

# Fiscal 3Q15 Earnings Release

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SUPPLEMENTAL INFORMATION



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## **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; the successful completion of the conversion of benefits provided under our Irish defined benefits plan to benefits provided under our Irish defined contribution plan; 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 9 and 11.

# Summary

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## 3Q15 Results

- Record quarterly revenue of \$863mn vs. guidance range of \$825mn to \$865mn
  - Revenue +5% QoQ and +19% YoY
- Non-GAAP diluted EPS of \$0.77 vs. guidance range of \$0.71 to \$0.77
  - Non-GAAP diluted EPS +5% QoQ and +22% YoY

## 4Q15 Guidance

- Revenue in the range of \$880mn to \$940mn
- Non-GAAP diluted EPS in the range of \$0.79 to \$0.87

## Positive book-to-bill ratio

Non-GAAP results excludes special items. See slide 11 for a reconciliation of our historical non-GAAP to GAAP results and slide 9 for a reconciliation of our non-GAAP to GAAP outlook for the fourth quarter of fiscal 2015.

# Financial Snapshot

<i>in millions; except EPS</i>	3Q15	2Q15	3Q14	QoQ	YoY
<b>Revenue</b>	\$863	\$821	\$728	+5%	+19%
<b>Gross Margin <sup>(1)</sup></b>	66.1%	66.5%	66.5%	-40bp	-40bp
<b>Operating Margin <sup>(1)</sup></b>	34.2%	33.7%	32.5%	+50bp	+170bp
<b>EPS <sup>(1)</sup></b>	\$0.77	\$0.73	\$0.63	+5%	+22%
<b>FCF (TTM)</b>	\$822	\$830	\$708	--	--
<b>Cash Return (TTM)</b>	\$784	\$801	\$656	--	--
<b>% of FCF Returned</b>	95%	96%	93%	--	--

(1) Financial results are presented on a non-GAAP basis. Non-GAAP results excludes special items. See slide 11 for a reconciliation of our non-GAAP to GAAP results.

# 3Q15 Revenue by End-Market

## Communications

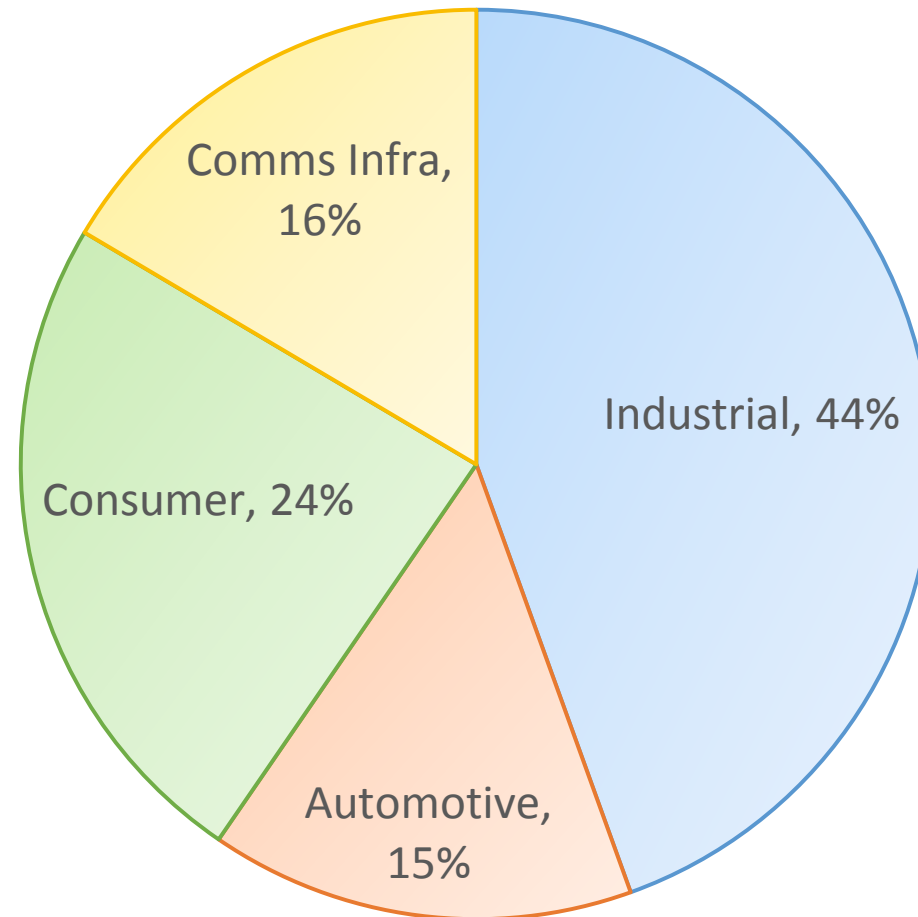
Wired  
Wireless

## Consumer

Portables  
Prosumer A/V

## Automotive

Infotainment  
Powertrain  
Safety



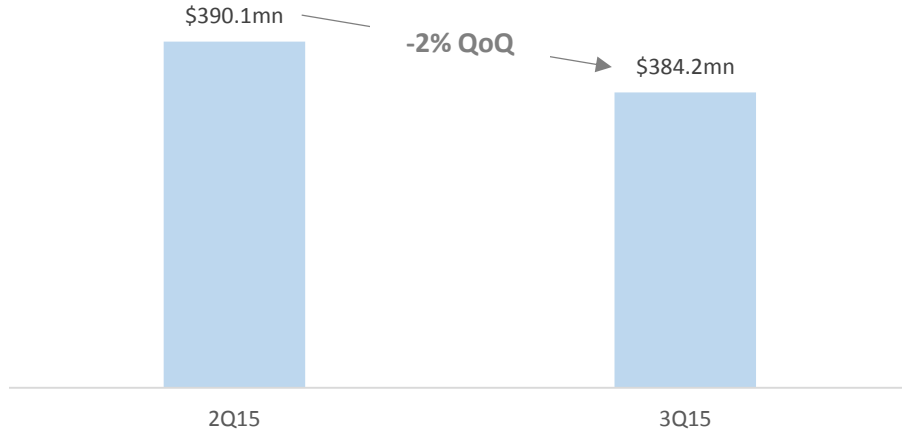
## Industrial

Aerospace & Defense  
Automation  
Energy  
Healthcare  
Industrial Sensing  
Instrumentation

3Q15 Revenue: \$863mn

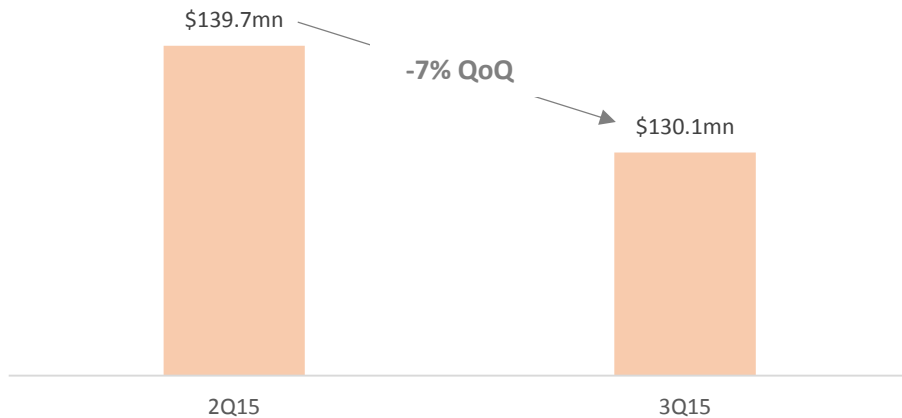
Note: The sum of the individual percentages may not equal the total due to rounding

## Industrial



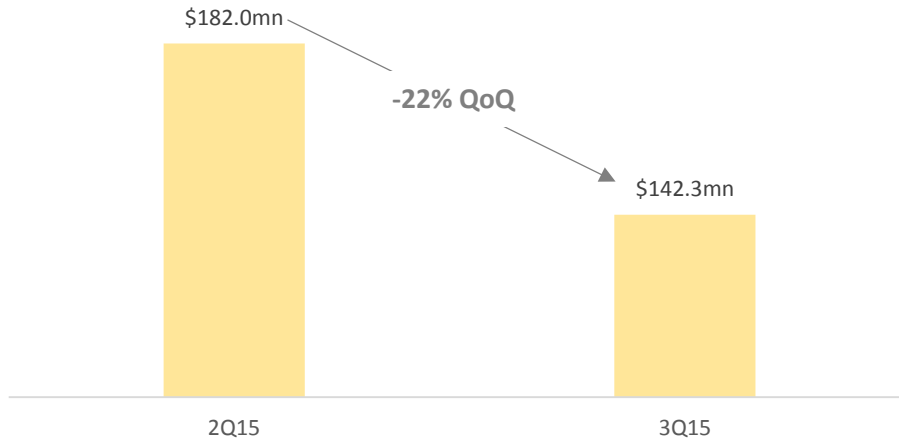
- Industrial sales -2% QoQ
- Aerospace & Defense and Energy increased sequentially while Automation decreased sequentially

## Automotive



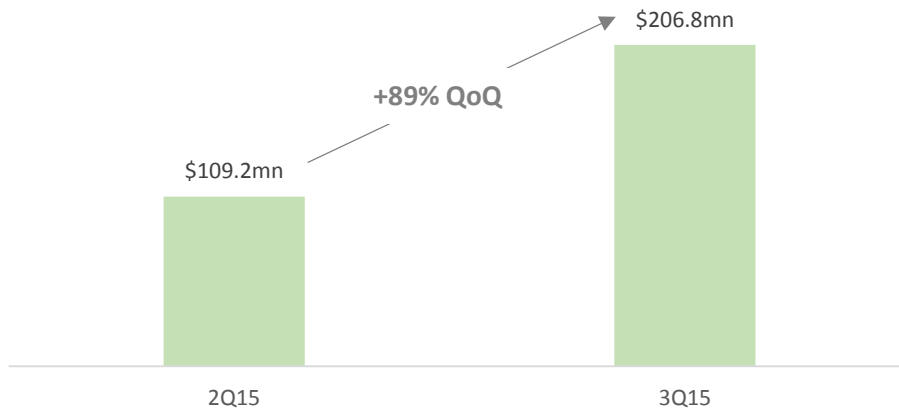
- Automotive sales -7% QoQ
- Powertrain, Infotainment, and Safety decreased sequentially in seasonally slower period

## Communications



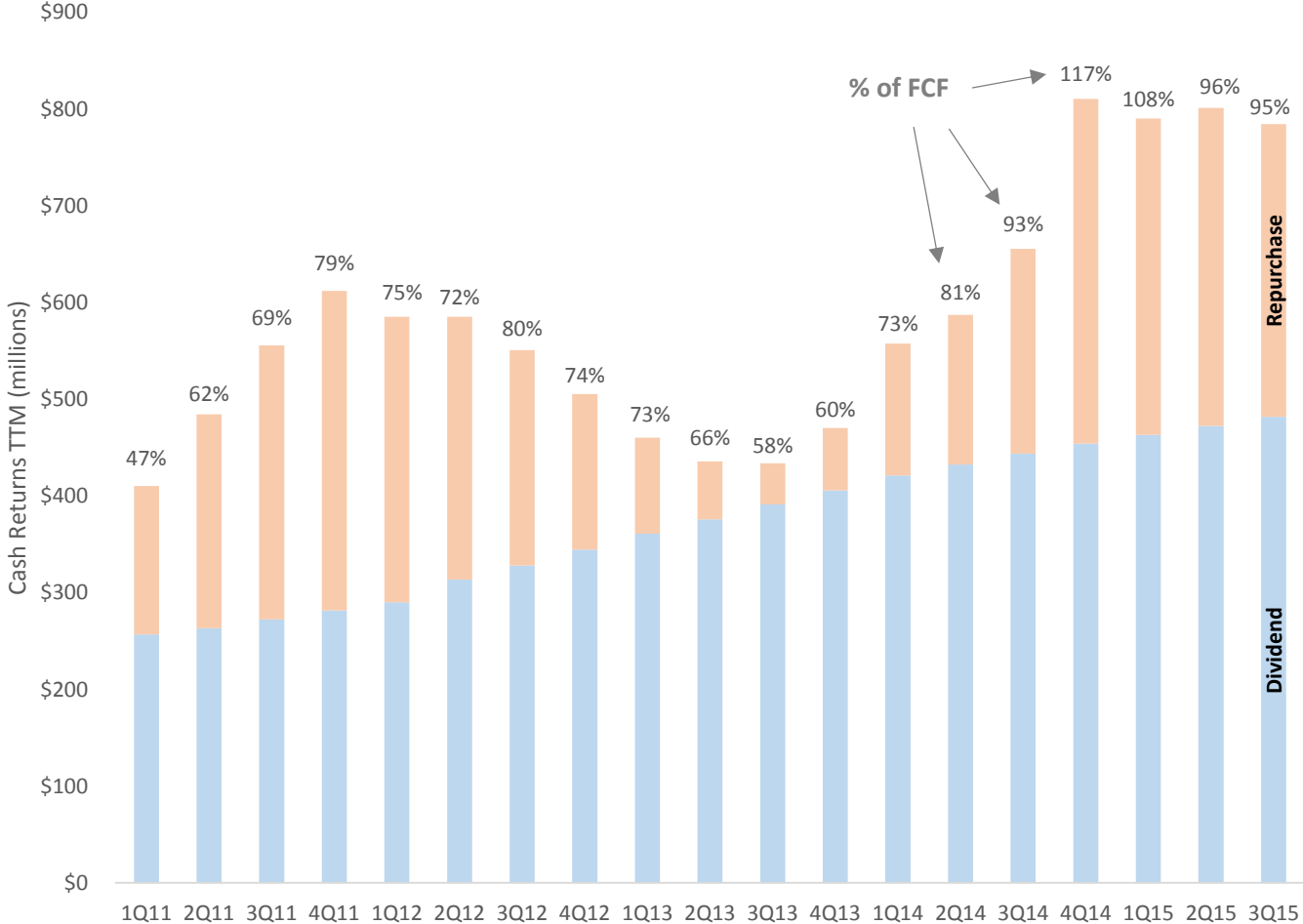
- Communications sales -22% QoQ
- Wireless infrastructure sales decreased sequentially while wired was about even to 2Q15

## Consumer



- Consumer sales +89% QoQ
- Portables had strong growth. Prosumer A/V was approximately flat sequentially

# Shareholder Returns (TTM)



## 3Q15 Shareholder Returns

- Total: \$157mn
  - Dividend: \$126mn
  - Share repurchase: \$31mn
- TTM: \$784mn, 95% of FCF
- Remaining share repurchase authorization: ~\$650mn



# 4Q15 Guidance

<i>in millions; except EPS</i>	<b>GAAP</b>	<b>non-GAAP Adjustments</b>	<b>non-GAAP</b>
<b>Revenue</b>	<b>\$880 to \$940 million</b>	--	<b>\$880 to \$940 million</b>
<b>Gross Margin</b>	approx. 65.5%	\$1.4 <sup>(1)</sup>	approx. 65.5%
<b>Operating Expenses</b>	up 70% to 72%	\$238.7 <sup>(2)</sup>	up 1% to 3%
<b>Interest &amp; Other Expenses</b>	\$5.0 million	--	\$5.0 million
<b>Tax Rate</b>	approx. 57% to 82%	--	approx. 15%
<b>Earnings per share</b>	<b>\$0.03 to \$0.11</b>	<b>\$0.76 <sup>(3)</sup></b>	<b>\$0.79 to \$0.87</b>

(1) Reflects estimated adjustments for amortization of purchased intangible assets and depreciation of step up value on purchased fixed assets.

(2) Reflects estimated charge of approximately \$220 million associated with the conversion of the Company's Irish defined benefits pension plan as more fully described in the Form 8-K filed by the Company today, \$18.5 million for amortization of purchased intangible assets, and \$0.2 million of depreciation of step up value on purchased fixed assets.

(3) Represents estimated impact of expenses associated with the non-GAAP adjustments on a per share basis.

# ADI Financial Model

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	Financial Model
Revenue	2x- 3x GDP
Gross Margin*	65% - 68%
Operating Margin*	32% - 36%
Free Cash Flow	28% - 32%
Free Cash Flow Return	80%
EPS Growth - per share*	8% - 15%
Dividend Growth - per share	5% - 10%

**Target EPS \$4 to \$5 by 2020\***

\* Gross Margin, Operating Margin, EPS growth, and target EPS are on a non-GAAP basis

# Reconciliation of Non-GAAP measures to GAAP measures

	Three Months Ended		
	3Q 15 Aug. 1, 2015	2Q 15 May 2, 2015	3Q 14 Aug. 2, 2014
<b>GAAP Revenue</b>	<b>\$863,365</b>	<b>\$821,019</b>	<b>\$727,752</b>
<i>Q/Q Revenue growth %</i>	5%	6%	5%
Hittite Operations	-	-	(5,392)
<b>Non-GAAP Revenue</b>	<b>\$ 863,365</b>	<b>\$ 821,019</b>	<b>\$ 722,360</b>
<i>Q/Q Revenue growth %</i>	5%	6%	4%
<b>GAAP Gross Margin</b>	<b>\$569,037</b>	<b>\$544,822</b>	<b>\$476,290</b>
<i>Gross Margin Percentage</i>	65.9%	66.4%	65.4%
Hittite Operations	-	-	(3,015)
Acquisition-Related Expenses	1,307	1,520	6,837
<b>Non-GAAP Gross Margin</b>	<b>\$ 570,344</b>	<b>\$ 546,342</b>	<b>\$ 480,112</b>
<i>Gross Margin Percentage</i>	66.1%	66.5%	66.5%
<b>GAAP Operating Expenses</b>	<b>\$ 303,768</b>	<b>\$ 295,814</b>	<b>\$ 273,744</b>
<i>Percent of Revenue</i>	35.2%	36.0%	37.6%
Hittite Operations	-	-	(2,033)
Acquisition-Related Expenses	(23,490)	(24,435)	(5,284)
Acquisition-Related Transaction Costs	(5,139)	(1,820)	(21,123)
<b>Non-GAAP Operating Expenses</b>	<b>\$ 275,139</b>	<b>\$ 269,559</b>	<b>\$ 245,304</b>
<i>Percent of Revenue</i>	31.9%	32.8%	34.0%
<b>GAAP Operating Income/Margin</b>	<b>\$ 265,269</b>	<b>\$ 249,008</b>	<b>\$ 202,546</b>
<i>Percent of Revenue</i>	30.7%	30.3%	27.8%
Hittite Operations	-	-	(982)
Acquisition-Related Expenses	24,797	25,955	12,121
Acquisition-Related Transaction Costs	5,139	1,820	21,123
<b>Non-GAAP Operating Income/Margin</b>	<b>\$ 295,205</b>	<b>\$ 276,783</b>	<b>\$ 234,808</b>
<i>Percent of Revenue</i>	34.2%	33.7%	32.5%
<b>GAAP Other Expense</b>	<b>\$ 5,791</b>	<b>\$ 3,819</b>	<b>\$ 5,158</b>
<i>Percent of Revenue</i>	0.7%	0.5%	0.7%
Acquisition-Related Debt Costs	-	-	(1,513)
<b>Non-GAAP Other Expense</b>	<b>\$ 5,791</b>	<b>\$ 3,819</b>	<b>\$ 3,645</b>
<i>Percent of Revenue</i>	0.7%	0.5%	0.5%
<b>GAAP Diluted EPS</b>	<b>\$ 0.68</b>	<b>\$ 0.65</b>	<b>\$ 0.57</b>
Hittite Operations	-	-	-
Acquisition-Related Expenses	0.08	0.08	0.02
Acquisition-Related Transaction Costs	0.02	0.01	0.04
Acquisition-Related Debt Costs	-	-	-
Acquisition-Related Tax Impact	(0.00)	(0.01)	-
<b>Non-GAAP Diluted EPS (1)</b>	<b>\$ 0.77</b>	<b>\$ 0.73</b>	<b>\$ 0.63</b>

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

# Contact Information

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