PARTICIPANTS

Corporate Participants

Maria Tagliaferro – Director of Corporate Communications, Analog Devices, Inc.
Ali Husain – Director of Investor Relations, Analog Devices, Inc.
Jerald G. Fishman – President, Chief Executive Officer & Director
David A. Zinsner – Chief Financial Officer & Vice President
Vincent T. Roche – VP-Global Sales & Strategic Market Segments Group

Other Participants

Stacy Aaron Rasgon – Analyst, Sanford C. Bernstein & Co. LLC
Ross Clark Seymore – Analyst, Deutsche Bank Securities, Inc.
Parag Agarwal – Analyst, UBS Securities LLC
James V. Covello – Analyst, Goldman Sachs & Co.
Craig A. Ellis – Analyst, Caris & Co., Inc.
Vijay R. Rakesh – Analyst, Sterne, Agee & Leach, Inc.
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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, my name is Diane and I will be your conference operator today. At this time I would like to welcome everyone to Analog Devices' third quarter fiscal year 2012 earnings conference call. [Operator instructions] Thank you. Ms. Tagliaferro, you may begin your conference.

Maria Tagliaferro, Director of Corporate Communications, Analog Devices, Inc.

Thank you, operator. Today I'm participating in the call in my role as Corporate Communications Director. Running the ADI earning calls from here forward will be Ali Husain. For those of you who haven't met him yet, Ali joined the team at the end of May as our new Director of Investor Relations but he's actually been working at Analog Devices for the past eight years or more, a little more than eight years so he'll take over as moderator on the earnings call and as the primary contact for Investor Relations but I look forward to continuing to work with our shareholders and also welcome Ali to the team.

Ali Husain, Director of Investor Relations, Analog Devices, Inc.

Thanks, Maria, good afternoon everyone. It's pleasure to be a part to the team, and we appreciate you and everyone joining us for today's call.

If listeners have not yet seen our third quarter fiscal year 2012 press release or Form 10-Q, both may be accessed through our website at investor.analog.com. This conference call is also accessible from the same page. A recording of this conference call will be available today within about two hours of the call completion. It will remain available via telephone playback for a period of time and will also be archived on the IR website.

In addition we've updated the schedules on our IR website which include the historical quarterly and annual summary P&Ls for continuing operations as well as historical quarterly and annual information for revenue from continuing operations by end market and product type.

Participating with me in today's call are Jerry Fisherman, President and CEO; Dave Zinsner, Vice President of Finance and CFO; Vincent Roche, Vice President of Worldwide Sales and Strategic Market Segments; and Maria Tagliaferro, Corporate Communications Director. During the first part of the call Jerry and Dave will present our third quarter 2012 results as well as our short-term outlook. The remainder of the time will be devoted to answering questions from our analyst and investor participants.

During today's call we may refer to non-GAAP financial measures that have been adjusted for certain non-recurring items in order to provide investors with useful information regarding our results of operations and business trends. We've including reconciliations of these non-GAAP measures to their directly comparable GAAP measures in today's earnings release, which is posted on the IR website.

I'd ask you to please note that the information we're about to discuss includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements include risks and uncertainties and our actual results could differ materially from those we will be discussing. Factors that could contribute to such differences include but are not limited to those describes in our SEC filings including our most recent quarterly report on the formality 10-Q filed earlier today.

The forward-looking information that is provided on this call represents our outlook as of today and we do not undertake any obligation to update the forward-looking statements made by us. Subsequent events and developments may cause our outlook to change. Therefore this conference call will include time-sensitive information that may be accurate only as of the date of the live broadcast which is August 21, 2012.

With that I'll turn the call over to ADI's CEO for opening remarks.

Jerald G. Fishman, President, Chief Executive Officer & Director

Well, good afternoon to everybody and welcome to our third quarter 2012 conference call.

As you can tell from our press release this afternoon, our revenues totaled about $683 million which was up about 1% from the previous quarter and down about 10% from the same quarter last year and was just very slightly below our plan for the quarter but well within the range we communicated in May.

Diluted earnings per share: $0.56, was at the midpoint of our earlier guidance. The good news is that despite quick headwinds and increasing uncertainty in most regions of the world, our business in aggregate remained stable during the quarter.

Our bellwether industrial business, which now comprises 47% of our revenues, was approximately flat to last quarter, remaining stable after growing very strongly in our Q2. Our largest industrial customers indicate to us that while their earlier growth expectations for 2012 have modulated in the past few months, they currently see very little deterioration in their business to date and they don't expect any significant downturn for the balance of the year. And these customers, the large industrial customers, were for the most part on plan for the quarter.

Our distribution channel, which primarily serves the industrial market, was consistent throughout the quarter and was stable in July. In fact, in July, we saw stronger bookings on ADI from our distributors indicating that while they too remain cautious, they don't for see any deterioration in their business in the near term.

These trends are very significant for ADI given the importance of the industrial market to our revenues and to our profits.

Our communications infrastructure business grew 9% sequentially driven by wireless customers that was in line with our expectations for new wireless base station deployments in the United States, in Asia, and also in Japan. As I think you know, we're very well positioned with market-leading OEMs in Europe, in Asia and in the U.S. with a product portfolio that addresses both existing technology and also newer 4G deployments which we will expect will increase ADI's content in those base stations.

Automotive revenues decreased very slightly sequentially but was up 12% over the same quarter last year. This was also slightly below our plan for the quarter as European manufacturers reduced production in the summer months in response to the uncertain economic environment and also lackluster car sales in Europe. Safety, including rollover control and radar-based collision avoidance systems, energy efficiency and infotainment all represent great growth opportunities for ADI and we expect the automotive market to become increasingly attractive for us.

Our consumer business was approximately flat sequentially which was also slightly below our plan for the quarter. Growth in portable media offset declines in digital cameras while other sub-segments such as home entertainment and also computing remained approximately flat. The good news here is that our backlog for consumer products grew substantially during the quarter which should provide good revenue growth for ADI in our fourth quarter.

Order rates for our end customers remained solid during the third quarter and totaled approximately $700 million representing a book-to-bill ratio that's greater than one. We're generating an increasing amount of our sales from turns orders which are booked and shipped during the same quarter. This is typical in an uncertain environment and when our lead times continue to be very short. In aggregate there did not appear to be a lot of market momentum in either a positive or negative direction and in the short-term our revenues will be mostly dependent by the macro economy and to a lesser degree new product cycles in certain end markets.

In this environment we believe we're doing a very credible job in responding to all the uncertainty. We continue to make trade-offs to focus our investments on the right products, the right markets and the right customers to maximize our long-term growth rate. In general our gross margins have remained very strong and our operating expenses are under very tight control and we continue to generate significant operating cash flow which gives us the flexibility to enhance returns to shareholders and we would expect very strong operating leverage as macro conditions improve.

So that's all I'm going to say in the opening comments. I'll turn it over to Dave now who will take you through some of the details of our financial results.

David A. Zinsner, Chief Financial Officer & Vice President

Thanks, Jerry.

As Jerry mentioned, third quarter revenue increased approximately 1% sequentially to $683 million. Our gross margin was 65.6% in the third quarter. This was up 40 basis points from the 65.2% we reported in the second quarter driven by slightly higher utilization rates. Lead times for our direct OEM customers remained similar to last quarter and are in good control with virtually all of our shipments to OEMs occurring within four weeks.

Operating expenses for the third quarter, excluding approximately $5.8 million in restructuring-related expenses, were $230 million compared to about $228 million in the prior quarter. The slight dollar increase was primarily due to a full quarter's impact of the annual salary increases. We continue to be very watchful of operating expenses during these periods of uncertainty and do not plan to grow expenses until we are confident that the economic headwinds have abated.

Operating profits before tax for the third quarter, excluding restructuring-related expenses, were $218 million or 32% of sales, up 50 basis points from the prior quarter.

Our tax rate for the third quarter was 19%, lower than the prior quarter's 23%. The lower rate was due to a change in estimates of our future tax liabilities and some discrete tax items. We expect our effective tax rate in the fourth quarter to be in the range of 21% to 22% excluding any discrete tax items.

Diluted earnings per share of $0.56 in the third quarter, was at the midpoint of our guidance and up 6% sequentially from the prior quarter. We generated 20% of our revenue or $138 million in operating cash flow. Capital expenditures were $39 million, resulting in free cash flow of about $100 million or 14% of revenue for the quarter.

While a strong result, third quarter operating cash was impacted by payments related to variable compensation and some income tax payments. Our expectations for the fourth quarter is for operating cash to be significantly stronger and in the range of its historical norms of greater than 30% of revenues.

Our accounts receivable balance was up about $16 million versus the last quarter on higher sales and our days sales outstanding remained roughly flat at 46 days.

Inventory on our balance sheet increased by 3% or $8 million and we have 121 days of inventory on hand. We've increased inventory to meet anticipated seasonal demand from our consumer customers in the second half of the calendar year as well as to respond to a new product cycle. By the end of our fiscal first quarter of 2013, we expect the business to catch up to the inventory growth and as a result, days of inventory should be more in line with our model of 100 to 110 days. Inventory at distribution was approximately flat to last quarter and weeks of inventory at distribution remained flat at approximately 7.5 weeks which is at the lower end of historical norms.

During the third quarter, we repurchased $17 million of our stock, we also distributed approximately $90 million, or 53% of net income in dividends to our stockholders. Our cash and short-term investments balance at the end of the third quarter was roughly flat to last quarter with approximately $1 billion available domestically. At the end of the third quarter we had approximately $857 million in debt outstanding.

On August 20 our Board of Directors declared a cash dividend of $0.30 per outstanding share of common stock which will be paid on September 12, 2012 to all shareholders of record at the close of business on August 31, 2012. At current stock prices this dividend represents an annual yield of approximately 3%.

In addition we have approximately $580 million remaining under our board-authorized share repurchase program. We plan to continue to be opportunistic buyers of our stock. Since the start of our share repurchase program in fiscal 2004 the company has repurchased approximately 129 million shares or $4.4 billion of company stock.

In summary, third quarter delivered solid results during challenging times. Our operating model turned a 1% sequential increase in revenue into a 6% sequential increase in diluted earnings per share. At gross margins of 65.6% and operating margins of 32% excluding any restructuring charges, we still have leverage ahead as sales increase, factory utilization improves and we continue to prudently control operating expenses.

And now I'll turn the call back over to Jerry to discuss ADI's outlook for next quarter.

Jerald G. Fishman, President, Chief Executive Officer & Director

Thanks, Dave.

Looking forward in the short-term, we expect our industrial, communications and automotive businesses to remain stable in Q4 and be at similar revenue levels to Q3. In our consumer business, increased backlog and a strong product cycle leads us to plan for growth in Q4. In total we expect our revenues to be in the range of $685 million to $715 million.

We'd note, however, that our largest distributors have indicated a wide range of possible outcomes for their quarter ending in September which reflects economic uncertainty, particularly in Europe. If our growth is mostly from consumer products in Q4 and reflecting what is now planned to be lower factory utilization, we'd expect our gross margins to be in the range of approximately 65%. We're planning for operating expenses to be roughly flat to last quarter. Based on these assumptions we'd expect our diluted earnings in the fourth quarter to be in the range of $0.54 to $0.60.

In the longer term we remain enthusiastic for continuing very profitable growth and cash generation based on our better product mix, our customers' enthusiasm for working very closely with ADI to meet their toughest technical challenges and a highly competitive and responsive capability to meet whatever our customers ask us. In the long-term these attributes will determine our growth rate but certainly in the short-term it will be mostly about the macro economy.

Ali Husain, Director of Investor Relations, Analog Devices, Inc.

Thank you, Jerry. Thank you, Dave. During today's Q&A period, limit yourself to one primary question and no more than one follow-on question. We'll give you another opportunity to ask additional questions if we have time remaining. With that, operator, we're now ready for questions from our participants.

QUESTION AND ANSWER SECTION

Operator: [Operator instructions] Our first question comes from Stacy Rasgon with Sanford Bernstein.

<Q – Stacy Rasgon – Sanford C. Bernstein & Co. LLC>: Thanks for taking my questions. Just the first one on gross margins, you indicated obviously mix and lower utilization is taking the margins down a little bit next quarter even on higher revenues. I know you said utilizations went up a little bit this quarter, can you give me some feeling for exactly where they are this quarter? I think they were 70% last quarter. Where are they going next quarter? Are they dropping lower than they were, say, in Q2, when, I think they were at 67%? And can you give us a feeling for additional margin drivers, I guess, as we go in the beginning of next fiscal 2013 on revenue levels that hopefully can begin to grow off of here?

<A – David Zinsner – Analog Devices, Inc.>: Utilization was a little bit north of 70% this quarter and we're expecting it to be in the range of the quarter you cited, which was in kind of the high-60s, for next quarter. And clearly utilization will be one of the bigger factors in driving the gross margins up, when we were running in the 80s we had 67% gross margin, some of that, of course, was due to mix but a fair amount of that was due to utilization so we'd expect as utilization does improve, our gross margins improve.

Also, you know, we are in, I guess, a relatively tepid environment on the industrial side. We do expect over time as the economy improves that to pick up. That is our highest gross margin end market and should be accretive to gross margins as well.

<A – Jerald Fishman – Analog Devices, Inc.>: For us, Stacy, the encouraging thing is that even at these levels where we're forecasting a relatively strong consumer quarter relative to industrial and communications and given the fact that the utilization is – we're going to keep pretty low to keep the inventories down, that we can still run 65% gross margins is a lot different than it used to be, let's say, in a positive sense.

<Q – Stacy Rasgon – Sanford C. Bernstein & Co. LLC>: That's helpful, guys. For my follow-up, a question on the comm infrastructure space. It was up this quarter, I think, in line with your expectations. Lots of folks have been looking for the potential for a bigger acceleration of that market in general into the back half of the year given some of the guidance that's out there right now for some of the carriers, but you seem to be guiding it flat. So it doesn't sound like – it sounds like – I mean, have we seen the lift that we're going to see in that market and we're done or do you think there's still the prospect for further growth, if it's not next quarter, maybe if we're going out another quarter or two after that? Do you think that there's still opportunity for further growth in that market? Do you think that we're going to see pickups in carrier spend and is this something – are the current levels that we're seeing out there sustainable?

<A – Vincent Roche – Analog Devices, Inc.>: I think when you factor in the – we have two components to our infrastructure business, we've got the wireless component that is pretty dominant, two-thirds of the overall revenue in the infrastructure sector and we've got a wired component as well.

We've seen much stronger growth on the wireless side, and in spite of the fact that our customers have been suffering from the lack of CapEx spending by the operators but there are signs that the operators are beginning to spend money, particularly in America and in Asia, in the build out of 3G networks. So I think there may be a little upside in the wireless space in the fourth quarter. And we're starting to see the deployment as well of the TD-LTE systems in China so I expect sometime in the second half of next year we'll see the lift from that. And we're also expecting the sixth phase of the build out of wireless networks in China in the traditional TD-SCDMA sector. So, I think [ph] over and above (20:42) 4Q. I think looking into the next fiscal year, I think we'll see some good upside, particularly in the wireless area.

<Q – Stacy Rasgon – Sanford C. Bernstein & Co. LLC>: Does that imply that the wired side of things is a bit of a headwind right now?

<A – Vincent Roche – Analog Devices, Inc.>: It's relatively flat. It's been flat for the last couple of quarters and that business is comprised of enterprise, networking, cable infrastructure and it's been relatively muted over the last couple of quarters.

<Q – Stacy Rasgon – Sanford C. Bernstein & Co. LLC>: Got it. Thank you, guys, that's helpful.

Operator: Your next question comes from Ross Seymore of Deutsche Bank.

<Q – Ross Seymore – Deutsche Bank Securities, Inc.>: Hi, guys, congrats on solid results in a challenging time. Just a question on the consumer side of things. Could you give us a little more color on what's driving the upside beyond seasonality and to the extent seasonality comes into that mix, how should we think about the duration of that business being up before it seasonally potentially rolls over?

<A – Jerald Fishman – Analog Devices, Inc.>: Well, this is Jerry. I think the way to think about it is we, a year or two ago, really tried to focus our consumer business on opportunities that were much more sustainable, that customers were willing to pay us a fair margin for, and we've resected that product line pretty substantially. So I think, we have a good cycle coming up, we believe, and some of the newer products that we've done in the consumer space we think really add new types of functionality to consumer products that we believe are going to be very valuable.

So, of course, the consumer business always has its ups and downs and the fourth quarter is typically a good seasonal quarter for consumer products, the first quarter tends to be somewhat weaker sometimes but consumer products is still a relatively small part of our total sales. So I think that as we look over the next period out there, I think in the short-term our results will be much heavier, much more dependent on what happens in the macro economy to our industrial, our communications business. The consumer revenues will modulate with product cycles and buildups for seasonal purchases but I think in the next three to six months it's going to be mostly about the macro stuff for us when you factor everything into it and that is going to be much more relevant to our sales than any of these cycles. I think in the fourth quarter we are going to get some lift from a couple of product launches in consumer but after that I think it's going to be mostly dependent on the macro stuff.

<Q – Ross Seymore – Deutsche Bank Securities, Inc.>: Great. And one follow-up I guess, more for Dave on this one. You mentioned about holding OpEx pretty much flat until macro shows some better positive signs of life. As we look into early fiscal 2013 and the January quarter are there any sequential changes that we should be prepared for: FICA taxes, bonus, merit, things like that that pop that up even by a couple million dollars?

<A – David Zinsner – Analog Devices, Inc.>: No, not really. We'll likely have some inflationary effect sometime next year but it's relatively modest, it adds 1% or 2% to the OpEx per year.

<A – Jerald Fishman – Analog Devices, Inc.>: I mean, our take is for the levels that the business is operating at now and what we see in the near future, we've got plenty of OpEx devoted to growing this business and to us it's mostly a question of focusing that OpEx on the right stuff. And so I think that's what Dave's comment is really based on. It's – we've got plenty of money we're spending investing in the business. The real question is just make sure we put it in the right places. That's what we're working on.

<Q – Ross Seymore – Deutsche Bank Securities, Inc.>: Great, thank you.

Operator: Your next question comes from the line of Uche Orji with UBS.

<Q – Parag Agarwal – UBS Securities LLC>: Hi, this is Parag for Uche. I just wanted to drill down further on your consumer business. Are you expecting any ramp in your MEMS microphone business and is that what is driving the upside in the fourth quarter?

<A – Jerald Fishman – Analog Devices, Inc.>: Well, we have a good MEMS microphone; we expect the revenues in that to continue to grow.

<Q – Parag Agarwal – UBS Securities LLC>: Okay. Fair enough.

<A – Vincent Roche – Analog Devices, Inc.>: Our consumer business again has 3 million components to it and we will see a lift in all three sectors: Basically in the digital imaging, the portable space and home entertainment during the fourth quarter. So the consumer area is one of the spaces that uses every piece of technology and every type of product that we've got, so it's actually quite diverse and we'll see a general lift, I believe, in the fourth quarter, not dependent on any one product or area.

<Q – Parag Agarwal – UBS Securities LLC>: Okay. Fair enough. And coming to the industrial business, you indicated that the business is going to be flat. Just wanted to get a feel of whether this is a temporary pause or you think – what is the level of visibility into this end market beyond the current quarter?

<A – Vincent Roche – Analog Devices, Inc.>: I think if you look at our business over the last couple of quarters in the industrial sector we had a very sharp rebound of about 12% in the second quarter, we held on to that in the third quarter. From talking to customers all over the world, I think particularly in the industrial sector there's a lot of optimism about next year but I think in the very, very short-term our customers are being very careful in terms of placing backlogs, building inventory, so I think there's a very good match currently between the consumption rates and the demand rates on ADI and I don't see that change much certainly during the next three or four months.

<Q – Parag Agarwal – UBS Securities LLC>: Thank you.

Operator: Your next question comes from Jim Covello with Goldman Sachs.

<Q – James Covello – Goldman Sachs & Co.>: Great, good afternoon, thank you so much for taking my question. I guess if I could follow up a little bit on those last comments on the industrial segment, I believe you said the distribution channel actually increased orders in the month of July, so if I heard that right, did that continue into August, and is that – is that at all unusual given the relatively tepid environment, should we read anything into that or is that just more a function of a kind of lean supply chain at this point?

<A – Jerald Fishman – Analog Devices, Inc.>: Jim, I wouldn't read anything into that. The weekly distribution orders on us, patterns are fairly erratic and they go up and down week to week. I think to us it was more an indication rather than a long-term trend going on there that at least without being an eternal pessimist on this stuff, at least they don't see their business eroding or they wouldn't be placing those kinds of orders on us rather than us standing up and saying that's the beginning of a trend.

<A – Vincent Roche – Analog Devices, Inc.>: I think you've got to look at the end customer bookings patterns and I think if you look over the last six months at bookings in the OEM and disti sectors at the end customer level, what you'll see is a tremendous consistency over that six months in every region and across the industrial sector, so I think there's just, as Jerry said earlier on, there is no momentum one way or the other, it's just been very, very stable.

<A – Jerald Fishman – Analog Devices, Inc.>: I mean, the real challenge for us has been in trying to plan and manage Analog is the industrial business, which is a large part of our business, you know, you read all the stories how the world's going to come apart and you get worried about that so the very positive thing that we took out of really pouring through all the customers and all the geographies, as Vince was saying is that it's very stable. And I think in this world right now stability's a good thing. And we didn't see anything in the numbers either through the end of last quarter or the first couple of weeks of this quarter that indicated anything other than stability. And, like I said, in this world right now stability's a good thing.

To reiterate, I'd be cautious about trying to say – interpret that comment about July, they increased their orders as the beginning of a trend. I hope it is but I'm not – I'm not jumping on that one yet.

<Q – James Covello – Goldman Sachs & Co.>: Okay. And if I could ask my follow-up, Dave, just relative to the gross margins, to get gross margins back to sort of the more peak levels, how much of that is going to be mix dependent versus utilization dependent? Is one or the other of those more critical to getting the margins back to the peak levels?

<A – David Zinsner – Analog Devices, Inc.>: Well, both would be helpful. Clearly utilization would be a bigger component of the driver for margins.

<Q – James Covello – Goldman Sachs & Co.>: And is there an algorithm, certain number of increases, basis points and utilization is going to drive a certain number of gross margin improvement?

<A – David Zinsner – Analog Devices, Inc.>: I wouldn't say we have any kind of specific target. But, like I said, utilization was up a little bit north of 80% when our gross margins were running in the 67% range so that's probably a reasonable rule of thumb.

<A – Jerald Fishman – Analog Devices, Inc.>: And probably at those levels the mix will be relatively consistent so you can write your own algorithm for that.

<Q – James Covello – Goldman Sachs & Co.>: [Laughter] Thank you so much. Good luck.

Operator: Your next question comes from Craig Ellis with Caris & Company. Your line is open, sir.

<Q – Craig Ellis – Caris & Co., Inc.>: Yeah, can you hear me now?

<A – Jerald Fishman – Analog Devices, Inc.>: Yeah, we can.

<Q – Craig Ellis – Caris & Co., Inc.>: Thanks for that. Nice job, guys. Jerry, you had mentioned that distributors are signaling a wide range of possible outcomes here at the end of the year. And I'm wondering is that from a particular geography or does that relate to a particular set of end markets, can you give us more color there?

<A – Jerald Fishman – Analog Devices, Inc.>: Our distributors tend to focus more on the industrial market and our overall distribution business is very U.S. and Europe centric in the mainstream of distribution so I think it's related to that and there's two big distributors that we use and I think if you just read the commentary there, saying things look, okay, things look stable but at the margin they're packing a little more – a parachute on the range of possibilities for next quarter which is not surprising given all the uncertainty out there. But certainly it's hard for us to get – be more certain of the guidance when they're not very certain of their guidance and they're not an insignificant portion of our business.

Again, I think you could look at this two different ways. In one sense to say it sounds very uncertain. On the other hand, even the range of guidance they put out indicates that they're thinking business is stable. So, we tend to focus on that commentary as much as the precise numbers they're putting out.

<Q – Craig Ellis – Caris & Co., Inc.>: Okay, that's helpful and then switching gears to the automotive end market. It looks like we're taking a breather here after what was a real strong trailing four quarters how should we think about automotive's potential to reaccelerate over the next couple quarters and how big can automotive become as a percent of mix in the next couple years?

<A – Vincent Roche – Analog Devices, Inc.>: Automotive's currently about 17% of the company's revenue, it's grown at double digits for a couple years here and it will do that again this year and what we've seen in the last couple of quarters I think is really related to the European market and European car manufacturers. So we've seen the manufacturing output reduced in Europe due to the economic uncertainty. And I think as well the lackluster performance we're seeing in Europe is being offset to some extent by strength in other areas such as Asia where we're beginning to see some good momentum build for the company.

<A – Jerald Fishman – Analog Devices, Inc.>: Finally.

<A – Vincent Roche – Analog Devices, Inc.>: Finally. So in Japan as well as China and Korea. I think that momentum bodes very, very well and that coupled with the recovery that's likely to happen in Europe, I think – I hope anyway, next year we should do quite well. Also the new product pipeline and the design pipeline that we have would lead us to believe that the kind of growth that we've been seeing in the 12% plus area per year we can keep that momentum going.

<Q – Craig Ellis – Caris & Co., Inc.>: Geographic mix of the automotive business across Asia, U.S. and Europe?

<A – Vincent Roche – Analog Devices, Inc.>: Off the top of my head it's probably, U.S. and Europe combined are probably 70%, 75% and the rest is Asia.

<A – Jerald Fishman – Analog Devices, Inc.>: I mean, I think the trend that we can rely on is what Vince was saying, is that the electronic content of cars is going up, there's an awful lot of analog and mixed signal content in all the sensors, all the engine controls, all the battery monitoring, all the communications links, all the safety features, cars are going to have rollover control pretty soon legislated, that consumes our gyros.

So I think that there are a lot of macro trends in the automotive market that really will help us accelerate our sales that will be, to some degree, for a first approximation, much more relevant than how many cars get sold this year or next, which doesn't change all that much. So I think the macro trends in the automotive market and the positions that we're continuing to build with the largest suppliers to the automotive market here and in Europe and Japan recently and in Korea recently are such that I think we'll do very well if those trends continue.

<Q – Craig Ellis – Caris & Co., Inc.>: Thanks, guys.

Operator: Your next question comes from Vijay Rakesh with Sterne, Agee & Leach.

<Q – Vijay Rakesh – Sterne, Agee & Leach, Inc.>: Nice work on the quarter with the tough macro, I guess. A couple of questions, one, if you look at the distributor side, what are the inventory levels on the distributor side and the industrial when you look at the different segments, where do you strength and where do you see kind of weakness or limited visibility in those – in that market?

<A – David Zinsner – Analog Devices, Inc.>: I'll answer the first. I think Vince will answer the second. Inventory was, on an absolute dollar basis, slightly down and on a days of inventory, weeks of inventory, which is what we typically measure it at, it was about seven and a half weeks which was consistent with what it was last quarter.

<A – Vincent Roche – Analog Devices, Inc.>: On the industrial sector, the area where we saw the most weakness was the energy sector both from metrology as well as the transmission distribution part of that. We expected some rebound in the industrial automation area, it didn't happen, so most of the other subsectors of industrial were relatively flat for the quarter, one or two, a little up but energy down.

<Q – Vijay Rakesh – Sterne, Agee & Leach, Inc.>: Got it. And just looking out a little bit, last question here, when you look at the January quarter, any thoughts on what seasonality typically is and are you seeing anything out of the ordinary in terms of trends as you look out?

<A – Jerald Fishman – Analog Devices, Inc.>: I mean, not at this point in time. I mean, we're trying to get through the fourth quarter right now and then we'll give you an update on what we think about the first quarter when we get through this quarter.

<Q – Vijay Rakesh – Sterne, Agee & Leach, Inc.>: Got it, thanks, guys.

Operator: Your next question comes from Vivek Arya with Bank of America Merrill Lynch.

<Q – Vivek Arya – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Thanks for taking my question. The first question is on OpEx growth and I'm trying to think how to conceptually model it going forward, so let's assume your sales grows 10% next year. With that kind of sales growth how should we think about OpEx growth?

<A – David Zinsner – Analog Devices, Inc.>: We don't have an exact target. I would tell you that in the near term, given a lot of the uncertainty that exists, we're trying to keep it relatively flat with what we're spending today. If the business begins to recover, we'll likely grow expenses, but we're trying to keep it at a rate that's significantly below whatever the revenue growth rate is. So our goal is to – from the 32% operating margins we that operate today on a non-GAAP basis, our goal, if we start to see some recovery, is the operating margins begin to expand.

<Q – Vivek Arya – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Got it. And next one, on the wireless infrastructure business, I believe you mentioned good growth opportunities there. How much does a 4G or LTE contribute to that and how much content expansion can you have as the mix shifts more to LTE deployments?

<A – Vincent Roche – Analog Devices, Inc.>: The lion's share of our business today is 3G. At the present time 4G is just rolling out. It's less – it's quite a bit less than 10% of our wireless revenue but it will become a very significant contributor over the next couple of years so I think what you'll see is our business today is composed of 2G, 3G and now 4G but I think in the next couple of years you'll see predominance of 3G, I think it will still be 3G dominating for the next two or three years but LTE will become a significant part. I can only speculate, it could be 20, 30% of our revenue in that area in the next two, three years.

<A – Jerald Fishman – Analog Devices, Inc.>: Certainly that's the fastest growing part of our wireless business right now so it all depends on just how that grows relative to the more traditional 3G stuff.

<A – Vincent Roche – Analog Devices, Inc.>: The good news is we have a lot of content, we have more content typically in a 4G system than we have in a 3G system and all these radio subsystems are becoming enormously complex and, of course, there's a lot of – each one's got to handle the legacies as well as so the complexity of the silicon we're delivering increases generation by generation and we've got to handle more frequencies, more bandwidth, more dynamic range, so the bottom value is increasing as well per system so as these 4G systems build out, we're very optimistic about our revenue growth potential there.

<Q – Vivek Arya – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Is there any way to size that expansion, is it 10% more or 15% more, 20% more as you go from 3G to 4G?

<A – Vincent Roche – Analog Devices, Inc.>: More than 20.

<Q – Vivek Arya – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Okay. Great. Thank you.

Operator: Our next question comes from Shawn Webster with Macquarie Research.

<Q – Shawn Webster – Macquarie Capital (USA), Inc.>: Yeah. Thanks a lot, our questions have been asked and answered already. But I was wondering if I could ask some more on the content growth story, you've highlighted in the wireless segment and you tried to quantify that. I was wondering if you could quantify some of the other areas that are non-automotive-related in terms of content growth and maybe specifically call out like industrial control systems or military equipment or other areas where you're also seeing a generation-to-generation content growth story?

<A – Vincent Roche – Analog Devices, Inc.>: Energy has been a good growth story for the company in the industrial sector over the past five years, and it's not a very big part of ADI's business today, but the growth has been good and it's a great long-term bet for the company.

We see parts of the industrial automation sector particularly in Asia, we've done a good job I think connecting with our customers in the key applications there in the Asia region so that would be a very good contributor for the company.

In the wired infrastructure area, we've been investing heavily in building a portfolio in the observation control area, in areas like timing, clock control, timing generation, clock control and these control circuits, we have a dominant position in the control circuits that monitor optical systems and cable infrastructure systems.

So they are just a couple of spaces. Automotive, of course, we have a good position in power train and infotainment as well as safety. And all those sectors are growing at a fast clip for the company -

<Q – Shawn Webster – Macquarie Capital (USA), Inc.>: Now, is this – I'm sorry to interrupt, I was going to ask, is this a case of the complexity of your devices is growing as is your price in the system or is this you're shipping more units into a box and displacing other kinds of devices or what's the dynamic happening within the box itself?

<A – Vincent Roche – Analog Devices, Inc.>: There's a lot of new features they've added. As you know, car companies are largely selling their cars on the basis of the electronics technology today. So there's a lot of new features that we're being asked to address. So, again, I think the way to look at it is the complexity of the circuits and the products that we're shipping generation to generation is increasing and allowing us to increase our BOM value generation on generation there.

<Q – Shawn Webster – Macquarie Capital (USA), Inc.>: Okay. Maybe just one quick follow-up and I'll go away. The consumer business, it's going to be up double-digits based on the math you kind of laid out for us, which would be a seasonal increase. I'm just trying to come to grips on what's seasonal build versus some of the new product cycles you've highlighted? Can you specifically call out how the product cycle aspect of it, the new business you're getting is affecting your outlook for Q4?

<A – Jerald Fishman – Analog Devices, Inc.>: Well, I think it's really both. It's very challenging to try to give you a breakout of that and say this is half of that or a third or – I think the only takeaway is we're going get some lift in the fourth quarter. We think we have a good product cycle. It's a seasonal strong quarter for us and we'll wait and see what happens after that.

<Q – Shawn Webster – Macquarie Capital (USA), Inc.>: Okay. Thanks a bunch.

Operator: Your next question comes from Steve Smigie with Raymond James.

<Q – Steve Smigie – Raymond James & Associates>: Great, thank you. With regard to your exposure on the wireline, you mentioned a little content on the optical systems. I was wondering if you could talk about is that more centered around something like 40G and 100G or is it more passive optical network type systems and to the extent you are in the PON systems is that – are you seeing any pickup in the China build-outs?

<A – Vincent Roche – Analog Devices, Inc.>: Most of our business in the wired infrastructure area is not particularly in the data path, we are – it's mainly observation control, timing generation control. Some data path solutions. I think it's true to say that in the optical subsystem area, we've seen I think over the last four quarters, we've seen just a stable – no growth, stable pattern, same thing in the cable infrastructure market and I think we certainly are playing in the China area, we've seen a little growth in China. I think which has been offset by some of the [indiscernible] (44:37) largely due to ASP declines.

<A – Jerald Fishman – Analog Devices, Inc.>: I think if you look at longer term in the wireline communications market I think the real opportunity for ADI is going to wind up being integration of a lot of stuff we do. And we have a lot of the – as Vince was saying, a lot of the stuff we do now is pinpoint products that are relatively standard products for that market, but I think increasingly, as we get a much better insight into what our customers really need and want, there's an opportunity to take multiple technologies and integrate them for many of those customers and I think that's where the breakout opportunity in that business for us exists.

If it's just selling basically catalog products to customers, that might be picked out for a particular usage I think, there's an opportunity, it's not huge growth opportunity. I think if we can accomplish some of the things that we're setting out to do now in terms of the level of integration that we can accomplish for those kind of customers, I think that's where we get an inflection point in the growth rate in that market.

<Q – Steve Smigie – Raymond James & Associates>: Great. Just for my follow-up, you talked a number of times here about the new products in the consumer market. Can you give us a little more detail about what's changed or what specifically you've done that's new, what innovations you've made that are allowing you to get this big bump?

<A – Jerald Fishman – Analog Devices, Inc.>: Well, I think we have a lot of different applications in the consumer market. We sell products that are in the audio signal chain which are real important to a lot of customers given that audio is a more important application than it's ever been in a lot of consumer products. We do a lot of video in the consumer area. We have products that range from relatively simple pinpoint products to highly integrated products that go into these applications. We sell MEMS products into consumer applications.

So it's really a mixture of a lot of different things that go into our consumer business. The real challenge in the consumer business for all of us I think is developing – having products and customer relationships that last a long time, from generation to generation and that turn out to differentiate our customers' products so that we can earn a fair return on them and that's where we're focusing our effort and we're seeing some benefit of that focus coming up.

<A – Vincent Roche – Analog Devices, Inc.>: Given the life cycles of most of the systems into which we ship in the consumer sector, virtually everything we do is a new product.

<A – Jerald Fishman – Analog Devices, Inc.>: So that's both good news and bad news, right?

<Q – Steve Smigie – Raymond James & Associates>: Okay, thank you.

Operator: Your next question comes from Harsh Kumar with Stephens Incorporated.

<Q – Harsh Kumar – Stephens, Inc.>: Hey, guys, great job in a tough environment. Jerry I think you talked about the areas in industrial that are not doing better, but I was wondering -

<A – Jerald Fishman – Analog Devices, Inc.>: That was Vince actually, Vince is the one with the Irish accent, not Jerry.

<Q – Harsh Kumar – Stephens, Inc.>: I got you, okay.

<A – Jerald Fishman – Analog Devices, Inc.>: If you can't tell that one you've got to get new phone lines.

<Q – Harsh Kumar – Stephens, Inc.>: I was wondering if you guys could talk about areas in industrial that are actually doing well relative to the normal industrial business.

<A – Vincent Roche – Analog Devices, Inc.>: Well, energy was doing very, very well. I'd say at this point in time we've ramped up our R&D investments over the last three years in industrial to get a much, much sharper, more intense focus in areas like factory automation, process control. And they've actually done well for the company over the last couple of years. The last three quarters have been – last four quarters have been tough. But, as I said earlier, energy has been a good growth story, double-digit growth for the company for the fast four or five years and it's our expectation that we'll be able to get the industrial automation sector into the 8% to 10% compounded growth over the coming years.

<A – Jerald Fishman – Analog Devices, Inc.>: To me one of the encouraging parts of the industrial market right now is that when Vince goes out and visits these customers and occasionally convinces me to go with him, what you hear from those customers is that they're always dragging us into some of these applications that we've never been in before because they understand that they're very challenging and they have a lot of respect for some of the core technology that Analog has that they think is very applicable in some of these segments. Some of them we make the highest speed and most accurate converters and amplifiers as we always have and some of them are actually asking us to do a lot more integration for them than we've ever done in the past either for reasons of speed, performance or cost or size.

So I think increasingly there's a – the industrial business which, if you go back five years used to be we have a lot of customers and we sell a lot of products to, I think increasingly there's an opportunity for us to – to really do a much more systems oriented approach to some of these consumer – to some of these industrial applications and certainly we have one of the best capabilities in the world given our core technology to do those kind of things for those customers. And when they look around and they look at the whole universe of companies that really have that level of technology and commitment to the industrial business, despite all the press releases and rhetoric out there, it's a very short list of companies that can actually do that for them and we're certainly high on their list, I think, to do that.

<Q – Harsh Kumar – Stephens, Inc.>: Got it. That's very helpful. And again a question for either Jerry or Vince, I'm curious if there is anything like any kind of normal seasonality left in the industrial business at this point in time, any quarters that are stronger than others that you've noticed in the past two or three years?

<A – Jerald Fishman – Analog Devices, Inc.>: Well, I would say that our second fiscal quarter is historically, if you go back many years, in the absence of any macroeconomic headwinds or tailwinds, our second quarter is typically our strongest industrial quarter because it has the most days in it, basically. When a lot of business comes through distribution a lot of it is how many days of sales we get but I would say right now the dominant factor remains the macro stuff and I continue to believe that seasonality right now is a trap for everybody because other effects dominate it much more so than seasonality.

<Q – Harsh Kumar – Stephens, Inc.>: Very helpful. Thanks, guys.

Operator: Your next question comes from Doug Freedman with RBC Capital Markets.

<Q – Doug Freedman – RBC Capital Markets Equity Research>: Great, thanks for taking my question, guys, and congratulations on strong results. If you could, Jerry, you've been through a lot of cycles and if we look at this cycle, you've mentioned that clearly macro's weighing on it, are there any things outside of macro you think we should be looking towards to see when we're going to start to resume what we call sort of normal semiconductor growth patterns? And I'm referring to maybe the aging chart that you guys typically have shown investors that showed the adoption of newer products in the market and the tails on your older products, are you seeing any changes to those product uptakes?

<A – Jerald Fishman – Analog Devices, Inc.>: No, I don't think so, Doug, we look at that vintage chart every quarter quite methodically. And it turns out that all the reasons why that chart has been the way it is for the better part of 25 years, or longer, actually, I think are still in place today. In industrial products, the average usage per application is relatively low, the performance criteria are very high and customers don't like to change. Even though they develop new products, they tend to bring along the level of technology that they're familiar with. So I think all those factors are still a very dominant factor in the industrial business.

I think the only change, if there is one, is one of the comments I made a little earlier in reference to the industrial market. I think there is an increasing opportunity to provide more systems-level capability in the industrial market that is more tailored products to particular segments in the industrial market and I think that's another just growth opportunity for Analog that I think didn't exist five or ten years ago.

So but that's a very slow building phenomenon. I say the industrial market is very similar to the way it was five or ten years ago and I think if we continue to really win at the core technology level in amplifiers and converters and some of the other product areas that we're in, I think we'll continue to do extremely well in the industrial market which values those characteristics probably more so than a lot of other markets.

<Q – Doug Freedman – RBC Capital Markets Equity Research>: That's a good segue into sort of my next question. Over the last five or six years you've done quite a nice job of sort of pruning and focusing your product segments that you're attacking. We saw you move a little bit out of DSP, it's sort of interesting, DSP is still holding on to a decent percentage of revenue there, a little better than I might have expected.

<A – Jerald Fishman – Analog Devices, Inc.>: That was always the goal.

<Q – Doug Freedman – RBC Capital Markets Equity Research>: And how do you feel about the positioning of the company now to service the new growth opportunities, are there pieces missing and are you – do you need to focus some more effort again back into power management to deliver some of those solutions?

<A – Jerald Fishman – Analog Devices, Inc.>: Well, I think, there's always pieces missing in the puzzle and we have a lot of opportunities to fill some of those pieces, either with acquisition or investment. I think in the power management part of the business, I think as we've mentioned previously, we've changed our strategy quite a bit over the last couple of years to really attach power management where we already control a large part of the bill of materials than trying to compete in the broad base power business which increasingly is getting overcrowded and there's too many competitors in there right now.

So I think our power management business now, we have some very talented people but they're very focused on where we are in control of the signal processing bill of materials to add power capability and we're getting very good take-up on that from our customers.

I think in other areas, we've just made an acquisition in the very high-performance clock area which is an area that we're very familiar with and every – a large part of our converters are clocked by something and we think there's some new technologies out there that can fundamentally change the game in clocking and that's obviously a natural thing to sell alongside of our converters.

We've made other acquisitions that we think will change some of the dynamics in the – what you can deliver for what power dissipation in signal processing. So I think there's areas that we'll continue to pick away at where we see either new technology emerging or holes in what we're trying to do for our customers and I think we've done that in the past couple of years and I think we'll continue to do that in the future.

<Q – Doug Freedman – RBC Capital Markets Equity Research>: Great, thank you.

Operator: Our next question comes from Romit Shah of Nomura.

<Q – Romit Shah – Nomura Securities International, Inc.>: Hi, guys, thank you for squeezing me in. Maybe a question for Dave since Jerry and Vince are stealing all the air time here. Dave, inventory days were 120 in the quarter, you mentioned it would be down but it's higher than a lot of your peers which are running below 100 days and I guess my question is, what is it about your mix that requires four months of inventory on hand? The implication would be that gross margins are inflated.

<A – David Zinsner – Analog Devices, Inc.>: Well, we do carry a bit more inventory, we generally carry 100 to 110 days of inventory. We do that because we have a ton of different products and we very much focus on our ability to deliver is kind of short lead time environments. We think that, in a lot of case, differentiates us from some of our competitors. So that's one primary reason why we keep – we just generally keep a higher level of inventory and that's quarter-over-quarter so that doesn't necessarily inflate margins.

We have built up inventory here in the near term maybe a little bit higher than we would typically, coming into a – several product cycles within the consumer space and need to be ramped in order to meet that demand so that's the other driver. Most of that production is actually done outside so we really don't get much in the way of absorption benefit from that, so that really didn't necessarily drive the gross margin, it more was a general factory utilization increase which didn't have a huge impact on the inventory level in the quarter.

<Q – Romit Shah – Nomura Securities International, Inc.>: So lead time for the company you would estimate would be lower than a lot of your peers and that ultimately translate into better revenue growth is that the way to think about it?

<A – David Zinsner – Analog Devices, Inc.>: It depends on the environment. Right now we're probably all in similar lead time environments, but when cycles turn up we tend to be able to maintain our lead times within a four to six-week period. We see a fair amount of our competitors see those stretch out, I think the last big cycle we had some of them stretched out about 20 weeks, so we don't like that, we don't think that's good for our customers so we try to control that as best as we can through just careful inventory management.

<A – Jerald Fishman – Analog Devices, Inc.>: The other part that David didn't mention is that the inventory doesn't go bad on us. We build inventory in very long life cycle products. I don't remember the last time we wrote off inventory at Analog of any consequence. So I think the trade-off that we make is we want to be able to keep our lead time short. It makes our order patterns more predictable, it makes the factories run smoother, it helps our gross margins from the standpoint of keeping the loading levels, that are stable and we think ultimately that really helps us competitively.

<Q – Romit Shah – Nomura Securities International, Inc.>: Thanks for the color.

<A – Ali Husain – Analog Devices, Inc.>: Folks, we're closing in on 6:00 here but we'll continue taking questions in the queue.

Operator: Your next question comes from Tristan Gerra with Robert W. Baird.

<Q – Tristan Gerra – Robert W. Baird & Co. Equity Capital Markets>: Hi, good afternoon. Thanks for squeezing me in. You mentioned earlier that the key catalyst for gross margin was going to be utilization rates rather than mix. Did you say what your gross margin will be if your utilization rates were to go back to the 80% level and then if we need some additional mix improvement as well for you guys to get close to the 70% gross margin level, where would that mix opportunity come from?

<A – David Zinsner – Analog Devices, Inc.>: What we said was that our utilization when our margins were up in the 67% range were slightly above 80%. So I think that if our utilization was to get back over 80% given that a fair amount of that will be mix beneficial as well, because industrial tends to drive utilization, we think our margins would be in that range. Outside of that, our goal is certainly to improve gross margin. We do have a number of things that we're working on to improve it but we don't have any set target on gross margins per se. Really the function of why our margins are where they are is a function of our strategy of highly differentiated products in markets that we think value that – those differentiated and high performance products.

<Q – Tristan Gerra – Robert W. Baird & Co. Equity Capital Markets>: Great. Thank you, that's it for me.

Operator: Our next question comes from Chris Danely with JPMorgan.

<Q – Chris Danely – JPMorgan Securities LLC>: Guys, just a couple quickies. Vince, can you give us a rundown of the linearity of bookings during the previous quarter and why you guys feel confident in guiding for normal seasonal growth for this quarter? Is it – did things just kind of erode during the first couple months and the stabilize in July and getting better in August or was it a step function down in stability after that, maybe a little color there?

<A – Vincent Roche – Analog Devices, Inc.>: Chris, it was remarkably consistent over the past two quarters month by month in every region and across the two major channels there was no, I mean, there were no anomalies and it's remarkable in its steadiness.

<Q – Chris Danely – JPMorgan Securities LLC>: And so given the fact you came in at the low end of the range last quarter, why guide for normal seasonal growth this quarter?

<A – Vincent Roche – Analog Devices, Inc.>: Sorry, say that again?

<Q – Chris Danely – JPMorgan Securities LLC>: Given that you guys came in towards the low end of the range of guidance for revenue last quarter and I believe you're guiding for close to normal seasonal growth this quarter, was there something that gave you some more confidence that things wouldn't erode like they did last quarter?

<A – Vincent Roche – Analog Devices, Inc.>: Well, on the – certainly on the consumer side of things we're expecting a lift this quarter. We're confident about that and that will be the primary chunk of any increase we get this quarter in revenues.

<A – Jerald Fishman – Analog Devices, Inc.>: The most important example we have a larger opening backlog that we've already booked which we think is secure, while you never know. And the projections that we're making about next quarter are based on that backlog. We're in a very high turns environment so you never quite know what is going to happen in detail in distribution. But we sense that the trends are pretty stable and all of that is a good thing.

The reason there is a range there is because nobody really knows. If we sort of had a pretty good – if we knew we'd say what we know but we're just telling you what the range of possibilities as we see it right now is. It's based on a bunch of assumptions about most of the other businesses being about flat which could change one way or the other. It's based on the backlog we have in consumer which we think is good but could change also, so there's – I don't think we can get away from the fact that there's a lot of uncertainty in trying to predict revenues that our size plus or minus $10 million in a quarter is very, very challenging.

<Q – Chris Danely – JPMorgan Securities LLC>: Yeah, that makes total sense. And then you guys said that the inventories were about 7.5 weeks, essentially flat sequentially, have you seen any change up or down from what you can tell in OEM inventory?

<A – David Zinsner – Analog Devices, Inc.>: Well, the best way we can track it is just looking at their aggregate inventory we don't have visibility, obviously, into how much of our product is being held on their balance sheet, but their inventory levels, just what we tend to do is take the top customers and track their days of inventory and it was generally consistent with the prior quarter.

<Q – Chris Danely – JPMorgan Securities LLC>: Got it. Thanks a lot, guys.

Operator: Your next question comes from Terence Whalen with Citigroup.

<Q – Terence Whalen – Citigroup Global Markets (United States)>: Thanks. Two quick ones. The first one is you if were expecting consumer to drive the entirety of growth in the October quarter is there any reason to not think that January revenues would be down sequentially then? Thanks.

<A – Jerald Fishman – Analog Devices, Inc.>: Well, I think it all depends on what happens in the macro sense. If the macro – the consumer stuff, it really depends on what happens with the product cycles in consumer and the macro economy. So one could say that might happen but I can't say with any confidence that that will happen. We'll have to just wait and see. But clearly, typically in normal times, without any specific product momentum you'd see the first quarter consumer being lower than the fourth quarter. On the other hand, some of those other businesses could go up in Q1. So we just don't know yet. And we're not prepared to sort of get ahead of this thing and come up with a forecast for Q1 when we're in the third week of Q4.

<Q – Terence Whalen – Citigroup Global Markets (United States)>: Fair enough, thanks, Jerry. The follow-up question I had was regarding your process technology announcement with TSMC and co-development of a 0.18 process. Can you explain the rationale in making available a jointly developed process to competitors potentially? Is the motivation of that to garner any sort of a royalty stream? Thanks.

<A – Jerald Fishman – Analog Devices, Inc.>: Can you repeat the first part of that question? I didn't quite get it.

<Q – Terence Whalen – Citigroup Global Markets (United States)>: Sure, you had a press release this quarter about a co-development of a 0.18 process with TSMC that is being made available, I believe, to some of your competitors. I wanted to understand the motivation for that process development and making that available to competitors...?

<A – Jerald Fishman – Analog Devices, Inc.>: Sure. I understand. Some of the larger chips we do require more advanced digital lithography. And so it's not a predominant part of what we do. Most of what we do at TSMC is one or two generations behind the most advanced stuff. 0.18 is no longer the most advanced digital technology out there now. There are many companies working with 28 nanometers. So I would say it's a progression of what we've been doing with TSMC for many, many years. It's not really changed. And I think a lot of the stuff that's proprietary to Analog stays proprietary to Analog. That's the most important takeaway.

<Q – Terence Whalen – Citigroup Global Markets (United States)>: Are you garnering a royalty stream for that, is that the motivation? Thanks.

<A – Jerald Fishman – Analog Devices, Inc.>: No, I don't think the motivation is a royalty stream.

Operator: Your next question comes from David Wong with Wells Fargo. Your line is open, Mr. Wong.

<Q – Mitch Taylor – Wells Fargo Securities LLC>: Oh, hi. Hi, thank you, sorry, I apologize, this is Mitch dialing in for David Wong. Can you update us on your recent acquisition of Multigig in terms of your traction there for the high-end clock timing business?

<A – Vincent Roche – Analog Devices, Inc.>: Yeah. At this point we have fully integrated the team. We're very, very pleased with the progress that we're making in terms of incorporating the intellectual property that we acquired from Multigig and we're actually starting to see from the very, very first-generation of product that they've developed we're starting to see some modest revenues and we've moved them aggressively now into second-generation product design. So at this point we're very, very pleased with what we've seen and what we're getting.

<Q – Mitch Taylor – Wells Fargo Securities LLC>: Okay. Great, and then as a follow-up, Dave, in the context of today's macroeconomic environment can you maybe talk about your expectations for ADI's R&D budget in FY 2012 and I guess should we be modeling R&D at 17% of sales over the long run?

<A – David Zinsner – Analog Devices, Inc.>: Well, I think what I've said before was pretty accurate when we focused in on one of the line items within operating expenses, which is we're looking to contain OpEx in the near term given the uncertainty in the macro environment. If things improve and revenue starts to grow, we're likely to grow both on the R&D and SG&A line at – to some level but at a level that trails the revenue growth. Ultimately, we probably will want to run somewhere in that 17% of sales for R&D.

<Q – Mitch Taylor – Wells Fargo Securities LLC>: Okay. Great, thank you very much.

<A – Ali Husain – Analog Devices, Inc.>: Folks, we have a number of people still waiting to ask questions. If we're unable to get to your question in the allotted time you can reach me, Ali Husain after the call at (781) 461-3282.

And before we take the last few questions, I'd like to mention that our fourth quarter 2012 earnings release is scheduled for November 27, 2012 after market close and our conference call will begin at approximately 5:00 p.m. Eastern Time that same day.

Now ready to take the additional questions. Operator, may we have the next caller, please?

Operator: Certainly. Your next question comes from Joe Moore with Morgan Stanley.

<Q – Joseph Moore – Morgan Stanley & Co. LLC>: Hi, thank you. I wonder if you could update us just on your latest thoughts on the cash balance. I know you've been returning a lot of it to shareholders but I know you've also been looking at options to return more. Can you just give us your latest thoughts there?

<A – David Zinsner – Analog Devices, Inc.>: I'll comment but I'm sure Jerry will have a comment as well. I think we've been focused in both ways in returning cash to shareholders both through share repurchases and dividends. We just increased the dividend 20% a couple of quarters ago to ramp up that part of the equation. We have been buying back stock, from quarter to quarter, it tends to be a little bit volatile depending on what the stock price is and how we're feeling about the world. We do have plenty of cash on the balance sheet in the U.S. which is where we would normally get the cash for repurchases. We have $1 billion.

We also have plenty of capacity on the debt side if we want to take advantage of that. We have a $585 million authorization to repurchase stock, so I think you'll see us be active repurchasers of stock over time. It might change from quarter to quarter depending on the environment, but over time we will certainly be buyers of the stock.

We'll also be very committed on the dividend side I think as well. We ramped up the payout ratio, I think we paid out at plus 50% this quarter in terms of dividend and I think you'll see us be fairly committed to the dividend. We talked to a number of our largest shareholders over – clearly over the course of years but certainly within the last few quarters and really felt like a significant portion of them seemed to favor an increase in the dividend and we responded to that by increasing it a couple quarters ago.

So, that's really the goal. Clearly we are still focused on periodic small tuck-in technology acquisitions as well so certainly some portion of the cash will be used for that purpose as well.

<Q – Joseph Moore – Morgan Stanley & Co. LLC>: Thanks.

Operator: Your next question comes from John Pitzer with Credit Suisse.

<Q – John Pitzer – Credit Suisse Securities (USA) LLC (Broker)>: Yeah, guys, thanks for squeezing me in here. Guys, I'm curious about the utilization dropping in the October quarter, just given your comments about stability in the business. At the midpoint your sequential growth for the current quarter is actually going to be higher than the prior quarter and you talked about inventories being in decent shape. So how do I read in the drop in utilization? I apologize if it's nit-picking, I know it's only going to be down a little bit, but I'm just kind of curious if you can give me any color on that.

<A – Jerald Fishman – Analog Devices, Inc.>: I think the increase we're going to get on the sales line at least in the forecast right now is primarily consumer stuff. We primarily fabricate that not in our own facilities. So, we look at it and said we'd like to keep the inventory down, more towards the

100 to 110-day area as Dave said and the reason we like to do that more than anything else is it gives us a lot more leverage on the upside when business gets better as compared to selling old inventory when business gets better. In the old days we would have just kept building it or leaving it there but I think now we sense keeping it down at those levels is the best long-term decision for us so that's what we're doing. It doesn't really indicate either our enthusiasm or pessimism about the future, it's much more a question of that we have 121 days, we want to get it down to about 110 days and most of the growth in Q4 is going to come out of stuff that we don't fabricate ourselves.

<Q – John Pitzer – Credit Suisse Securities (USA) LLC (Broker)>: And then guys, just as a follow-on there, the cycle time through a fab is about how long?

<A – Jerald Fishman – Analog Devices, Inc.>: There are 350 processes we run in those fabs, each has a different cycle time, but I think they range anywhere from probably eight to fifteen weeks depending on the complexity of the process.

<Q – John Pitzer – Credit Suisse Securities (USA) LLC (Broker)>: Perfect. Thanks, guys.

Ali Husain, Director of Investor Relations, Analog Devices, Inc.

And that concludes our question-and-answer session. We appreciate your participation. Look forward to talking to all of you again during our fourth quarter 2012 earnings call scheduled for November 27, 2012, beginning at 5:00 p.m. Eastern Time. Thanks very much.

Operator: This concludes today's Analog Devices conference call. You may now disconnect.