

1Q17 CFO Commentary

SUPPLEMENTAL INFORMATION
FEBRUARY 15, 2017

FORWARD-LOOKING STATEMENTS

This presentation may be deemed to contain forward-looking statements, which address a variety of subjects, including, for example, financial goals and expectations, including earnings per share goals, shareholder returns, market trends, growth opportunities and business strategy, and expected customer demand for our products. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Such statements are based on our current expectations, beliefs, assumptions, estimates, forecasts, and projections, and are subject to a number of uncertainties and factors, which could cause actual results to differ materially from those described in the forward-looking statements, and such statements should not be relied upon as representing Analog Devices' expectations or beliefs as of any date subsequent to the date of this presentation. Important factors that may affect actual outcomes and results include: any faltering in global economic conditions or the stability of credit financial markets; erosion of consumer confidence and declines in consumer spending; unavailability of raw materials, services or supplies or manufacturing capacity; changes in geographic, product or consumer mix; our ability to successfully integrate acquired businesses and technologies; adverse results in litigation matters; and other risk factors described in our most recent filings with the Securities and Exchange Commission, including the risk factors contained in ADI's most recent Quarterly Report on Form 10-Q. Except as required by law, we do not undertake any obligation to update forward looking statements made by us to reflect subsequent events or circumstances.

GAAP RECONCILIATION

This presentation includes non-GAAP financial measures that have been adjusted in order to provide investors with useful information regarding our results of operations and business trends. Reconciliations of these non-GAAP measures to their most directly comparable GAAP measures can be found on slides 13 and 14.

Summary

1Q17 Results

- Quarterly revenue of \$984 million, -2% QoQ and +28% YoY
 - Business to business markets of industrial, automotive, and comms infrastructure: +1% QoQ, +11% YoY
- Non-GAAP diluted EPS of \$0.94 per share
 - Non-GAAP diluted EPS -10% QoQ and +68% YoY

2Q17 Guidance

- Revenue in the range of \$870 million to \$950 million, +12% YoY to +22% YoY
- Non-GAAP diluted EPS in the range of \$0.74 to \$0.86, +16% YoY to +34% YoY

1Q17 Financial Snapshot

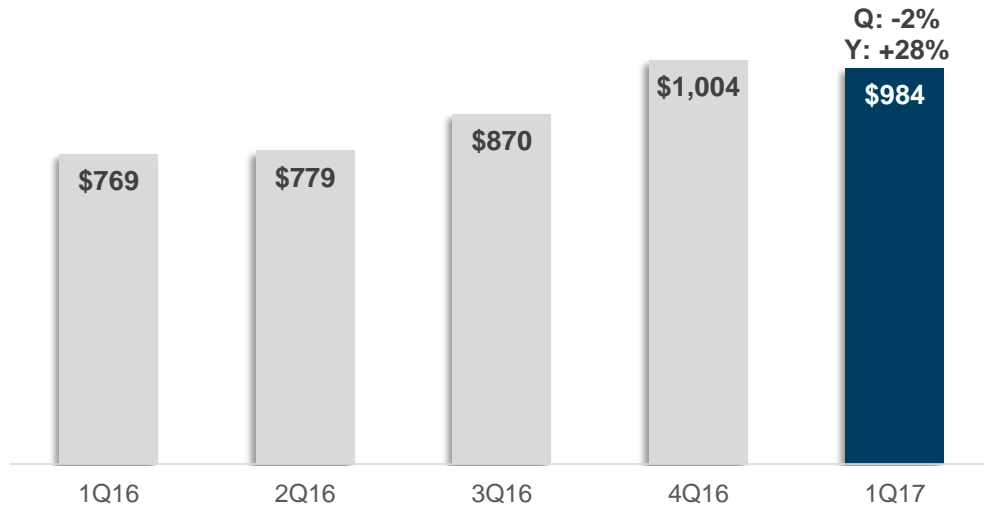
<i>in millions; except diluted EPS</i>	1Q17	4Q16	1Q16	QoQ	YoY
Revenue	\$984	\$1,004	\$769	-2%	+28%
Gross Margin ⁽¹⁾	66.1%	66.6%	62.2%	-50bp	+390bp
Operating Margin ⁽¹⁾	35.0%	38.1%	27.8%	-310bp	+720bp
Diluted EPS ⁽¹⁾	\$0.94	\$1.05	\$0.56	-10%	+68%
Free Cash Flow ^{(1) (2)} (TTM)	\$1,243	\$1,153	\$1,029 ⁽³⁾	--	--
Cash Return (TTM)	\$759	\$880	\$800	--	--
% of FCF (TTM)	61%	77%	78%	--	--

(1) Financial results are presented on a non-GAAP basis. Non-GAAP results exclude special items. See slides 13 and 14 for a reconciliation of our non-GAAP to GAAP results.

(2) Free cash flow is defined as cash provided by (used in) operating activities less capital expenditures. See slide 14 for the calculation of free cash flow.

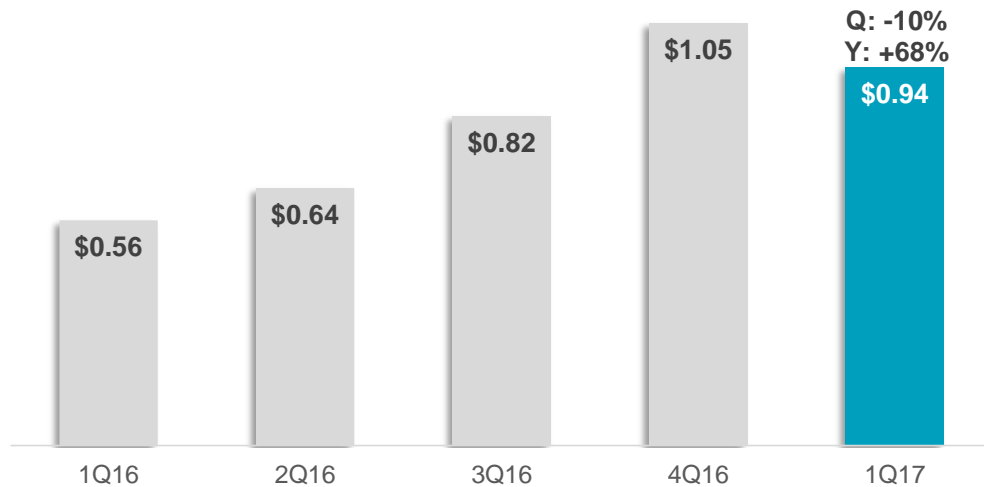
(3) Excludes one-time payment of \$224 million relating to the conversion of the Company's Irish defined benefit pension plan.

Revenue (\$M)



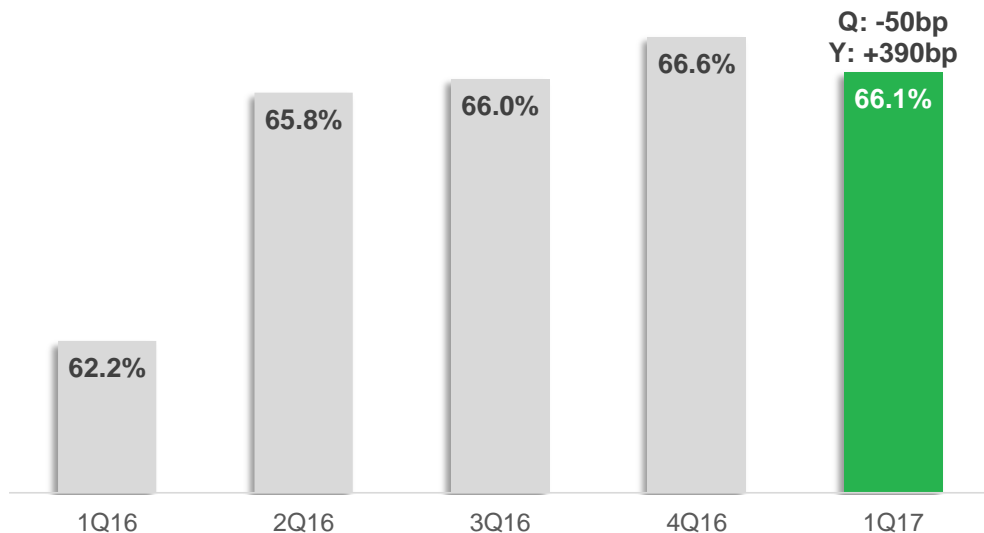
- Revenue of \$984 million, -2% QoQ and +28% YoY
- B2B markets of industrial, automotive, and comms. infrastructure, +1% QoQ and +11% YoY

Non-GAAP EPS*



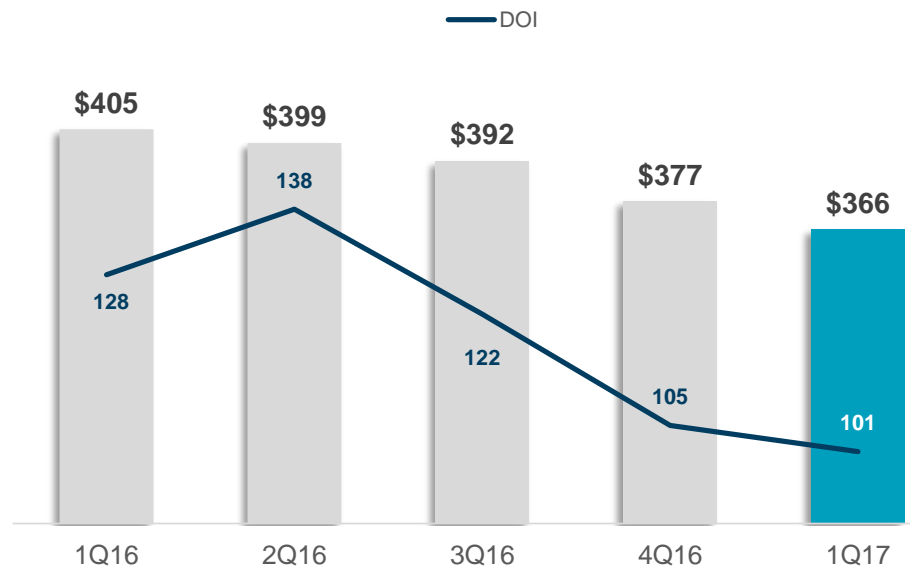
- Non-GAAP EPS of \$0.94, -10% QoQ and +68% YoY

Non-GAAP Gross Margin*



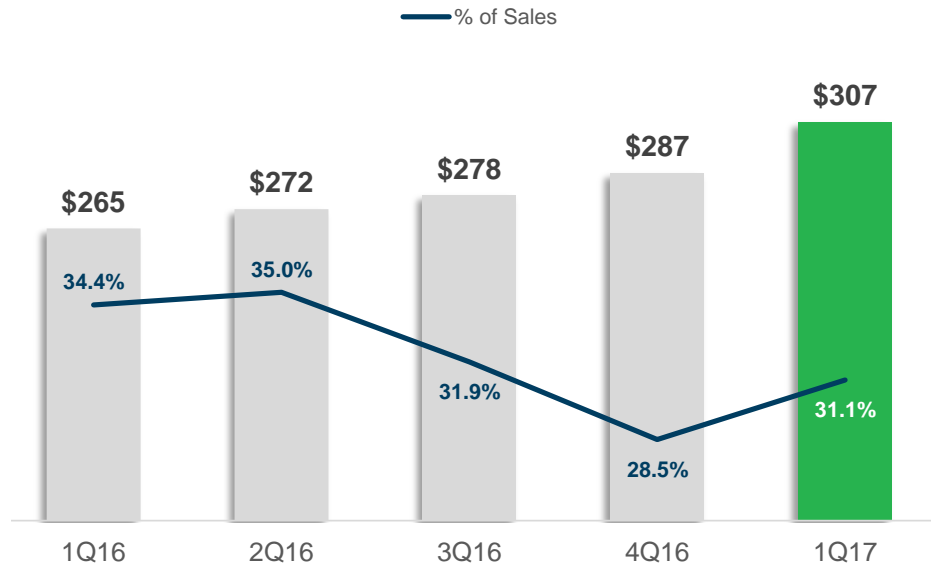
- Non-GAAP gross margins of 66.1% were above the high-end of our guidance on a better mix of business and higher revenue

Inventory (\$M)



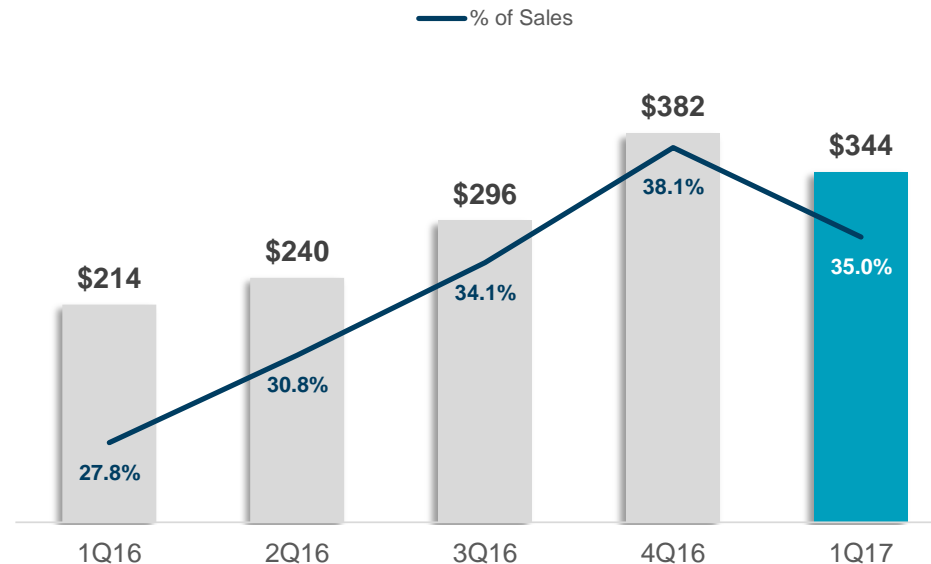
- Inventory on a dollars basis decreased \$11M sequentially, and days of inventory decreased to 101 days on strong demand
- Weeks of inventory in distribution were lean at approximately 7 weeks, consistent with the prior quarter

Non-GAAP Op-ex* (\$M)



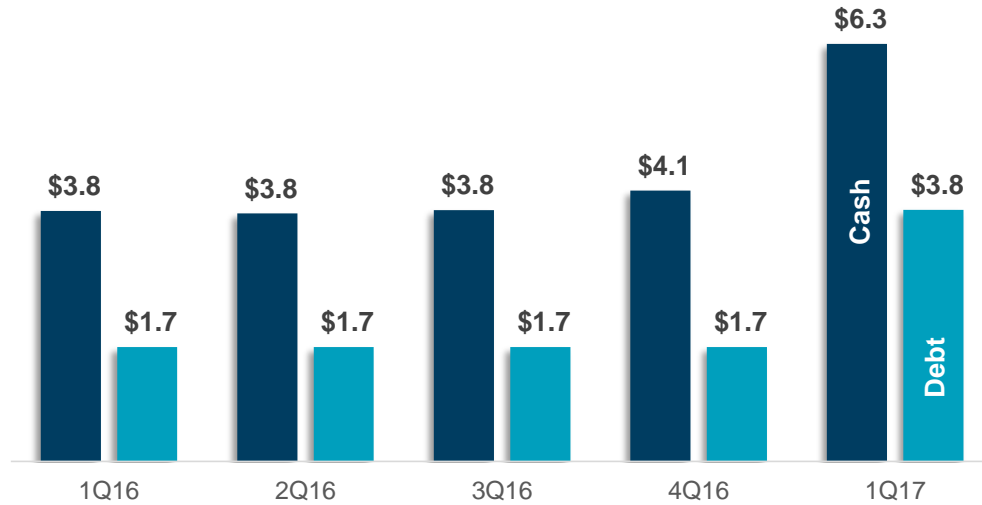
- Non-GAAP operating expenses increased 7% sequentially, with the entirety of the increase relating to variable compensation, which is tied to year-over-year revenue growth and profitability

Non-GAAP Operating Profit* (\$M)



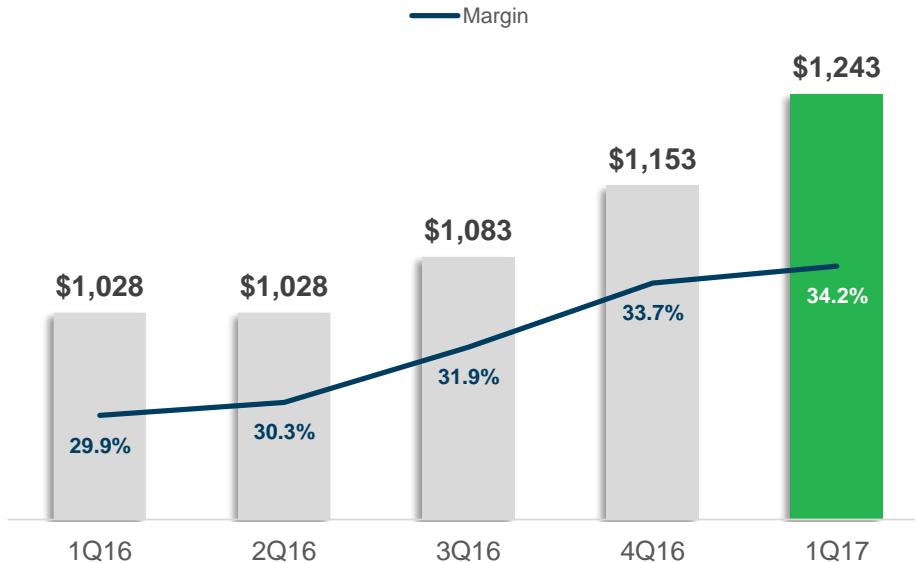
- Non-GAAP operating margins of 35% of sales expanded over 700 basis points as compared to the prior year

Cash and Debt (\$B)



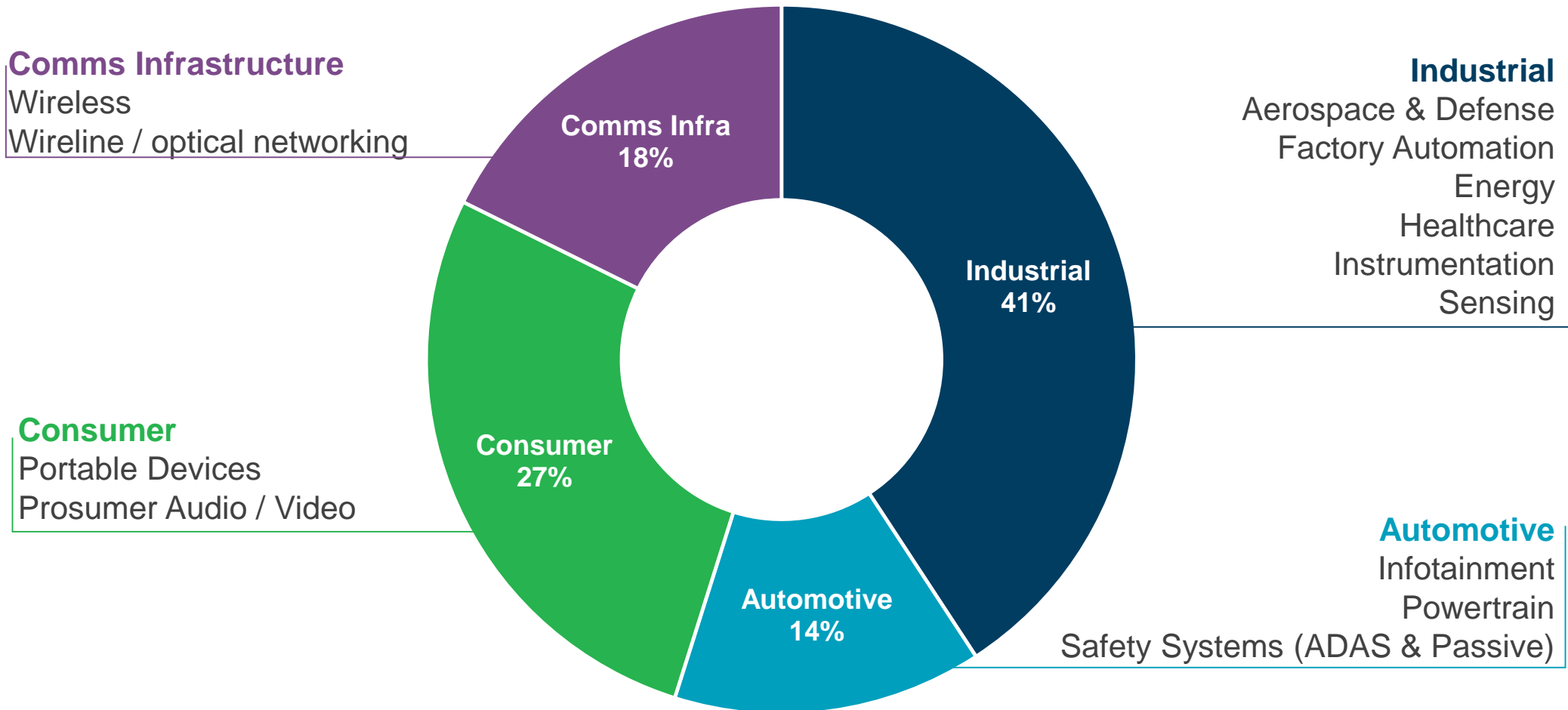
- Cash and short-term investments balance was \$6.3 billion, with \$2.7 billion available domestically
- Approximately \$3.8 billion in debt outstanding, resulting in a net cash position of \$2.5 billion

Free Cash Flow* (TTM, \$M)



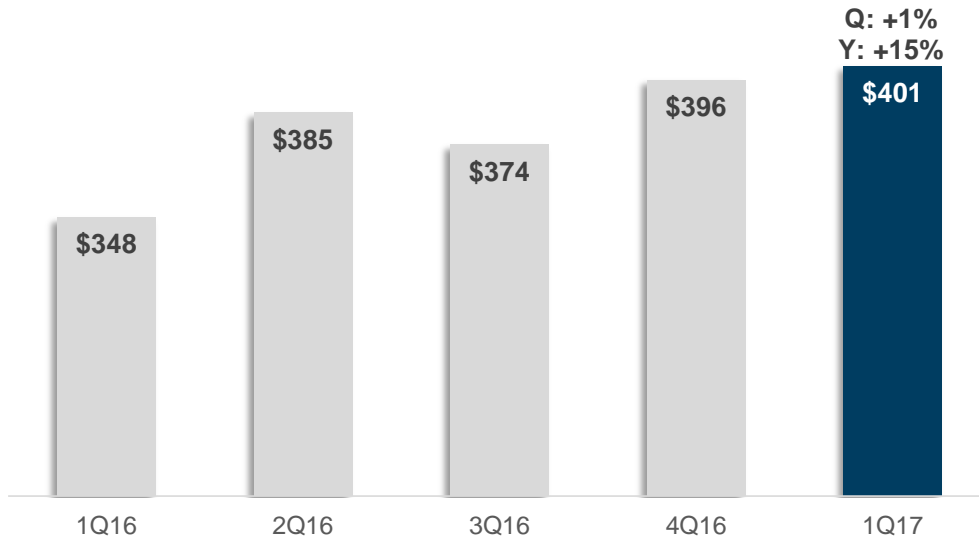
- Generated \$286 million of free cash flow in the first quarter, an increase of 46% over the prior year
- Over the past twelve months, free cash flow generated was \$1.2 billion, or 34% of sales

1Q17 Revenue by End-Market



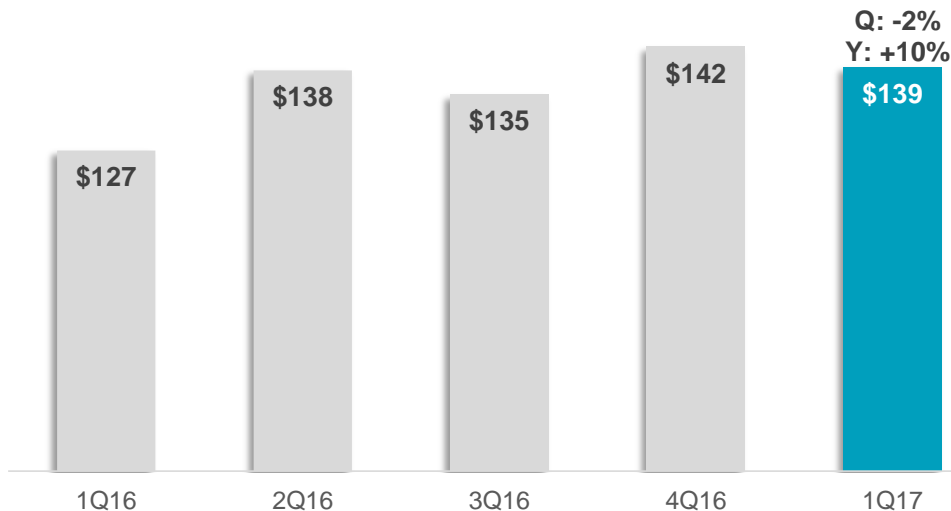
1Q17 Revenue: \$984M

Industrial (\$M)



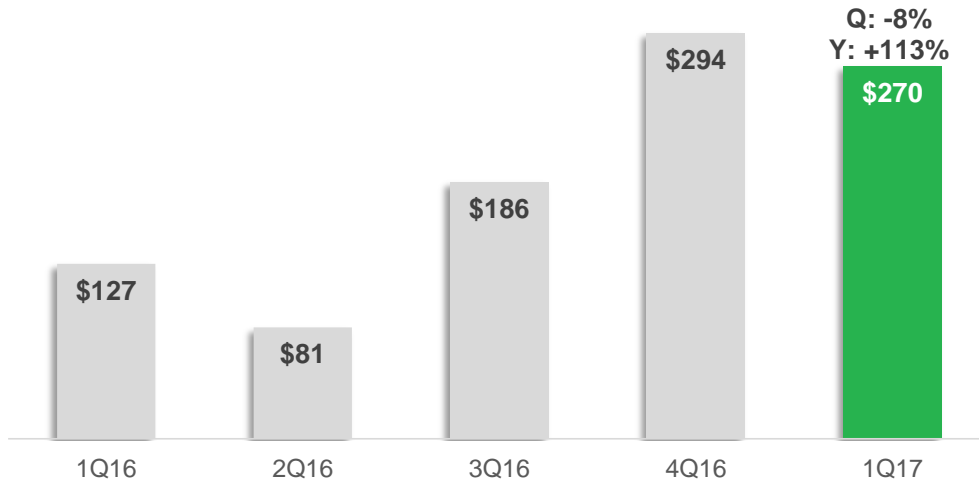
- Industrial sales +1% QoQ and +15% YoY
- Very strong results in the seasonally slower first quarter – broad based strength across all industrial sectors year-over-year.
- On a sequential basis, Industrial Instrumentation applications outperformed, with particular strength in ATE, and Factory Automation saw continued improvement

Automotive (\$M)



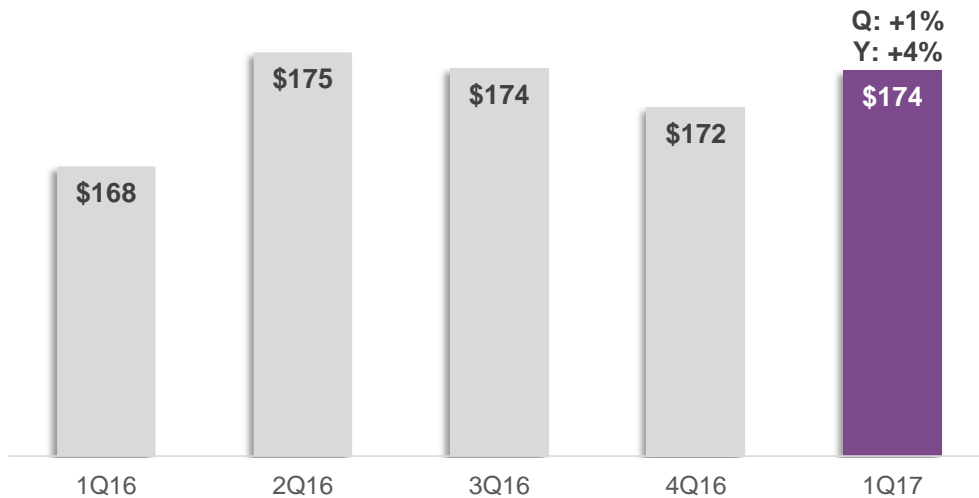
- Automotive sales -2% QoQ and +10% YoY
- Broad-based strength year-over-year across content-rich Infotainment, Powertrain, and ADAS applications
- Sequential results better-than-seasonal

Consumer (\$M)



- Consumer sales -8% QoQ and +113% YoY
- Portable consumer applications strength continued in the seasonally slower Consumer-revenue first quarter

Communications Infrastructure (\$M)



- Comms infrastructure sales +1% QoQ and +4% YoY
- Optical networking drove the year-on-year revenue increase, and both wireless and wireline infrastructure were stable sequentially, a good result in what is typically a seasonally weaker quarter

2Q17 Guidance

- Revenue estimated to be in the range of \$870 million to \$950 million
- Non-GAAP gross margin expected to increase to between approximately 66.5% and approximately 67%
- Non-GAAP operating expenses expected to be down approximately 3% to up approximately 1% sequentially
- Non-GAAP interest and other expense expected to be approximately \$30 million
- Non-GAAP tax rate expected to be approximately 8%
- Non-GAAP diluted EPS estimated to be \$0.74 to \$0.86 per share

With respect to the forward-looking information presented on a non-GAAP basis, the Company is unable to provide a quantitative reconciliation to GAAP because the items that would be included or excluded, other than those described below, are difficult to predict and estimate and are primarily dependent on future events, including costs relating to the consummation and planned integration of the Company's pending acquisition of Linear Technology Corporation, which is expected to close by the end of the Company's second fiscal 2017 quarter. Known reconciling items are:

- Non-GAAP gross margin excludes \$2.7 million of amortization of purchased intangible assets and depreciation of step up value on purchased fixed assets;
- Non-GAAP operating expenses exclude \$18.2 million of amortization of purchased intangible assets and depreciation of step up value on purchased fixed assets;
- Non-GAAP tax rate excludes \$1.0 million provision for income taxes which represents the tax effects of the reconciling items noted in the two bullets above; and
- Non-GAAP earnings per share excludes \$0.06, which represents the estimated impact of the amortization of purchased intangible assets and depreciation of step up value on purchased fixed assets, net of tax, associated with the non-GAAP adjustments noted above on a per share basis.

Historical End-Market Revenue Breakdown

(millions)	Q116	Q216	Q316	Q416	Q117	FY 2016
Industrial	\$ 348.4	\$ 384.1	\$ 373.3	\$ 395.8	\$ 401.5	\$ 1,500.8
<i>Q-Q Growth</i>	(5)%	10 %	(3)%	6 %	1 %	
<i>Y-Y Growth</i>	(1)%	(2)%	(3)%	8 %	15 %	0 %
<i>% Total Product Revenue</i>	45 %	49 %	43 %	39 %	41 %	44 %
Automotive	\$ 126.4	\$ 138.2	\$ 134.6	\$ 141.5	\$ 138.6	\$ 540.5
<i>Q-Q Growth</i>	(5)%	10 %	(2)%	5 %	(2)%	
<i>Y-Y Growth</i>	2 %	(1)%	4 %	7 %	10 %	3 %
<i>% Total Product Revenue</i>	16 %	18 %	15 %	14 %	14 %	16 %
Consumer	\$ 126.8	\$ 80.4	\$ 186.4	\$ 294.5	\$ 270.4	\$ 687.5
<i>Q-Q Growth</i>	(60)%	(37)%	133 %	58 %	(8)%	
<i>Y-Y Growth</i>	35 %	(27)%	(11)%	(7)%	113 %	(6)%
<i>% Total Product Revenue</i>	16 %	10 %	21 %	29 %	27 %	20 %
Communications	\$ 167.8	\$ 176.1	\$ 175.4	\$ 171.9	\$ 174.0	\$ 690.9
<i>Q-Q Growth</i>	4 %	5 %	(1)%	(2)%	1 %	
<i>Y-Y Growth</i>	(16)%	(3)%	23 %	6 %	4 %	1 %
<i>% Total Product Revenue</i>	22 %	23 %	20 %	17 %	18 %	20 %
Total Revenue (1)	\$ 769.4	\$ 778.8	\$ 869.6	\$ 1,003.6	\$ 984.4	\$ 3,421.4
<i>Q-Q Growth</i>	(21)%	1 %	12 %	15 %	(2)%	
<i>Y-Y Growth</i>	—%	(5)%	1 %	3 %	28 %	—%

(1) The sum of the individual amounts may not equal the total due to rounding.

The categorization of revenue by end market is determined using a variety of data points including the technical characteristics of the product, the “sold to” customer information, the “ship to” customer information and the end customer product or application into which our product will be incorporated. As data systems for capturing and tracking this data evolve and improve, the categorization of products by end market can vary over time. When this occurs we reclassify revenue by end market for prior periods. Such reclassifications typically do not materially change the sizing of, or the underlying trends of results within, each end market.

Reconciliation of Non-GAAP Measures to GAAP Measures

<i>(millions, except per share amounts)</i>	Q116	Q216	Q316	Q416	Q117	FY 2016
Gross Margin	\$ 477.3	\$ 510.9	\$ 572.3	\$ 666.7	\$ 648.5	\$ 2,227.2
Acquisition Related Expenses	\$ 1.4	\$ 1.5	\$ 1.9	\$ 2.0	\$ 2.2	\$ 6.8
Non-GAAP Gross Margin (1)	\$ 478.7	\$ 512.4	\$ 574.2	\$ 668.7	\$ 650.7	\$ 2,234.0
% Revenue	62.2 %	65.8 %	66.0 %	66.6 %	66.1 %	65.3 %
GAAP Operating Expense	\$ 282.2	\$ 303.5	\$ 303.6	\$ 309.7	\$ 382.2	\$ 1,199.1
Less: Acquisition-Related Expenses	\$ (17.5)	\$ (17.5)	\$ (17.6)	\$ (18.0)	\$ (18.2)	\$ (70.6)
Less: Acquisition-Related Transaction Costs	\$ —	\$ —	\$ (8.3)	\$ (5.2)	\$ (8.0)	\$ (13.5)
Less: Restructuring-Related Expense	\$ —	\$ (13.7)	\$ —	\$ —	\$ (49.5)	\$ (13.7)
Non-GAAP Operating Expense (1)	\$ 264.8	\$ 272.3	\$ 277.7	\$ 286.5	\$ 306.5	\$ 1,101.3
% Revenue	34.4 %	35.0 %	31.9 %	28.5 %	31.1 %	32.2 %
GAAP Operating Income from Continuing	\$ 195.0	\$ 207.4	\$ 268.7	\$ 357.0	\$ 266.3	\$ 1,028.1
Add: Acquisition-Related Expenses	\$ 18.9	\$ 19.0	\$ 19.5	\$ 20.0	\$ 20.4	\$ 77.4
Add: Acquisition-Related Transaction Costs	\$ —	\$ —	\$ 8.3	\$ 5.2	\$ 8.0	\$ 13.5
Restructuring-Related Expense	\$ —	\$ 13.7	\$ —	\$ —	\$ 49.5	\$ 13.7
Non-GAAP Operating Income from Continuing	\$ 213.9	\$ 240.1	\$ 296.5	\$ 382.2	\$ 344.2	\$ 1,132.7
% Revenue	27.8 %	30.8 %	34.1 %	38.1 %	35.0 %	33.1 %
GAAP Other (Income) Expense	\$ 12.9	\$ 12.5	\$ 12.3	\$ 33.5	\$ 33.0	\$ 71.2
Loss on Extinguishment of Debt	\$ (3.3)	\$ —	\$ —	\$ —	\$ —	\$ (3.3)
Amortization of Deferred Financing Costs	\$ —	\$ —	\$ —	\$ (13.7)	\$ (7.2)	\$ (13.7)
Non-GAAP Other (Income) Expense (1)	\$ 9.6	\$ 12.5	\$ 12.3	\$ 19.9	\$ 25.7	\$ 54.2
% Revenue	1.2 %	1.6 %	1.4 %	2.0 %	2.6 %	1.6 %
GAAP Diluted EPS from Continuing Operations	\$ 0.52	\$ 0.55	\$ 0.74	\$ 0.95	\$ 0.69	\$ 2.76
Add: Acquisition-Related Expenses	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.07	\$ 0.25
Add: Acquisition-Related Transaction Costs	\$ —	\$ —	\$ 0.03	\$ 0.02	\$ 0.03	\$ 0.04
Add: Amortization of Deferred Financing Costs	\$ —	\$ —	\$ —	\$ 0.04	\$ 0.02	\$ 0.04
Add: Restructuring-Related Expense	\$ —	\$ 0.04	\$ —	\$ —	\$ 0.16	\$ 0.04
Add: Loss on Extinguishment of Debt	\$ 0.01	\$ —	\$ —	\$ —	\$ —	\$ 0.01
Less: Income Tax Effect of Above Items	\$ —	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.06)
Less: Impact of Reinstatement of R&D Tax Credit	\$ (0.02)	\$ —	\$ —	\$ —	\$ —	\$ (0.02)
Non-GAAP Diluted EPS from Continuing	\$ 0.56	\$ 0.64	\$ 0.82	\$ 1.05	\$ 0.94	\$ 3.07
Diluted Shares	314.8	312.3	310.6	311.6	313.1	312.3

(1) The sum of the individual amounts may not equal the total due to rounding.

Supplemental Cash Flow Measures

(millions)	Q116	Q216	Q316	Q416	Q117	FY 2016
Net cash provided by operating	\$ 219.7	\$ 320.2	\$ 254.0	\$ 487.0	\$ 314.5	\$ 1,280.9
<i>% of revenue</i>	28.6 %	41.1 %	29.2 %	48.5 %	31.9 %	37.4 %
Capital expenditures	(23.1)	(25.5)	(37.5)	(41.2)	(28.3)	(127.4)
Adjusted free cash flow (1)	\$ 196.6	\$ 294.7	\$ 216.5	\$ 445.8	\$ 286.2	\$ 1,153.5
<i>% of revenue</i>	25.5 %	37.8 %	24.9 %	44.4 %	29.1 %	33.7 %

(1) The sum of the individual amounts may not equal the total due to rounding.

Contact Information

Ali Husain, Treasurer and Director of Investor Relations

Michael C. Lucarelli, Senior Manager of Investor Relations

investor.relations@analog.com