

IBO 2022 Company of the Year: Agilent Technologies

IBO has selected Agilent Technologies as its company of the year for 2022. Agilent was chosen by **IBO** based on three main criteria: financial performance, innovation and operational achievements. Agilent thrived in 2022, showing a strong sales performance, stepped up sustainability initiatives, manufacturing expansion, and new product and M&A investments to feed future growth.

Agilent is a broad-based supplier of analytical and life science instruments, consumables, service and software. Among the technology segments where the company is a major vendor are chromatography, MS, spectroscopy and cell analysis. Its breadth also extends to market coverage, ranging from pharma and biotech to food testing and advanced materials.

Agilent's fiscal year (FY) runs from November 1 to October 31. For this article, IBO's review is based on calendar year (CY) 2022 information (Agilent's fiscal 2022 second, third and fourth quarters and fiscal 2023 first quarter).

Agilent CY22 Sales Results

| Agilent CY 2022 | Adj. Rev (\$M) | Chg. | Organic Chg. |
|-------------------------------|----------------|-------|--------------|
| Q2 FY22 (ending April 30 '22) | \$ 1,604 | 5.2% | 7.0% |
| Q3 FY22 (ending July 31 '22) | \$ 1,718 | 8.3% | 13.2% |
| Q4 FY22 (ending Oct. 31 '22) | \$ 1,847 | 11.3% | 17.5% |
| Q1 FY23 (ending Jan.31 '23) | \$ 1,756 | 4.9% | 10.1% |

Source: Company financial reports

Agilent recorded mid- to double-digit sales growth in each quarter in CY 2022, and organic sales increased double digits in three of the four quarters, accelerating as the year progressed. Organic sales rose 7.0% in the first quarter of the CY 22, before ascending 13.2%, 17.5% and 10.1% over the following three quarters.

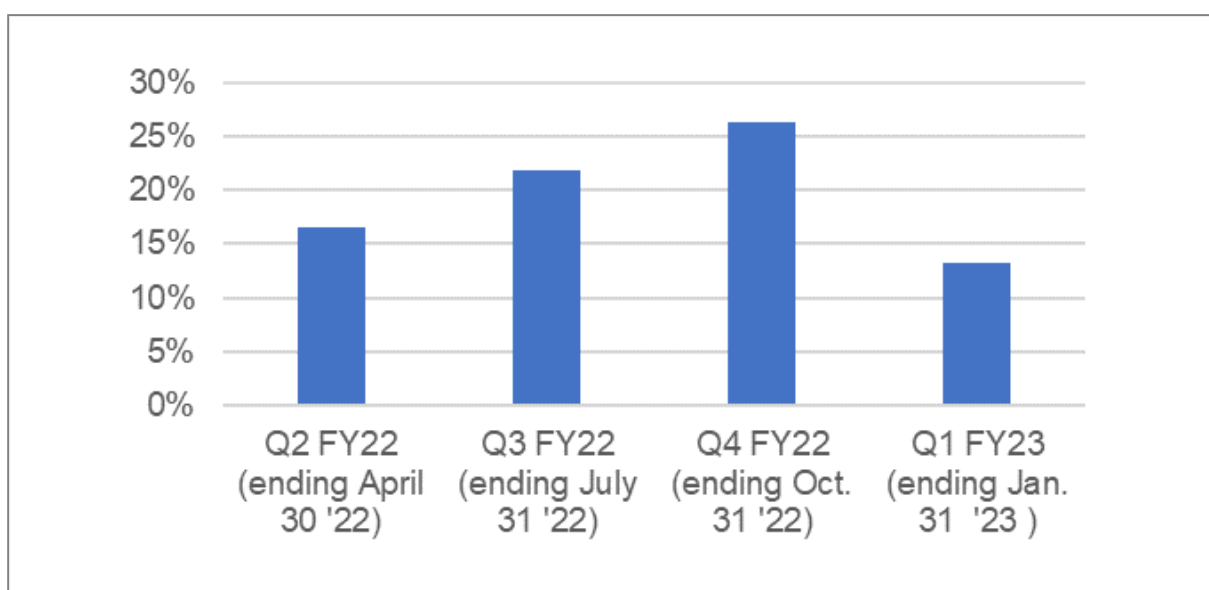
Describing the company's FY22 performance, Agilent CEO Mike McMullen commented on a quarterly conference call, "We have built a resilient company with multiple drivers for growth and targeted investments focused on high-growth areas." He also addressed the challenges for Agilent's in FY22, commenting, "Throughout the year, we navigated market uncertainties, inflation, COVID-related shutdowns, and supply chain and logistics constraints."

The Agilent Cross Lab (21% of revenues in fiscal 2022), led the way, with double-digit revenue growth in all four quarters of CY22 (see table). Pharmaceutical and Biotech sales, the largest share of Agilent end-markets (37% of revenues in fiscal 2022), also grew double digits each quarter during CY22.

The company also reported strong results for industrial markets, a welcomed outcome of its commitment to these markets. Chemicals & Advanced Materials (CAM) sales increased double digits for three out of the four CY22 quarters. Sales to the Chemical and Energy (called Chemicals & Advanced Materials as of the first quarter of FY23) industry grew double digits in three of four CY quarters, including 16.5% growth in the fiscal 2022 third quarter.

By focusing on selected industrial markets, Agilent was able to capture sector growth. At the Goldman Sachs Healthcare conference in January, Mr. McMullen told investors, “You are seeing new secular drivers in the Advanced Materials space, which as you may know is roughly a third of our CAM space, about 30%, 35% of our business.” Discussing the CrossLab Group, Mr. McMullen said at the JP Morgan Healthcare Conference, “The business is now at \$1.5 billion of business. I'd point out that 60% of those revenues actually come from annual or multiyear service agreements.”

Agilent Technologies Adjusted EPS CY22 by Quarter



Source: Company financial reports

Net income was also a standout in CY22, posting double-digit non-GAAP growth in all four quarters of the CY and topping \$400 million in three of the four quarters. Adjusted EPS increased double digits each quarter in CY 2022 (see graph).

Detailing the FY22 figures at JP Morgan, Mr. McMullen commented, “We grew 12% core in 2022 on top of the 15% of the prior year. Margins [were] up 160 basis points in an inflationary environment that none of us have seen for a number of decades, and then our earnings per share growth continued to accelerate. We did 20% growth this year on top of the 32% of the prior year.”

Innovation was widely evident during the CY22 for Agilent. This included a first-of-its-kind commercialized product, the HydroInert source, for its 7000E GC/triple quad, 7000 C/D triple quad and 5977 A/B/C MSD, which allows for the use hydrogen instead of helium as the carrier gas (see *IBO* 6/15/22). In addition, the company introduced new versions of the AssayMAP Bravo Protein Sample Prep Workbench (see *IBO* 1/3/23) and the Seahorse XF (see *IBO* 2/15/22), among other new products.

Innovation also took the form of M&A as the company brought in new technology and expertise for future growth. Expanding its AI and ML capabilities, Agilent acquired Virtual Control, a software that works with LC/MS and GC/MS to automate the analysis of instrument data (see **IBO 3/1/22**). Agilent also expanded its SEC offering with the purchase of Polymer Standards Service (PSS), adding to solutions for the analysis of molecular structures and continuing to build its capabilities to serve the biopharma industry (see **IBO 8/17/22**).

On the operational side, several of the company's initiatives continued to bear fruit last year. This included the company's significant commitment to ESG goals (see **IBO 7/15/22**) including net zero greenhouse gas CO₂ emissions by 2050 as well as participation in the MyGreenLab program, operating its own certified pre-owned instrument business, and a new agreement with the How2Recycle Program for standardized recycling labeling.

Another area of investment last year was Agilent's fast growing NASD Nucleic Acid Solutions Division) business, which generated sales of around \$300 million in FY22. The commitment includes new Train B facilities, scheduled to come online in the middle of this year (see **IBO 2/2/23**), and plans for Train C facilities (see News). Robert McMahon, company CFO, stated at this year's JP Morgan Healthcare Conference, "One of the reasons that we feel confident is if you look at the therapeutic areas that are being targeted for oligonucleotide therapeutics or siRNA, there is a broader and broader patient population."

Additionally, for future growth, Agilent announced several partnerships last year to expand its opportunity to offer its technology for bioprocessing analysis, expanding the total market for its technology mainstays. The company announced agreements with APC (see **IBO 6/15/22**), the National Institute for Innovation to Advance Biomanufacturing (NIIMBL) (see **IBO 5/2/22**) and Advanced Mammalian Biomanufacturing Innovation Center (AMBIC) (see **IBO 5/2/22**). "We do see other opportunities for Agilent in the overall bioprocessing space," said Mr. McMullen at the June 2022 Goldman Sachs Healthcare Conference. "We just announced a collaboration with Merck [KGaA] and Sigma where we're actually going to take our liquid chromatography platform and integrate it into their offerings in the bioprocessing side [see **IBO 6/15/22**]. We also do see plays for our analytical lab technologies in this emerging space of bioprocessing with both liquid phase as well as LC/MS-based technologies."

Agilent's 2022 achievements were about annual results as well as years of transforming the company. In this way, they were further confirmation of the company's strategic priorities and financial strength. Investments both past and in CY22 also position the company for ongoing growth in sales and profits.

CRAIC Technologies, a UV-visible-NIR microscopy solutions company, released in February the rIQ 3.0 (refractive index quantification) for the analysis of trace evidence. It combines image analysis software, advanced optical design and electronics to enable forensic labs to measure refractive index of multiple glass fragments simultaneously. rIQ 3.0 is offered as a standalone package, as an add-on package to CRAIC Technologies microspectrophotometers or as an upgrade package for older units.

In February, **ACE Solution**, a provider of customized test solutions to meet customer needs in electrical components, devices and system manufactures, released the TZ6000, a nondestructive wafer quality measurement tool for the compound semiconductor industry. Incorporated with **TeraView's** TeraPulse Lx technologies, the TZ6000 achieves nondestructive wafer quality measurements of thickness, refractive index, resistivity, dielectric constant, surface/subsurface defects at selected positions and whole wafer scanning map. TeraView is a company solely focused on the application of terahertz light to provide solutions to customer issues.

In March, **Edinburgh Instruments** introduced of new benchtop FTIR Spectrometer, the IR5, designed and manufactured at its global headquarters in Scotland. The IR5 can be configured with a second detector or with FT-photoluminescence (FT-PL) capability. The FT-PL option transforms the IR5 into a combined absorption and PL spectrometer in the MIR range. Edinburgh Instruments provides a range of spectroscopy solutions.

HORIBA announced in March the further expansion of its XGT-9000 series product line with the release of the two new micro-XRF analyzers, the XGT-9000 Pro and XGT-9000 Expert x-ray analytical microscopes. The XGT-9000 Series is used in a broad range of fields. The new XGT-9000 Pro and XGT-9000 Expert have an improved detection systems, according to the company, and a pulse processing algorithm to achieve higher-speed analysis. The XGT-9000 Expert realizes the world's first light-element analysis (down to boron) as a benchtop ED micro-XRF analyzer, according to the company.

In March, **Thermo Fisher Scientific** debuted the Thermo Scientific iCAP RQplus ICP-MS Analyzer, a new trace elemental analyzer that simplifies analyses in environmental, food, pharmaceutical and industrial testing laboratories. It features the new HAWK consumable and maintenance assistant for active monitoring of instrument performance and consumables. The company also introduced the Thermo Scientific iSC-65 Autosampler to improve productivity for the Thermo Scientific iCAP Qnova Series ICP-MS analyzer and the Thermo Scientific iCAP PRO Series ICP-OES. The iSC-65 features Step Ahead, which enables analysis and wash to be carried out simultaneously.

Sensirion affiliate **IRsweep** introduced in March the IRis-C, which is based on dual-comb spectroscopy. The IRis-C uses the all-new compact laser module LMC, retaining the concept of replaceable dual-comb laser modules for versatility. Pricing starting at just CHF 90,000 (\$96,236) includes one laser module.

Sales & Orders of Note

In February, **Bruker** announced successful customer installations of two compact 1.0 GHz NMR spectrometers in late 2022, well ahead of the original schedule. The **RIKEN Center for Biosystems Dynamics Research (RIKEN_)** in Yokohama, Japan, was the first customer to receive the Ascend Evo 1.0 GHz NMR system, which was installed and accepted in less than two months. The RIKEN team