers during the quarter.

Based on our interactions with customers and local officials we continue to expect a more meaningful stimulus impact toward the end of this calendar year — primarily in our applied markets.

In the U.S., the challenging conditions for Biopharma spending and in Academia & Government space persisted.

Outside of those areas, we saw nice low double-digit growth in small-molecule Pharma and Chemicals & Advanced Materials. Improved capital spending has driven instrument placements leading to 5 percent growth in the Americas in the quarter.

We continue to meet the challenge presented by the dynamic environment for global trade.

Tariff expenses were higher than our prior expectations as we saw a meaningful increase in shipment volumes and increased inventory to support Q4 growth.

We continue to leverage our unique Ignite enterprise operating model to optimize our use of global production networks, manage our diversified supply chain to optimize materials costs, and — where required — make pricing adjustments to offset added costs.

Leveraging Ignite, we still expect that we will fully mitigate the impacts of tariffs either through avoidance or other offsetting opportunities in FY26.

And before I hand it over, I want to take a moment to introduce Rodney.

Some of you might know him from the period when he led Agilent's Investor Relations team.

For those who do not, Rodney has been an integral part of the finance leadership team at Agilent for many years.

He has been the principal accounting officer for the last 10 years while also leading our FP&A team. I am delighted at how he has been able to seamlessly step in and lead our finance organization while we conduct a thorough search for our next CFO.

Rodney will now share further details about our Q3 results and guidance for Q4 and the full year.

Rodney Gonsalves, Interim Chief Financial Officer

Thanks, Pdraig, and good afternoon, everyone.

In my comments today I will provide additional details on revenue in the quarter, as well as walk through the income statement and cover other key financial metrics.

I'll then cover our updated full-year and fourth-quarter guidance.

Q3 revenue was 1.74 billion dollars — above the high end of our guidance.

On a core basis, we posted growth of 6.1 percent, while reported growth was 10.1 percent.

Currency had a favorable impact of 2.1 percent, which was a point and a half better than what we estimated as part of our guidance.

M&A contributed 1.9 percent — in line with our expectations.

Gross margins in Q3 came in at 53.1 percent — down year-on-year driven by currency, tariffs, and the impact of downtime to expand capacity at Biovectra as Padraig mentioned earlier.

Operating margin was 25.1 percent in Q3 and has been consistent across the year in increasingly challenging conditions.

Ignite is enabling us to translate topline growth into bottom-line results while we continue to invest in innovation and growth.

As Padraig indicated, margins were below expectations.

We've seen roughly equal impact from three areas.

First, our higher revenue volume drove up net tariff costs as we shipped additional products and backfilled logistics centers to support Q4 growth — even while full tariff mitigation is still on track for FY26.

Next, we increased variable pay expectations — with higher awards driven by stronger business performance, consistent with our pay-for-performance culture.

Finally, we invested incremental commercial spend required to support short- and long-term revenue growth — including for critical product launches and improving our geographical coverage.

For Q4, we are targeting a sequential-operating-margin improvement of approximately 230 basis points.

We expect most of this improvement to come from leveraging our fixed costs as we drive another sequential increase in volume.

We also are getting meaningful contribution from both excellent margin conversion on the significant step-up in CDMO revenue in Q4 and delivering another step-up in Ignite benefits — with a partial offset due to higher tariff costs.

Now moving below the line.

We had 6 million dollars of income, while our tax rate of 12 percent was as expected. And we had 285 million diluted shares outstanding in the quarter.

Putting it all together, Q3 earnings per share were \$1.37. That was at the high end of our expectations and grew 4 percent from a year ago.

Now let me turn to cash flow and the balance sheet.

Operating cash was 362 million dollars in the quarter — down versus last year as working capital was up on volume growth and tariff-related inventory build. We also incurred severance costs related to our organizational efficiency effort. Additionally, we invested 103 million dollars in capital expenditures.

We purchased 85 million dollars in shares and paid out 71 million dollars in dividends during the quarter.

And we ended the quarter with a net leverage ratio of 0.9, so we continue to have a very strong balance sheet.

Now, let's move on to the outlook for the fourth quarter.

We expect Q4 revenue to be in the range of 1.82 to 1.84 billion dollars.

This represents an increase of 4.8 to 6 percent on a core basis, and 7.1 to 8.3 percent on a reported basis. Currency and M&A are expected to be 0.2 percent and 2.1 percent tailwinds, respectively.

Also, to help you with your models, I wanted to provide you with additional details on expectations for growth in our end markets during the fourth quarter.

In Pharma, we are expecting mid-to-high single-digit growth with stable-to-improving conditions.

In Chemicals & Advanced Materials, we are guiding high single-digit growth with another quarter of healthy capital investment expected.

In Diagnostics and Clinical, as well as in Food, we expect mid-single-digit growth.

Finally, we expect very low single-digit growth in Environmental and Forensics and a mid-single-digit decline in Academia & Government as those markets face a difficult compare for U.S. federal spending at the end of the fiscal year.

Fourth-quarter non-GAAP earnings per share are expected to be between \$1.57 and \$1.60, representing leveraged earnings growth of 7.5 to 9.6 percent. We expect a 12 percent tax rate, 9 million dollars in other income, and 284 million diluted shares outstanding.

Turning to the full year, as Padraig mentioned earlier, we are raising our revenue outlook.

We now expect our full-year reported revenue to be in the range of 6.91 to 6.93 billion dollars.

This represents an increase of 4.3 to 4.6 percent on a core basis, and 6.2 to 6.5 percent on a reported basis.

Currency is now expected to represent a small headwind for the year, while we expect a 2 percent revenue impact from M&A.

Our full-year EPS guidance is now \$5.56 to \$5.59 — unchanged at the midpoint versus our prior guidance — and we continue to offset additional tariff costs across the second half.

This represents a year-on-year increase of 5.1 to 5.7 percent.

For clarity, let me briefly summarize the updated tariff assumptions we incorporated in our FY25 guidance.

Based on the rates currently in place, we are now anticipating 20 million dollars net costs for the year — up from the minimal impact we guided in May.

This increase is due to our better-than-expected revenue performance across the second half, as well as the 50-percent tariff increase on imports from Europe announced at the beginning of the month.

Strong demand for our LC products that are currently produced in Europe — until U.S.-based production begins to scale later this quarter — also amplifies the impact of the recent European tariff increase.

Finally, for your modelling, we are now projecting an increase of other income and expense to 26 million dollars in income — along with a 12 percent tax rate for the year and 285 million diluted shares outstanding.

Now, I would like to turn the call back to Padraig for closing comments.

Padraig?

Padraig McDonnell, President and CEO

Thanks, Rodney.

These strong results are a testament to the progress we have made as a company over the past year.

We are encouraged by the growth momentum we have created and look forward to building on that success next quarter and into the future.

Thank you for your attention. I'll hand over now to Parmeet to kick off our Q&A.

Parmeet?