



Analog Devices Announces Financial Results For The Third Quarter Of Fiscal Year 2011

- 3Q11 revenue was \$758 million
- 3Q11 gross margin was 67.2% of revenue
- 3Q11 operating margin was 36.8% of revenue
- 3Q11 diluted EPS was \$0.71
- 3Q11 cash flow from operations was \$257 million, or 34% of revenue
- Board of Directors declared a quarterly dividend of \$0.25 per share
- Financial results and 4Q11 outlook will be discussed via conference call today at 5:00 pm

Norwood, MA (08/16/2011) - Analog Devices, Inc. (NYSE: [ADI](#)), a global leader in high-performance semiconductors for signal processing applications, today announced financial results for the third quarter of fiscal 2011, which ended July 30, 2011.

"After an unusually robust second quarter in which our revenue grew by 9% sequentially, revenue in the third quarter declined by 4% on a sequential basis while increasing 5% year-over-year," said Jerald G. Fishman, President and CEO. "Nevertheless, most end markets remained relatively stable during the third quarter and we believe that most of the revenue shortfall was the result of supply chain recalibration, not a change in underlying demand."

Mr. Fishman added, "Despite lower revenue, our operational execution remained strong in the third quarter as we delivered gross margin of 67.2%, operating margin of 36.8%, diluted EPS of \$0.71, and operating cash flow of \$257 million, or 34% of sales."

Results of Operations for the Third Quarter of Fiscal 2011

- **Revenue** was \$758 million, a 4% decrease from \$791 million in the immediately prior quarter and a 5% increase from \$720 million in the same period one year ago. For more information regarding revenue by end market and product type for the third quarter of fiscal 2011, please see Schedules D and E of this document. In addition, a more complete table covering prior periods is available on the Analog Devices Investor Relations website at: investor.analog.com.
- **Gross margin** was 67.2% of revenue, compared to 67.6% of revenue in the immediately prior quarter, and 66.7% of revenue in the same period one year ago.
- **Operating expenses** were \$231 million, a decrease of \$5 million, or 2%, from the immediately prior quarter, and an increase of \$2 million, or 1%, from the same period one year ago.
- **Operating income** was \$279 million, or 36.8% of revenue, compared to \$299 million, or 37.8% of revenue, in the immediately prior quarter, and \$251 million, or 34.9% of revenue, in the same period one year ago.
- **Diluted earnings per share (EPS)** was \$0.71 which includes \$0.01 associated with a year-to-date tax expense adjustment. This compares to diluted EPS of \$0.78 and non-GAAP diluted EPS of \$0.75, excluding a one-time tax benefit item, in the prior quarter, and diluted EPS of \$0.65 in the same period one year ago. The table reconciling non-GAAP data to the Company's GAAP results is provided in this release on Schedule F. A more complete table covering reconciliations for prior periods is available on the Analog Devices Investor Relations website at investor.analog.com.
- **The Board of Directors declared a cash dividend** of \$0.25 per outstanding share of common stock, which will be paid on September 14, 2011 to all shareholders of record at the close of business on August 26, 2011.
- **Net cash provided by operating activities** was \$257 million, or 34% of revenue. Capital expenditures were \$37 million, cash dividends paid were \$75 million, and approximately \$66 million was used to repurchase 1.7 million shares of ADI stock during the third quarter of fiscal 2011.
- **Cash and short-term investments** at the end of the third quarter of fiscal 2011 totaled \$3.5 billion, compared to \$3.4 billion at the end of the immediately prior quarter.
- **Accounts receivable** in the third quarter of fiscal 2011, as measured by days sales outstanding, was 45 days, compared to 48 days in the immediately prior quarter.

- **Inventory** at the end of the third quarter of fiscal 2011 increased by \$6 million, or 2%, compared to the immediately prior quarter. Days in inventory was 110 days at the end of the third quarter of fiscal 2011, compared to 104 days at the end of the immediately prior quarter.

Outlook for the Fourth Quarter of Fiscal 2011

The following statements are based on current expectations. These statements are forward- looking and actual results may differ materially, as a result of, among other things, the important factors discussed at the end of this release. These statements supersede all prior statements regarding our business outlook set forth in prior ADI news releases.

Regarding the company's short-term outlook, Mr. Fishman stated, "The third quarter results were mostly influenced by what we believe were temporary issues. That being said, we are concerned that growing uncertainty about the global economy could cause our customers to become more cautious in the short term and that could reduce our revenue in the fourth quarter. This is, of course, difficult to precisely forecast. Therefore, our guidance for the fourth quarter has a wider range than is typical for ADI."

Given these factors, ADI's outlook for the fourth quarter is as follows:

- **Revenue:** \$715 million to \$755 million, or flat to down 6% sequentially.
- **Gross margin:** 65.0% to 66.0% of sales, due to reduced factory loadings.
- **Operating expenses:** Flat to down 3% sequentially.
- **Diluted EPS:** \$0.60 to \$0.68.

Mr. Fishman concluded, "While the significant swings in customer supply chain management in 2011 have caused short-term quarterly variations in our results, we believe the company is performing well against its overall objectives for the fiscal year. At the midpoint of our fourth quarter outlook, we expect that ADI will grow revenue approximately 9% this year to over \$3 billion, in line with our long-term model. In addition, we expect fiscal 2011 operating margin to be approximately 36% and operating cash flow to be approximately \$900 million."

Conference Call Scheduled for 5:00 pm ET

Mr. Fishman will discuss the third quarter results and short-term outlook via webcast, accessible at investor.analog.com, today, beginning at 5:00 pm ET. Investors who prefer to join by telephone may call 706-634-7193 ten minutes before the call begins and provide the password "ADI."

A replay will be available almost immediately after the call. The replay may be accessed for up to one week by dialing 855-859-2056 (replay only) and providing the conference ID: 87847549, or by visiting investor.analog.com.

Non-GAAP Financial Information

This release includes non-GAAP financial measures that are not in accordance with, nor an alternative to, generally accepted accounting principles and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles.

Schedule F of this press release provides the reconciliation of the Company's non-GAAP measures to its GAAP measures.

Manner in Which Management Uses the Non-GAAP Financial Measures

Management uses non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margin, and non-GAAP diluted earnings per share to evaluate the Company's operating performance against past periods and to budget and allocate resources in future periods. These non-GAAP measures also assist management in understanding and evaluating the Company's operating results and trends in the Company's business.

Economic Substance Behind Management's Decision to Use Non-GAAP Financial Measures

The items excluded from the non-GAAP measures were excluded because they are of a non-recurring or non-cash nature.

The following items are excluded from our non-GAAP diluted earnings per share:

Tax-Related Item. In the second quarter of fiscal 2011, the Company recorded a one-time \$10.8 million tax benefit for a settlement with the Internal Revenue Service related to certain tax matters for the fiscal 2004 through fiscal 2007 tax years. We excluded this tax-related item from our non-GAAP measures because it is not associated with the tax expense on our current operating results.

Why Management Believes the Non-GAAP Financial Measures Provide Useful Information to Investors

Management believes that the presentation of non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margin, and non-GAAP diluted EPS is useful to investors because it provides investors with the operating results that management uses to manage the Company.

Material Limitations Associated with Use of the Non-GAAP Financial Measures

Analog Devices believes that non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margin, and non-GAAP diluted EPS have material limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures. In addition, our non-GAAP measures may not be comparable to the non-GAAP measures reported by other companies. The Company's use of non-GAAP measures, and the underlying methodology when excluding certain items, is not necessarily an indication of the results of operations that may be expected in the future, or that the Company will not, in fact, record such items in future periods.

Management's Compensation for Limitations of Non-GAAP Financial Measures

Management compensates for these material limitations in non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margin, and non-GAAP diluted EPS by also evaluating our GAAP results and the reconciliations of our non-GAAP measures to the most directly comparable GAAP measures. Investors should consider our non-GAAP financial measures in conjunction with the corresponding GAAP measures.

About Analog Devices

Innovation, performance, and excellence are the cultural pillars on which Analog Devices has built one of the longest standing, highest growth companies within the technology sector. Acknowledged industry-wide as the world leader in data conversion and signal conditioning technology, Analog Devices serves over 60,000 customers, representing virtually all types of electronic equipment. Analog Devices is headquartered in Norwood, Massachusetts, with design and manufacturing facilities throughout the world. Analog Devices is included in the S&P 500 Index.

This release may be deemed to contain 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, among other things, our statements regarding expected revenue, earnings, earnings per share, operating expenses, backlog, inventory levels, gross margin, operating margin, cash flow, and other financial results, shareholder returns, expected market trends, growth opportunities and business strategy, our competitiveness, expected customer demand for our products, and expected results of our ongoing expense management efforts, that are based on our current expectations, beliefs, assumptions, estimates, forecasts, and projections about the industry and markets in which Analog Devices operates. The statements contained in this release are not guarantees of future performance, are inherently uncertain, involve certain risks, uncertainties, and assumptions that are difficult to predict, and do not give effect to the potential impact of any mergers, acquisitions, divestitures, or business combinations that may be announced or closed after the date hereof. Therefore, actual outcomes and results may differ materially from what is expressed in such 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 press release. We do not undertake any obligation to update forward-looking statements made by us. Important factors that may affect future operating results include: sovereign debt issues globally, any faltering in global economic conditions and financial markets, the impact of the recent earthquake and tsunami in Japan, erosion of consumer confidence and declines in customer spending, the effects of declines in customer demand for our products and for end products that incorporate our products, competitive pricing pressures, unavailability of raw materials or wafer fabrication, assembly and test capacity, any delay or cancellation of significant customer orders, changes in geographic, product or customer mix, inability to license third party intellectual property, inability to meet customer demand, adverse results in litigation matters, and other risk factors described in our most recent filings with the Securities and Exchange Commission. Our results of operations for the periods presented in this release are not necessarily indicative of our operating results for any future periods. Any projections in this release are based on limited information currently available to Analog Devices, which is subject to change. Although any such projections and the factors influencing them will likely change, we will not necessarily update the information, as we will only provide guidance at certain points during the year. Such information speaks only as of the original issuance date of this release.

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[3Q'11 Financials](#)

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