

AGILENT TECHNOLOGIES INC

Form 10-Q/A

May 24, 2002

Edgar Filing: AGILENT TECHNOLOGIES INC - Form 10-Q/A

Table of Contents

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A No. 1

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
FOR THE QUARTERLY PERIOD ENDED JANUARY 31, 2002

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
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

77-0518772
(IRS EMPLOYER
IDENTIFICATION NO.)

395 PAGE MILL ROAD, PALO ALTO, CALIFORNIA
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

94306
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (650) 752-5000

(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 THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF COMMON STOCK, AS OF THE
LATEST PRACTICABLE DATE.

CLASS
COMMON STOCK, \$0.01 PAR VALUE

OUTSTANDING AT JANUARY 31, 2002
463,859,978 SHARES

TABLE OF CONTENTS

EXPLANATORY NOTE

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

CONDENSED CONSOLIDATED BALANCE SHEET

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIGNATURE

Table of Contents

AGILENT TECHNOLOGIES, INC.

INDEX

	Page Number
Explanatory Note	3
Part I Financial Information	4
Item 1. Condensed Consolidated Financial Statements	4
Condensed Consolidated Statement of Earnings (Unaudited) for the three months ended January 31, 2002 and 2001	4
Condensed Consolidated Balance Sheet (Unaudited) as of January 31, 2002 and October 31, 2001	5
Condensed Consolidated Statement of Cash Flows (Unaudited) for the three months ended January 31, 2002 and 2001	6
Notes to Condensed Consolidated Financial Statements (Unaudited)	7
Signature	11

Table of Contents

EXPLANATORY NOTE

We are amending our Quarterly Report on Form 10-Q for the quarter ended January 31, 2002, principally to revise the note disclosure of Comprehensive (Loss) Income in that report. Subsequent to the filing of the Form 10-Q, we determined that the historical values of certain non-monetary assets and liabilities included in the cumulative adjustment for foreign currency translation, as of November 1, 2001, that we disclosed in Note 6 of the previously filed Form 10-Q required adjustment. The resulting revisions made in this Form 10Q/A had no impact on previously reported consolidated net (loss) earnings, net (loss) earnings per share or cash flows. The impact on previously reported assets, liabilities and stockholders' equity was immaterial. Total comprehensive loss for the period increased to \$362 million from \$320 million.

We have no further changes to the previously filed Form 10-Q. All information in this Form 10-Q/A is as of January 31, 2002, and does not reflect, unless otherwise noted, any subsequent information or events other than the adjustments mentioned above.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AGILENT TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited)
(in millions, except per share amounts)

	Three Months Ended January 31,	
	2002	2001
Net revenue:		
Products	\$ 1,245	\$ 2,321
Services and other	181	244
Total net revenue	<u>1,426</u>	<u>2,565</u>
Costs and expenses:		
Cost of products	778	1,095
Cost of services and other	100	127
Research and development	298	322
Selling, general and administrative	692	727
Total costs and expenses	<u>1,868</u>	<u>2,271</u>
(Loss) earnings from operations	(442)	294
Other income (expense), net	19	17
(Loss) earnings from continuing operations before taxes	(423)	311
(Benefit) provision for taxes	(106)	137
(Loss) earnings from continuing operations	(317)	174
Net loss from discontinued operations (net of taxes of \$1 million for the three months ended January 31, 2001)		(2)
Gain from sale of discontinued operations (net of taxes of \$1 million for the three months ended January 31, 2002)	2	
(Loss) earnings before cumulative effect of changes in accounting principles	(315)	172
Cumulative effect of adopting SFAS No. 133 (net of tax benefit of \$16 million)		(25)
Cumulative effect of adopting SAB 101 (net of tax benefit of \$27 million)		(47)
Net (loss) earnings	<u>\$ (315)</u>	<u>\$ 100</u>
Net (loss) earnings per share Basic:		
(Loss) earnings from continuing operations	\$ (0.68)	\$ 0.38
Net loss from discontinued operations	\$	\$
Gain from sale of discontinued operations	\$	\$
Cumulative effect of adopting SFAS No. 133	\$	\$ (0.06)
Cumulative effect of adopting SAB 101	\$	\$ (0.10)

Edgar Filing: AGILENT TECHNOLOGIES INC - Form 10-Q/A

Net (loss) earnings	\$ (0.68)	\$ 0.22
<hr/>		
Net (loss) earnings per share Diluted:		
(Loss) earnings from continuing operations	\$ (0.68)	\$ 0.37
Net loss from discontinued operations	\$	\$
Gain from sale of discontinued operations	\$	\$
Cumulative effect of adopting SFAS No. 133	\$	\$ (0.06)
Cumulative effect of adopting SAB 101	\$	\$ (0.10)
<hr/>		
Net (loss) earnings	\$ (0.68)	\$ 0.21
<hr/>		
Average shares used in computing net (loss) earnings per share:		
Basic	463	455
Diluted	463	466

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

Table of Contents

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

	January 31, 2002	October 31, 2001
	(Revised)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$2,188	\$1,170
Accounts receivable, net	817	977
Inventory	1,382	1,491
Net investment in lease receivable	247	237
Other current assets	833	924
	<u> </u>	<u> </u>
Total current assets	5,467	4,799
Property, plant and equipment, net	1,730	1,848
Goodwill and other intangible assets, net	944	1,070
Other assets	352	269
	<u> </u>	<u> </u>
Total assets	\$8,493	\$7,986
	<u> </u>	<u> </u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 321	\$ 386
Employee compensation and benefits	534	576
Deferred revenue	269	279
Accrued taxes and other accrued liabilities	536	761
	<u> </u>	<u> </u>
Total current liabilities	1,660	2,002
Senior convertible debentures	1,150	
Other liabilities	330	325
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; \$.01 par value; 125 million shares authorized; none issued and outstanding		
Common stock; \$.01 par value; 2 billion shares authorized; 464 million shares at January 31, 2002 and 461 million shares at October 31, 2001 issued and outstanding	5	5
Additional paid-in capital	4,779	4,723
Retained earnings	616	931
Accumulated comprehensive income (loss)	(47)	
	<u> </u>	<u> </u>
Total stockholders' equity	5,353	5,659
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$8,493	\$7,986
	<u> </u>	<u> </u>

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

Table of Contents

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

	Three Months Ended January 31,	
	2002	2001
Cash flows from operating activities:		
Net (loss) earnings from continuing operations	\$ (317)	\$ 102
Adjustments to reconcile (loss) earnings from continuing operations to net cash used in operating activities:		
Depreciation and amortization	199	134
Inventory related charges	10	30
Deferred taxes	49	11
Non-cash restructuring, asset impairment charges	16	
Net gain on divestitures and sales of assets	(5)	(32)
Adoption of SFAS No. 133		41
Changes in assets and liabilities:		
Accounts receivable	162	222
Inventory	91	(329)
Accounts payable	(65)	(166)
Accrued compensation and benefits	(42)	(65)
Income taxes payable	(195)	(36)
Other current assets and liabilities	(22)	(99)
Other long term assets and liabilities	(25)	14
	(144)	(173)
Net cash used in operating activities		
Cash flows from investing activities:		
Investments in property, plant and equipment	(69)	(173)
Dispositions of property, plant and equipment:		
Equipment lease portfolio sale		84
Other		59
Purchase of equity investments	(3)	(26)
Acquisitions, net of cash acquired		(762)
Proceeds from dispositions	19	
Other, net		(60)
	(53)	(878)
Net cash used in investing activities		
Cash flows from financing activities:		
Issuance of senior convertible debentures, net of issuance costs	1,123	
Issuance of common stock under employee stock plans	62	58
Net proceeds from notes payable and short-term borrowings	3	446
	1,188	504
Net cash provided by financing activities		
Net cash provided by (used in) discontinued operations	27	(16)
	1,018	(563)
Change in cash and cash equivalents		
Cash and cash equivalents at beginning of period	1,170	996

Edgar Filing: AGILENT TECHNOLOGIES INC - Form 10-Q/A

Cash and cash equivalents at end of period	\$2,188	\$ 433
--	---------	--------

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

Table of Contents

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

1. OVERVIEW AND BASIS OF PRESENTATION

Agilent Technologies, Inc. (we or the Company) is a global technology leader in communications, electronics and life sciences. We were incorporated in Delaware in May 1999.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reclassifications.

Amounts in the condensed consolidated financial statements as of January 31, 2001 have been reclassified to conform to the current period s presentation.

Basis of Presentation.

We have prepared the accompanying financial data for the quarterly period of 2002 pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations.

In the opinion of management, the accompanying condensed consolidated financial statements contain all normal and recurring adjustments necessary to present fairly our consolidated financial position as of January 31, 2002 and October 31, 2001, consolidated results of operations and consolidated cash flow activities for the first quarter of 2002 and 2001.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

We are amending our Quarterly Report on Form 10-Q for the quarter ended January 31, 2002, principally to revise the note disclosure of Comprehensive (Loss) Income in that report. Subsequent to the filing of the Form 10-Q, we determined that the historical values of certain non-monetary assets and liabilities included in the cumulative adjustment for foreign currency translation, as of November 1, 2001, that we disclosed in Note 6 of the previously filed Form 10-Q required adjustment. The resulting revisions made in this Form 10Q/A had no impact on previously reported consolidated net (loss) earnings, net (loss) earnings per share or cash flows. The impact on previously reported assets, liabilities and stockholders equity was immaterial. Total comprehensive loss for the period increased to \$362 million from \$320 million.

We have no further changes to the previously filed Form 10-Q. All information in this Form 10-Q/A is as of January 31, 2002, and does not reflect, unless otherwise noted, any subsequent information or events other than the adjustments mentioned above.

The results of operations for the first quarter of 2002 are not necessarily indicative of the results to be expected for the full year. The information included in this Form 10-Q/A should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, the consolidated financial statements and notes thereto included in our 2001 Annual Report on Form 10-K/A.

Foreign Currency Translation.

Effective November 1, 2001, the Company has determined that the functional currency for certain of its subsidiaries outside of the United States of America has changed from the U.S. dollar to the local currency based on the criteria of Statement of Financial Accounting Standards No. 52 Foreign Currency Translation . This change did not have a material impact on the Company s condensed consolidated financial position as of November 1, 2001.

Depreciation.

Edgar Filing: AGILENT TECHNOLOGIES INC - Form 10-Q/A

The straight-line method of depreciation was adopted for all property, plant and equipment placed into service after November 1, 2001. For property, plant and equipment placed into service prior to November 1, 2001, depreciation is principally provided using accelerated methods. The change in accounting principle was made in order to align our policies more closely with other companies in our industry. The effect of this change on the current quarter's net loss was not material.

Table of Contents

New Accounting Pronouncements.

There have been no changes in our assessment of the timing and impact of adoption of SFAS No. 142, Goodwill and Other Intangible Assets and SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets since the filing of our Annual Report on Form 10-K/A.

3. DISCONTINUED OPERATIONS

The condensed consolidated financial statements present the healthcare solutions business as a discontinued operation. This business was sold to Koninklijke Philips Electronics, N.V. (Philips) on August 1, 2001 pursuant to an Asset Purchase Agreement as amended. The purchase price is subject to adjustment based on the terms of the agreements with Philips.

Prior period amounts have been restated, including the reallocation of general overhead charges to our three remaining business segments. We recorded an after tax gain of \$646 million as a result of the sale to Philips in the fourth quarter of last year and \$2 million after tax gain in the current quarter. We do not expect any material adjustments to the gain when the determination of the final purchased net assets and the performance of certain services are complete. For incremental fees, we will provide certain support services to Philips during the next year.

4. NET (LOSS) EARNINGS PER SHARE

The following is a reconciliation of the numerators and denominators of the basic and diluted net earnings per share computations for the periods presented below.

	Three Months Ended January 31,	
	2002	2001
	(In millions)	
Numerator:		
(Loss) earnings from continuing operations	\$(317)	\$174
Net loss from discontinued operations, net of taxes		(2)
Gain from the sale of discontinued operations, net of taxes	2	
	<u> </u>	<u> </u>
(Loss) earnings before cumulative effect of changes in accounting principles	(315)	172
Cumulative effect of adopting SFAS No. 133, net of taxes		(25)
Cumulative effect of adopting SAB 101, net of taxes		(47)
	<u> </u>	<u> </u>
Net (loss) earnings	\$ (315)	\$ 100
	<u> </u>	<u> </u>
Denominator:		
Basic weighted average shares	463	455
Potentially dilutive common stock equivalents		
- stock options and other employee stock plans		11
	<u> </u>	<u> </u>
Diluted weighted average shares	463	466
	<u> </u>	<u> </u>

5. INVENTORY

	January 31, 2002	October 31, 2001
	(in millions)	
Finished goods	\$ 399	\$ 400

Edgar Filing: AGILENT TECHNOLOGIES INC - Form 10-Q/A

Work in progress	305	239
Raw materials	678	852
	<u> </u>	<u> </u>
	\$1,382	\$1,491
	<u> </u>	<u> </u>

Table of Contents

6. COMPREHENSIVE (LOSS) INCOME

The following table presents the components of comprehensive (loss) income.

	Three Months Ended January 31,	
	2002 (Revised)	2001
	(in millions)	
Net (loss) earnings	\$(315)	\$ 100
Other comprehensive (loss) income:		
Change in unrealized gain (loss) on investments, net	5	(6)
Change in unrealized gain on derivative instruments, net	2	16
Reclassification adjustment for realized gain relating to derivative included in income, net	(7)	
Cumulative adjustment for foreign currency translation, as of November 1, 2001	(6)	
Foreign currency translation	(41)	
SFAS No. 133 cumulative transition adjustment		6
Reclassification adjustment for realized loss relating to warrants included in net income		22
	—	—
Total comprehensive (loss) income	\$(362)	\$ 138

7. SENIOR CONVERTIBLE DEBENTURES AND LINES OF CREDIT

Senior Convertible Debentures. On November 27, 2001, we completed a private offering of \$1.15 billion aggregate principal amount of 3 percent senior convertible debentures (the debentures) due 2021 and generated net proceeds of \$1.12 billion (after deducting fees and expenses). The debentures are convertible at any time into our common stock at an initial conversion price of \$32.22 per share, subject to adjustment, and are redeemable at our option at any time on or after December 6, 2004. Holders of the debentures have the ability to require us to repurchase the debentures, in whole or in part, on specified dates in 2006, 2011 and 2016. Holders also have the right to require us to repurchase all or a portion of the outstanding debentures if we undergo a fundamental change at a price equal to 100 percent of the principal amount plus interest. The debentures bear interest at an annual rate of 3 percent, payable on June 1 and December 1 of each year beginning June 1, 2002. The interest rate will reset in June 2006, June 2011 and June 2016, but in no event will it be reset below 3 percent or above 5 percent per annum. More information regarding the terms of the debentures, including the conversion price, fundamental change and the interest rate reset can be found in the related Indenture agreement dated November 27, 2001.

Lines of Credit. As of November 2, 2001, the 364-day revolving credit line was extended for an additional year. As of November 19, 2001, our 364-day and five-year revolving credit agreements were amended. Among other changes, the financial covenants were changed to limit the amount of debt that we can have relative to the sum of stockholders' equity and debt, and to require certain minimum amounts of earnings before interest, taxes, depreciation and amortization on a rolling four-quarter basis.

8. RESTRUCTURING AND ASSET IMPAIRMENT

During the first quarter of 2002, we continued to take steps to restructure our businesses as a result of the economic downturn that has impacted many of the markets that we serve. On November 15, 2001, we announced that we would eliminate approximately 4,000 jobs, which is in addition to the restructuring plan to eliminate approximately 4,000 jobs we announced on August 20, 2001. We had reduced our workforce by approximately 5,000 at January 31, 2002 and expect to substantially complete the plans by the end of the third quarter of 2002. Approximately \$105 million of restructuring and asset impairment charges were recognized this quarter. Of this amount, \$48 million was included in costs of products and services (which included \$7 million of asset impairment charges), \$12 million was included in research and development expenses and \$45 million was included in selling, general and administrative expenses (which included \$5 million of asset impairment charges).

Table of Contents

Restructuring liabilities as of October 31, 2001 and restructuring charges recorded in the first quarter of 2002 are summarized as follows:

	Workforce Reduction
	(in millions)
Balance as of October 31, 2001	\$ 52
Charges in the first quarter of 2002	93
Utilized in the first quarter of 2002	(89)
Balance remaining at January 31, 2002	<u>\$ 56</u>

9. SEGMENT INFORMATION

In November 2001, we changed the method by which we allocate corporate expenses to the segments. Prior period earnings (loss) from operations have been restated accordingly. (Loss) earnings from operations of the segments continue to be measured before the effect of the amortization of goodwill and other intangible assets, restructuring charges and other one-time items.

The following tables reflect the results of our reportable segments under our management system. These results are not necessarily a depiction that is in conformity with accounting principles generally accepted in the United States of America. The performance of each segment is measured based on several metrics, including (loss) earnings from operations. These results are used, in part, by management in evaluating the performance of, and in allocating resources to, each of the segments.

	Test and Measurement	Semiconductor Products	Life Sciences and Chemical Analysis	Total Segments
	(in millions)			
First quarter of 2002:				
Total net revenue	\$ 822	\$ 327	\$ 277	\$ 1,426
(Loss) earnings from operations	\$ (229)	\$ (50)	\$ 38	\$ (241)
First quarter of 2001:				
Total net revenue	\$ 1,705	\$ 592	\$ 268	\$ 2,565
Earnings from operations	\$ 266	\$ 62	\$ 7	\$ 335

The following table reconciles the segment results reported above to the total reported results for our continuing operations.

	Three Months Ended January 31,	
	2002	2001
Total reportable segments (loss) earnings from operations	\$ (241)	\$ 335
Total amortization of goodwill and other non-operational one-time items	(201)	(41)
Other income (expense), net	19	17
Total (loss) earnings from continuing operations before taxes	<u>\$ (423)</u>	<u>\$ 311</u>

Table of Contents

AGILENT TECHNOLOGIES, INC. AND SUBSIDIARIES

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: May 24, 2002

By: /s/ Adrian T. Dillon

Adrian T. Dillon
Executive Vice President and
Chief Financial Officer

11