PARTICIPANTS

Corporate Participants

Ali Husain – Director of Investor Relations, Analog Devices, Inc.
Vincent T. Roche – President, Chief Executive Officer & Director, Analog Devices, Inc.
David A. Zinsner – Chief Financial Officer & Vice President, Finance, Analog Devices, Inc.

Other Participants

Steven Smigie – Analyst, Raymond James & Associates, Inc.
David M. Wong – Analyst, Wells Fargo Securities LLC
Ross C. Seymore – Analyst, Deutsche Bank Securities, Inc.
Aashish Subba Rao – Analyst, Bank of America Merrill Lynch
Craig M. Hettenbach – Analyst, Morgan Stanley & Co. LLC
Christopher B. Danely – Analyst, JPMorgan Securities LLC
Terence Whalen – Analyst, Citigroup Global Markets Inc. (Broker)
Blayne Curtis – Analyst, Barclays Capital, Inc.
John W. Pitzer – Analyst, Credit Suisse Securities (USA) LLC (Broker)
Stephen Chin – Analyst, UBS Securities LLC
Mark J. Lipacis – Analyst, Jefferies LLC
James V. Covello – Analyst, Goldman Sachs & Co.
Doug Freedman – Analyst, RBC Capital Markets LLC
Craig A. Ellis – Analyst, B. Riley & Co. LLC
William Stein – Analyst, SunTrust Robinson Humphrey
Ranjit Ramachandran – Analyst, Sanford C. Bernstein & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is Rachel and I will be your conference facilitator. At this time, I would like to welcome everyone to Analog Devices Third Quarter Fiscal Year 2013 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the opening remarks, there will be a question-and-answer period with our analysts and investor participants. [Operator Instructions] Thank you.

Mr. Husain, you may begin your conference.

Ali Husain, Director of Investor Relations

Great. Thanks, Rachel. Good afternoon, everyone. This is Al Husain, Director of Investor Relations. If listeners haven't yet seen our third quarter FY 2013 press release or our Form 10-Q, they can be found on ADI's Investor Relations website at investor.analog.com, and this conference call can also be accessed from the same page.

A recording of this conference call will be available within two hours of this call's completion. It will remain available via telephone playback for two weeks and will also be archived on our Investor Relations website.

We've also updated the financial schedules on the IR website, which include the historical quarterly and annual summary P&Ls for continuing operations as well as for revenue from continuing operations by end-market and product type.

Participating with me on today's call are Vincent Roche, ADI's President and CEO; David Zinsner, Vice President of Finance and CFO; and Maria Tagliaferro, Director of Corporate Communications. During the first part of the call, Vince and Dave will present our third quarter FY 2013 results as well as our short-term outlook. The second part of our call will be devoted to answering questions from our analysts 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. We have included reconciliations of these non-GAAP measures to their most directly comparable GAAP measures in today's earnings release, which is posted on our Investor Relations website.

I'd ask you to please note that the information we are 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 described in our SEC filings, including our most recent quarterly report on Form 10-Q that we filed earlier today. The forward-looking information that's 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 today, August 20, 2013.

And so, with that, I'll turn the call over to Vincent Roche, ADI's President and CEO, for his opening remarks.

Vincent T. Roche, President, Chief Executive Officer & Director

Thanks very much, Ali, and hello, everyone. Thank you for joining our call today. As you've seen from our press release, our revenue totaled $674 million, which was up 2% from the prior quarter. This sequential revenue growth coupled with strong gross margins at relatively low levels of factory utilization and disciplined OpEx control resulted in diluted EPS of $0.57 per share excluding special items. This represents a 10% sequential growth in diluted earnings per share.

These are solid overall results with our sales performance above the midpoint of our guidance and our earnings results above the high-end of the range we had provided last quarter. Order rates strengthened through the quarter across all of our end-markets which was a welcome result, especially when considering that our third quarter includes the month of July, which is traditionally the time for summer vacations and [ph] planned (4:03) shutdowns particularly in North America and Europe. By end-market, both industrial and communications infrastructure revenue grew sequentially in the third quarter, led by the communications sector, which turned in a significantly better performance than we had planned.

Now, [ph] looking into (4:22) some more detail on our performance by market segments; firstly, communications infrastructure grew 12% sequentially and represented 21% of total sales. Sales for our wireless infrastructure customers drove most of the upside as China launched the last phase of its 3G TD-SCDMA network build-out and carriers in the U.S. gradually began the move towards densification of 4G LTE networks while continuing to increase their coverage footprint. Sales to all of our major OEM customers for wireless infrastructure were up in the third quarter.

As you know, 3G systems are highly penetrated in the wireless infrastructure network and in order to meet this steep demand for mobile data, operators in most geographies are in the transition phase to 4G systems. Operators in China and the U.S. have declared their intent to step-up 4G LTE deployments in 2014, following examples of LTE deployments in Korea and Japan. ADI is well-positioned to capitalize on our wide range of high-performance radio transceiver products and solutions given our penetration levels at key customers particularly in the densification phase.

Our wireline business also grew sequentially as customers in this sector in the U.S. and China accelerated the move from 10G and 40G to 100G optical systems to satisfy the burgeoning demand for data coming from cloud connectivity and from backhaul connections and wireless base station systems. ADI's focus in wired applications is primarily around timing and control of the signals in optical and cable infrastructure systems where the engineering challenge requires very high-performance timing and precision signal processing, which is particularly complex at 100-gig speeds. We deliver a wide range of products and solutions to address short-range, high-speed enterprise and metro-wide area network system monitoring and control needs. In the short- to medium-term, we see strong possibilities to further our growth in this area.

We also saw growth from our industrial business, which was up 1% in the third quarter after growing 11% in the second and this end-market represented 47% of our overall sales. Now I'd like to point out that excluding a sequential decrease in the defense and aerospace business, our industrial business actually grew 3% sequentially. Delays in U.S. Government programs in the defense and aerospace sector offset growth in our broad and diversified industrial customer base where we sell thousands of products to thousands of customers in areas such as process control, factory automation and instrumentation where our customers value ADI's products for their reliability, ruggedness and long life-cycles.

The varied applications within industrial share a common need for increased measurement capability, intelligence and connectivity as well as an underlying drive for improvements in energy efficiency, all of which require ADI's high-performance signal processing technology. We've increased our R&D and customer engagement investments in the industrial sector and we are confident that industrial can continue to contribute significant long-term sustainable growth to ADI in future.

Automotive revenue after showing very strong performance in the prior quarter was virtually flat in the third and up 5% over the same quarter last year. At the current quarterly run rate, automotive has grown to represent an almost $500 million annual business for ADI. The automotive industry premium brands are traditionally the drivers of innovation it's here that ADI technology is especially strong. These brands value ADI's strength along the entire signal chain in sensors, signal conditioning, data converters and DSPs, enabling them to deliver more efficient engines, intelligent collision avoidance and mitigation systems and in-cabin infotainment systems. Overall, we continue to be very well placed to take advantage of the increasing electronic content and demand for ever-increasing performance in vehicles to meet both government and consumer demand for a safer, cleaner, more enjoyable driving experience.

And finally, our consumer business was approximately flat to last quarter and it represented 15% of sales evenly divided across three main application areas: portable media, prosumer audio/video and digital imaging and computing. Each of these application areas was approximately flat sequentially. Within these application areas, we focus on the high-end of these markets where our user experience challenges arise when people interact with electronics through sound, images and video, motion and touch.

So across all of our end-markets customers increasingly rely on ADI to solve their most complex signal processing challenges. This has been the case for decades and we are investing to make sure that it will continue to be the case long into the future as we secure the signal processing growth opportunities in our established markets as well as the new emerging applications created by such megatrends as Big Data, cloud connectivity and energy efficiency.

So with that, I'll turn it over to Dave, who will take you through some of the details of our financial results.

David A. Zinsner, Chief Financial Officer & Vice President, Finance

Thanks, Vince, and good afternoon, everyone. Third quarter revenue increased 2% sequentially and declined 1% year-over-year to $674 million. Our gross margin was 64.5% in the third quarter; this was up 50 basis points from the second quarter on slightly higher factory utilization in third quarter compared to the second quarter.

Factory utilization remains low at mid-60% in third quarter compared to approximately 60% in the second quarter. At the same time, inventory on our balance sheet decreased by $14.6 million and days of inventory fell to 109 days in the third quarter compared to 115 days in the prior quarter. At 109 days of inventory, we're now within our model of 100 to 110 days.

Inventory distribution on a day's basis was just a bit above 7.5 weeks, up slightly from the prior quarter and below our model of eight weeks. Low inventories and low utilization levels set us up for strong gross margin leverage as the macroeconomic recovery continues to slowly unfold. Our plan is to tweak utilization rates slightly higher in the fourth quarter, which should keep our days of inventory approximately flat to the third quarter levels. Lead-times for our direct OEM customers remains similar to last quarter and are in good control with virtually all of our shipments to OEMs occurring within four weeks.

Total end-customer orders, which include both direct and distribution customers, increased in the third quarter compared to the second quarter and our book to bill was 1. As Vince described, overall order patterns improved throughout the quarter and across all our end-markets, showing momentum exiting this quarter.

Operating expenses as a percent of sales were lower in the third quarter by about 50 basis points showing the good leverage in our model. In dollar terms, excluding special items in the prior quarter, operating expenses increased slightly from $224.5 million to $226.7 million in the third quarter. Operating profits before tax for the third quarter were $208.3 million or 30.9% of sales. This was about 100 basis points higher than the prior quarter's 30% of sales excluding any special items.

Other expense of $13.3 million included $10.2 million related to the extinguishment of our note due in 2014. Excluding this item, our net interest expense was approximately $3 million.

During the quarter, we issued a $500 million bond at a sub-3% rate for the next 10 years. As a result, our ongoing net interest expense is estimated to be approximately $4 million per quarter.

Our third quarter tax rate was 11.7% excluding special items, which was lower than the prior quarter's 16.5%. The lower rate was due to a change in estimates of our future tax liabilities and a few discrete tax items. We expect our effective tax rate in the fourth quarter to be in the range of 14% to 15%. We also estimate our fiscal 2014 tax rate to also be in the range of 14% to 15%.

Diluted earnings per share of $0.57 excluding special items was above the high-end of guidance and up 10% from the prior quarter. Cash flow in the third quarter continued to be very strong. We generated 33% of our revenue or $220 million in operating cash flow. Capital expenditures were $30 million resulting in free cash flow of $190 million or 28% of revenue. Our cash and short-term investments balance increased by $278 million during the third quarter and now stands at $4.5

billion with $1.3 billion available domestically. At the end of the third quarter, we had approximately $870 million in debt outstanding.

Our accounts receivable balance was up $11.5 million compared to the prior quarter on higher overall shipments in this quarter and our day's sales outstanding increased by 1 day to 47 days. Deferred income on shipments to distributors increase by 7% as a result of a modest increase of inventory in distribution and the addition of a distributor in North America. And as I stated, weeks of inventory in distribution remained below our model of eight weeks. Our revenue recognition policy is to recognize 100% of our distribution revenue only when our distributors sell-out to the end-customers.

During the third quarter, we returned approximately $105 million to our shareholders through cash dividends. On August 19th, our Board of Directors declared a cash dividend of $0.34 per outstanding share of common stock, which will be paid on September 11, 2013 to all shareholders of record as of August 30, 2013. At the current stock price, this dividend represents an annual yield of approximately 3%.

In May, we committed to drive shareholder return even higher. We'll accomplish this by increasing our free cash flow payout from a historical average of about 60% to an average of 80% over the next eight years. Although, quarter-to-quarter, we'll likely be above or below the 80% payout, our plan is to have averaged an 80% payout at the end of that five-year period.

In summary, the third quarter delivered solid results for ADI. Our operating model turned a 2% sequential increase in revenue into a 10% sequential increase in non-GAAP diluted EPS at what still remains at very low utilization levels. We have plenty of leverage ahead as sales increase, factory utilizations improve from our current levels and we continue to control our operating expenses.

And so, now I'll turn the call back over to Vince, who will discuss the outlook for the fourth quarter.

Vincent T. Roche, President, Chief Executive Officer & Director

Thanks, Dave. As we look into the fourth quarter, it appears that world economies are stabilizing, at least at the margins, and some regions are beginning to see some growth. These are positive signs that should benefit ADI to the extent they translate into higher capital spend, which is particularly important to ADI's industrial and communications businesses. End-customer bookings are showing momentum and inventories remain lean across both direct customers and in the channel, leading us to be cautiously optimistic about a disciplined recovery.

Looking at the fourth quarter by end-market, we expect continued gradual growth in orders in line with end-demand in the industrial markets. For automotive, we are also expecting modest growth. Communications infrastructure should also be up as 3G and 4G deployments continue in most regions of the world. In consumer, secular and cyclical factors will counterbalance and we expect a more meaningful impact in our consumer business from new product cycles in FY 2014.

In total, we expect our revenues to be in the range of $675 million to $700 million and up from the $674 million in the prior quarter. Our utilization rate should improve modestly, expanding gross margins by approximately 50 basis points. In addition, we are continuing to control operating expenses to generate operating margin leverage as sales improve. Based on these assumptions, we expect our diluted earnings in the fourth quarter to be in the range of $0.55 to $0.61.

Throughout ADI from engineering and manufacturing to customer support and sales, we are relentlessly driving our ability to distinguish sustainable innovation from fleeting leadership. There are many signal processing markets to be served in the years ahead and our success will be based on how well companies can align technical innovation and market insights. We are working hard to optimize our portfolio, picking the right spots in the right markets at the right levels of investment with good profitability and strong sustainable growth potential. We are engaged and I believe we're stronger than ever and we will continue to drive returns higher for our shareholders in future.

Ali Husain, Director of Investor Relations

Great. Thank you, Vince. During today's Q&A period, please limit yourself to one primary question and one follow up question. With that, operator, we're now ready for questions from tonight's participants.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And your first question comes from the line of Steve Smigie from Raymond James.

<Q – Steve Smigie – Raymond James & Associates, Inc.>: Great. Thanks a lot. Good job on this quarter. As we look out to the guidance, it looks like you're guiding a little bit better than seasonal. The guidance seems to be a little bit lower than the Street, so I'm just curious if you could frame the guidance here in terms of, do you see the guidance as being positive because you're ahead of seasonal? Or was there some surprise maybe on the short – on the softer side that made you guys less than the Street here?

<A – Dave Zinsner – Analog Devices, Inc.>: So I think we're guiding generally kind of seasonal as you look around. I mean it's hard to – the problem is the cycles overshadow anything that happens in the seasonal side of things. So – and for the most part, as we kind of read through the tea leaves, this is generally what we would expect in terms of seasonality. I would say that one area that we do typically see a little bit of a seasonal ramp in is the consumer business. And just because of the way the product cycles are now flowing, it looks like it's going to be less about seasonality and more about product cycles; and we think the upward momentum on the product cycle is going to probably happen in 2014.

The guide – what the Street comes up with is their own predictions of what's going to happen. We feel pretty good about the guidance. The industrial business has shown some momentum and a good – good results in the second quarter. It continued to grow in the third quarter albeit a little bit weighted down by the defense business. But other than that, all their other businesses were doing really well and it looks like it's going to be up again in the fourth quarter, which we think that that's a good sign for kind of a slow, methodical kind of recovery in our broader business. We also expect automotive to come back. It was a little bit down this quarter after a really big second quarter, coming back again in the third quarter. That seems to be positive.

And then the [ph] CIFR (21:13) business probably was the one that surprised us the most this quarter on the good side because we do start to – we are starting to see some spending by the carriers to build-out their networks and that looks like it's going to continue into the fourth quarter and we haven't even really seen the ramp from some of these deployments for 4G in China that are on the comm. So this is I think a pretty good guide for the fourth quarter and sets us up pretty nicely for next year.

And as I talked about on my prepared remarks, as we start to see this recovery, we'll start to see utilization come back in our factories. That's going to be good on the gross margin side and we're doing a good job I think company-wide in controlling expenses and making sure those expenses don't grow at a rate that's out of line with what we want to do in terms of leverage. So everything seems pretty good.

<Q – Steve Smigie – Raymond James & Associates, Inc.>: Great. And just as my follow up on your point about gross margin, as you said you've been marching your gross margin up, your utilization improved. It seems like there's a lot of room for utilization to fill up still. How should we think about the gross margin opportunity relative to last cycle? So you said that you expect to have a higher gross margin this cycle than in the past, what's the magnitude of that difference at this point do you think?

<A – Dave Zinsner – Analog Devices, Inc.>: Well, obviously it depends on how the revenue behaves over the course of the next several quarters, but our utilization right now is at about – I think we ran around 65%. We'll tweak it up into the high-60s next quarter. Ultimately, when the engine is really moving along, our utilization gets up into the 80s. So from a move from into the 60s to a move into the 80s in terms of utilization, that generally drives a couple hundred basis points of improvement right there in gross margins. Mix usually goes in our favor as well. So I think it's hard to call the exact gross margin number because it's somewhat dependent on what quarter we're talking about and where the mix is and what have you, but I feel pretty good about the fact that we're going to get into the range of where we were before and we have good opportunity to do a bit better than that.

<Q – Steve Smigie – Raymond James & Associates, Inc.>: Thank you.

<A – Ali Husain – Analog Devices, Inc.>: Thanks, Steve. Rachel, can we get the next caller, please?

Operator: Your next question comes from the line of David Wong with Wells Fargo Bank.

<Q – David Wong – Wells Fargo Securities LLC>: Thanks very much. What proportion of revenues today come from products made in foundries? And do you have a target for the range in which you expect external manufacturing to run?

<A – Dave Zinsner – Analog Devices, Inc.>: So the external rate now is running in kind of the low-50s as a percent of our total revenue. I wouldn't say that we have a particular target. It has been in kind of that ZIP code for probably – since I started here, which was in 2009. So we try to – we have kind of a balanced approach. We have this big broad Industrial business. A good portion of that is manufactured internally and we continue to make investments in those areas. So my expectation is that will grow in line with the top line growth. And so, I think you'd expect that the percentage of external versus internal is roughly going to remain pretty similar to where we are today.

<Q – David Wong – Wells Fargo Securities LLC>: Great. And are you seeing any signs of pricing firming as demand improves?

<A – Dave Zinsner – Analog Devices, Inc.>: Well, the analog market is one of those markets where we never really see the price being un-firm, if I can coin a phrase. So it's pretty stable and it's been pretty stable through this entire cycle. So could it get better? I guess it could get better. But it's actually in a pretty good shape today.

<Q – David Wong – Wells Fargo Securities LLC>: Great. Thanks very much.

<A – Ali Husain – Analog Devices, Inc.>: Thanks, David. We'll get the next caller, please.

Operator: Our next question comes from the line of Ross Seymore from Deutsche Bank.

<Q – Ross Seymore – Deutsche Bank Securities, Inc.>: Hi, guys. A question on the consumer side. You mentioned that you have some offsetting things going on in October and then you said the growth would resume in 2014. Dave, are you alluding to the timing of some of those product launches mean the January quarter of 2014? Or were you talking about more of a full-year guide?

<A – Dave Zinsner – Analog Devices, Inc.>: It was more of a full-year, although we do expect kind of a pretty steady ramp through 2014.

<Q – Ross Seymore – Deutsche Bank Securities, Inc.>: Can you talk about what's driving that ramp either from the product side, end-customer type, et cetera?

<A – Vincent Roche – Analog Devices, Inc.>: Well, Ross, we've been over the last three or four years we've been changing the investment portfolio very much in the consumer space. We've been steering R&D more into industrial, communications infrastructure and automotive areas and utilizing our spend in the consumer area much more wisely. So, in the past where we were supporting applications in areas like home entertainment, TV, for example, and we had a pretty sizable business at one point in time there in the camera space, we have really taken the spending down in those areas for a number of reasons, I think we've explained you before, and concentrated our R&D primarily in what we think are very good audio, imaging and sensor applications that really make a difference in the portable media area. So it's primarily in that space that we expect to see the improvements in revenue growth in the coming year.

<Q – Ross Seymore – Deutsche Bank Securities, Inc.>: So would that be enough, because for the last couple of years that segment has been a bit of a headwind year-over-year. Is that enough where you think that this segment could actually grow in fiscal 2014 over 2013?

<A – Vincent Roche – Analog Devices, Inc.>: Yeah, I think whatever happens in the end-markets, we are positioned to actually take some share. There are some new application areas arising [ph] where we use some (27:04) unique technologies. So we will – I think we're pretty well penetrated and we're in good position to grow with the programs that we've chosen.

<Q – Ross Seymore – Deutsche Bank Securities, Inc.>: I guess my last quick question is on the OpEx side of things. Dave, you've done a good job of controlling that and keeping it tight in a slowing growth environment. As we look into fiscal 2014 and beyond, how should we think about how OpEx grows relative to revenue? And maybe specifically, how much of the OpEx is variable versus fixed? Thanks.

<A – Dave Zinsner – Analog Devices, Inc.>: Yeah, so we're trying to maintain kind of the similar discipline quarter-in, quarter-out where as revenue grows we try to grow OpEx at roughly kind of half the rate. And we've done, I think, a pretty good job of it this quarter and we're expecting to do around that kind of model for our next quarter. I think as we go into 2014, we're going to pretty much take a similar approach. And I mean the variable component could be a bit of a lift to OpEx, there's no doubt about it. But most of this OpEx is really within our control. So I don't foresee any reason why we would break our discipline next year in terms of managing the OpEx.

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

<A – Ali Husain – Analog Devices, Inc.>: Thanks. Operator, we'll get the next caller, please.

Operator: Our next question comes from the line of Aashish Rao from Bank of America.

<Q – Aashish Rao – Bank of America Merrill Lynch>: Hi. Thanks for taking my question. Vince, the automotive sales this year appear to be trending towards the low-single-digit growth in fiscal year 2013, well below the double-digit growth you've seen for the last several years. One would've expected content growth to outpace any sluggishness. At the high level, I mean, what's causing this deceleration in sales growth in automotive?

<A – Vincent Roche – Analog Devices, Inc.>: Yeah, I think, I mean over the past five or six years we've been able to grow in the mid-teens kind of area. We'll grow again this year, as you say, at a slightly lower level. I think in the third quarter in particular we were hit with some sluggish sales of cars in the European markets, but we track very, very carefully the programs by customer, by region, by technology, by market segment and I think we're in very, very good shape. I think what you're seeing is just a very, very short-term anomaly, for want of a better expression, but in the longer term we're positioned very, very well. There's an excellent match between our technology and what our customers are telling us they need. ADI is very much viewed as a leader in innovation in ways that make the car greener, more efficient and more enjoyable for consumers.

And we've also, by the way, been working, as you've probably seen, we did an announcement with Audi there a couple months ago where we're working to define new waves of innovation in the automotive area as well with the car manufacturers themselves. So we're bullish about the long-term. I think we see a very bright future and that we can grow this business at least in the foreseeable future in the double-digit area.

<A – Ali Husain – Analog Devices, Inc.>: Aashish, did you have a follow up?

<Q – Aashish Rao – Bank of America Merrill Lynch>: Yeah, just a follow up on the consumer business again. The last couple of Octobers, you've seen a $15 million to $30 million bump up followed by a seasonal decline in January. This year, you're guiding sales flat due to the product transition and product cycle issues. I know you're not providing Jan guidance, but should we expect a seasonal drop in January before the steady sequential growth resumes in fiscal year 2014?

<A – Dave Zinsner – Analog Devices, Inc.>: I would tell you that a lot of our business now is not necessarily seasonal. We have a big prosumer business that generally stays pretty solid through the entire year and the portables business has now become more about when OEMs launch their products and not necessarily around where some of the consumer products that we had been in, in the past were more tied to kind of a Christmas or back-to-school period. That's no longer the case here. So without giving any specific guidance, I'd tell you that the cyclicality both on the ups and the downs probably won't be as significant quarter-to-quarter on a go-forward basis is my best estimate.

<Q – Aashish Rao – Bank of America Merrill Lynch>: Okay, thank you.

<A – Ali Husain – Analog Devices, Inc.>: Thanks, Aashish. Get the next caller, please?

Operator: Your next question comes from the line of Craig Hettenbach from Morgan Stanley.

<Q – Craig Hettenbach – Morgan Stanley & Co. LLC>: Yes, thank you. Just following up on inventory; from a weeks' basis, it looks like it's still below your target in distribution yet the deferred income ticked up a bit. So just really want to get a sense of kind of the message you're [ph] hearing (31:51) from distributors and kind of how they see [ph] this recovery (31:55) playing out?

<A – Dave Zinsner – Analog Devices, Inc.>: Yeah, so inventory at distribution was, I guess, probably in kind of the low seven-week kind of range last quarter. It's now in kind of the upper seven-week range this quarter. So it trended up, which of course drove a bit of an increase in inventory at distribution, which followed on to give us a little bit of an increase on the deferred income line of – our deferred income line of our balance sheet. Those all kind of tied together. It's still, like you said, below the eight-week range so we feel comfortable that they aren't building inventory out of line with their demand. We hope that this generally does follow a good sign in terms of what their end-customers' order patterns are in the next few quarters. So we hope that us pushing them plus their own desire to get the inventory up is a result of the fact that they believe that they're going to see some increased order flow in the next few quarters and so they want to have the inventory ready to go for that purpose.

The other thing is I think I mentioned in the prepared remarks is that we did add a distributor and that does sometimes create some anomalies within the deferred income line because you're just adding somebody without any follow-on revenue at that point. So that does drive a little bit of an anomaly.

And then the other thing that we did notice in distribution was the mix of our products was a bit better this quarter on the shelves versus in prior quarters. So some of it isn't actually unit volume growth but more about the profitability of the inventory at distribution, that being up a bit and so that drove a little bit of the deferred income.

So I think as you look at that deferred balance sheet item and you want to take away anything from it, I think that it's in very good shape. I think we've done a very good job managing the distis. And part of that is that we keep lead-times so short so they don't have to necessarily worry about ramp in inventories beyond what they should. And I think it's in a healthy situation right now.

<Q – Craig Hettenbach – Morgan Stanley & Co. LLC>: Got it. As then as my follow up for Vince, you guys spoke a little bit about the consumer market, which is a small market [ph] for you. So I was (34:15) hoping to get into fiscal 2014 as you look more broadly at the portfolio, what you see as the most promising for growth drivers in fiscal 2014?

<A – Vincent Roche – Analog Devices, Inc.>: Yeah, I think as Dave pointed out, we have a steady base business that is like an annuity based on a lot of different products and different applications, typically driven by performance in the prosumer, things like broadcast space for example. So we'll get some growth out of that. I think the areas, as I've mentioned, we're in – we've been in transition in terms of our investments in consumer over the past few years, and steering R&D more into portable media applications.

So we're developing a very good position in some of the audio signal chains in things like tablets, phones and so on and so forth. We've got a good position in the camera control systems, for example, in many of these complex space-constrained applications. And some new sensor technologies as well such as gesture that we're bringing into play for some of the touch-oriented applications there. So we expect to see during 2014 that we will build up some good cadence there in terms of revenue growth in that particular sector driven by portable media applications.

<A – Ali Husain – Analog Devices, Inc.>: Great. Thanks, Craig. We'll move on to the next caller, please.

Operator: Your next question comes from the line of Chris Danely from JPMorgan.

<Q – Chris Danely – JPMorgan Securities LLC>: Hey, thanks, guys. Had a question, Dave, so you mentioned your utilization rates are now at 65%. Do you remember in previous cycles what your gross margins were when your utilization rates were in about the same range?

<A – Dave Zinsner – Analog Devices, Inc.>: Well, it depends on the cycle you're talking about. If you go far enough back and our gross margins were probably in the high-50s, probably. So yeah, this is incrementally or significantly better at similar utilization levels.

<Q – Chris Danely – JPMorgan Securities LLC>: As a follow up question; you guys continue to have a very nice cash balance. You've seen some of your competitors go the M&A route, I'm just wondering what the latest and greatest thoughts are on acquisitions or M&A to either drive revenue growth or enhance the product portfolio in ADI?

<A – Dave Zinsner – Analog Devices, Inc.>: Yeah, I think for us, M&A has been all about, when we've done it, it's been about acquiring technologies that we think are important to our customers down the road, where we think that the ROI case can be made better to do it externally than internally. And so those are areas where we usually make M&A bets. Those tend to be what I guess you would define as tuck-in acquisitions. They're generally smaller shops with a product at some period of evolution, usually in one of the early stages. We need that technology to augment what we're doing internally and we acquire it and usually we acquire it with relatively low proceeds up front and a lot of earn-out on the back end, assuming we get the performance that we expect.

I don't think that it dramatically changes from here. We've always looked at M&A and we want to utilize our – what we think is a superior balance sheet to our advantage. But we also think we've got a lot of opportunities internally with what we're developing to drive the growth rate; and based on some of the things that Vince talked about earlier, and so I think that will be our primary means of growth going forward.

<A – Vincent Roche – Analog Devices, Inc.>: Yeah, I think, Chris, just to add a couple of comments on what David said, we've always viewed philosophically M&A as something that must enhance the capability of the company, first and foremost, and something that three, five years down the road that our customers are looking at the combined technology of what ADI has had organically with the acquired technology and they look at that and say, this is a much more powerful entity and a much more powerful technology story for them from their standpoint. So, that's the thesis going ahead.

<A – Ali Husain – Analog Devices, Inc.>: Thanks, Chris. We'll move onto the next question, please.

Operator: Your next question comes from the line of Terence Wells with Citibank (sic) [Terence Whalen with Citigroup] (38:55).

<Q – Terence Whalen – Citigroup Global Markets Inc. (Broker)>: Hi. Good afternoon. Thanks for taking the question. This one is actually a question on the medical segment within your industrial business. I was wondering if you could help us understand the size of that business and what's really going to have to occur, either from a regulatory perspective or a customer perspective, for that business to really begin accelerating beyond the 6% of sales or so level? And when do you think that might occur over the next several years? Thanks.

<A – Vincent Roche – Analog Devices, Inc.>: Yeah, [ph] well, you've answered question (39:28). It's around 6% or 7%. We put a modest investment in there. Our business is very largely imaging-oriented and we've been investing over the past few years to really build some bigger in scope solutions around the imaging space, particularly in areas like CT and things like digital X-ray. There's a new modality there in digital X-ray where we have a tremendously wide design win base with all the key players there in Japan, Asia and the U.S. in particular. And we're starting to see the first signs that these units are going to production right now in digital X-ray. So that'll be a long life cycle business and it's in really the stage of early infancy at the present time.

My sense is it's always a business, of course, that has a lot of regulatory impact to it but we're seeing a lot of excitement around some of the sensing and vital signs monitoring type technologies we have that, again, will cross the boundaries between probably some consumer-ish, high-end consumer applications as well as kind of new business models that are emerging to take advantage of the cloud that will aggregate a lot of data from human sensing devices. So I think we have a good mix of exploratory things like vital signs monitoring as well as the more traditional businesses where we're extending our footprint in applications where originally we had established a foothold with our converter technology. So, that's essentially healthcare in a nutshell.

<A – Ali Husain – Analog Devices, Inc.>: Do you have a follow up, Terence?

<Q – Terence Whalen – Citigroup Global Markets Inc. (Broker)>: Sure. My follow up question is a little bit near-term in nature and that is that there is somewhat of a debate right now in the fourth quarter with TSMC said fourth quarter sales would decline more than they have in prior years and then conversely some other companies have said that they believe the fourth quarter will be less of an inventory correction this year than in prior years. I'm not necessarily asking you to make that call. What I would ask is what are you monitoring specifically to give you a lead indication of how fourth quarter is shaping up? And that's it. Thanks.

<A – Dave Zinsner – Analog Devices, Inc.>: Well, I mean the best leading indicator we have is order flow and unfortunately with four-week lead-times we have no visibility really into the fourth quarter. So it would be very difficult for us to even guess at what the fourth quarter might look at, like – or fourth calendar quarter, our first fiscal quarter, might look like at ADI. We do pay attention to economic data, PMI and so forth. Those numbers look relatively positive right now, although relatively uncertain as well as to how they may unfold over the course of the rest of the year. So we're – I guess what I would call us is cautiously optimistic. I think big foundry partners, like TSMC, they have businesses in a lot of different subcategories beyond the broad industrial business that we play in. And so there could be more volatility or less volatility in their businesses that wouldn't necessarily tie with the way ADI has managed.

<A – Ali Husain – Analog Devices, Inc.>: Thanks, Terence. We'll move on to the next question, please.

Operator: Your next question comes from the line of Blayne Curtis from Barclays.

<Q – Blayne Curtis – Barclays Capital, Inc.>: Hey, thanks for taking my question. Dave, I just wanted to – when you guided last quarter for July, you talked about that you're baking in some conservatism for – July has typically has been weak for you and it seemed like you said orders had kind of improved throughout the quarter. So just curious how you reconcile the two? Is there some offset in other segments? I know comm was better for you in July than you were expecting. And then when you look forward, the book to bill, 1, if you can talk about just the trajectory of orders versus the 1 book-to-bill? Thanks.

<A – Dave Zinsner – Analog Devices, Inc.>: Yeah. So what we saw is that order momentum, I guess, in the first fiscal quarter looked pretty good, set us up for the second quarter. And the second quarter's order level in total looked pretty good to set us up for the third quarter. I mean in the third quarter, I guess what I would say is that we always expect in the third quarter period this kind of, like, somewhat acceleration through the quarter. So we always start off a little bit behind and it slowly kind of makes its way back by the end of the quarter, so that – all of that really played out as expected.

One thing that did happen was we probably thought industrial was going to end up at the higher end of the range and it would have had it not been for the military business, which is very program related. It's not – doesn't necessarily – you have difficulty reading it in the tea leaves of order patterns and you just kind of have to see it as it ends up at the end of the quarter. So that was probably the more negative surprise in our results was that the defense and aerospace business didn't quite materialize as expected. And as you point out, on the more positive side, we did see the [ph] CIFR (45:06) business do a bit better than we expected. We thought that would be a little bit more flattish and that in fact that didn't happen. And so that offset some of the weakness we saw in the military, aerospace business.

<Q – Blayne Curtis – Barclays Capital, Inc.>: Thanks. And then just little clarification on the consumer part to the guide; it sounds like there's just some product specific stuff or ramp specific stuff that offset seasonality. But does that net out flat? Or are you saying that, that business is down for the October quarter?

<A – Dave Zinsner – Analog Devices, Inc.>: Yeah, I think we're thinking flattish. It might be a little down depending on how the one cycle rolls off in the news cycles roll on. So it's tough to call the timing exactly to the millionth dollar, but it's roughly flattish.

<Q – Blayne Curtis – Barclays Capital, Inc.>: Okay, thanks a lot.

<A – Ali Husain – Analog Devices, Inc.>: Thanks, Blayne. Thanks. We'll get the next question, please.

Operator: Your next question comes from the line of John Pitzer from Credit Suisse.

<Q – John Pitzer – Credit Suisse Securities (USA) LLC (Broker)>: Yeah, good afternoon, Vincent, Dave. Vincent, apologize if I missed this, but in your prepared comments around comm infrastructure...

<A – Vincent Roche – Analog Devices, Inc.>: Yeah.

<Q – John Pitzer – Credit Suisse Securities (USA) LLC (Broker)>: ...you specifically talked about 3G in China. I'm kind of curious about your view on the LTE buildout, is that also what's driving growth here? If it isn't, when would you expect that to hit? And kind of help me understand the addressable market when it does start to go in full force?

<A – Vincent Roche – Analog Devices, Inc.>: Yeah, good question, John. I think so far, all of the build in China has been 3G-related. All our sales in that region in the third quarter were 3G-related. Now, as you know, there are tenders out for 4G buildouts. We expect that to happen somewhere. We don't know for sure. I don't think anybody knows, but we believe somewhere over the next couple of quarters we'll start to see the ramp there. So that's very much all ahead of us. And our content gain between the generations is somewhere between 20% and 30%, between – we'll get 20%, 30% more gain in the [ph] bond (47:06) value in 4G than we have been getting in 3G. So that's all ahead of us still. So we think that what we're seeing now are kind of the last buildouts, significant buildouts of 3G in China. It'll continue for a period of time, but the switch to 4G is going to start happening pretty rapidly, we believe, over the coming couple of quarters.

<Q – John Pitzer – Credit Suisse Securities (USA) LLC (Broker)>: Perfect, guys. And then as my follow up; I hate to belabor the point but going back to consumer, if you go back a year ago, October, there was a pretty visible smartphone launch, which I think benefited your October quarter. And I think you were up about 25%, 26% sequentially in that quarter. Many of us here are expecting another fairly visible smartphone launch this quarter. So I'm kind of curious, is anything that's going on in the consumer business relative to socket loss? Or is it all just timing of product cycles you see?

<A – Dave Zinsner – Analog Devices, Inc.>: Well, when I said transitioning product cycles that was one of our products is rolling off and newer products are not rolling on. But outside of that, I can't comment on specific OEM customers and their launches and what our attach rates are on those. They limit our ability to talk about that.

<A – Ali Husain – Analog Devices, Inc.>: Thanks, John. And we'll move onto the next question, please.

<Q – John Pitzer – Credit Suisse Securities (USA) LLC (Broker)>: Thank you.

Operator: Our next question comes from the line of Stephen Chin from UBS.

<Q – Stephen Chin – UBS Securities LLC>: Hi. Thanks for taking my question. The first one I had was to drill down a little bit more on the industrial business. I [indiscernible] (48:45) your comments on the defense side and also for the U.S. geography, but was wondering how Europe and Asia were faring from a demand standpoint in the industrial end-market?

<A – Vincent Roche – Analog Devices, Inc.>: Well, the – overall, the industrial market is a composite of many, many different sub segments. What we saw in the third quarter was quite significant strength in Asia. Europe was – it gave us some growth and America wasn't as strong, but largely, if you take net of our aerospace and defense business, actually industrial in America was positive, but there was, as Dave said, one significant program with many, many products that was delayed by a quarter and that dampened our sales in America. So Asia, strongest; Europe in the middle; and America for that one reason was not as strong as we had expected, but good signs for the fourth quarter that we see ahead of us.

<Q – Stephen Chin – UBS Securities LLC>: Got it. And just my follow up is on the defense business that as you mentioned earlier. The military programs that you highlighted, was that just a timing delay? Or is there other concerns about those program such as U.S. budget question marks overspending that might be gating or...

<A – Vincent Roche – Analog Devices, Inc.>: Yeah. Well, all the indications are that it's purely a timing delay that we expect to see the inclusion of that business in our fourth quarter revenue stream. So – and apparently, that's a contracted revenue guarantee as well. So that's our expectation at least at this point in time.

<A – Ali Husain – Analog Devices, Inc.>: Thanks, Stephen. So we have just a few minutes remaining here. We'll take our last few questions and I'd also like to remind you that our Q4 FY 2013 earnings call is scheduled for November 26, 2013, at 5 p.m. Eastern. And operator, we'll go to the next question.

Operator: Your next question comes from the line of Mark Lipacis from Jefferies.

<Q – Mark Lipacis – Jefferies LLC>: Hi. Thanks for taking my question. Dave, maybe for you, when you talked about the cash return to shareholders going from 60% to 80% over time, I think – correct me if I'm wrong – I think I've calculated the last two quarters that averaged about 50%. So the question is how does that ramp-up over the time? And can you give us a framework for thinking about how that breaks out between dividend and share buyback? Thanks.

<A – Dave Zinsner – Analog Devices, Inc.>: Yeah. So, well, I guess it depends on how you calculate it, if you do it by free cash flow or earnings based on timing, but it's generally we're paying out I think at about 60% of our earnings over the last couple of quarters. And so, definitely below our 80% threshold. And I think the dividend is roughly designed to be something in that range on a go-forward basis. So as earnings grow, so does the dividend. Where the variability comes in between something in the kind of [ph] 50% (52:02), 60s and something in the 80s, really it comes from the buyback. And the buyback will be lumpy. It'll be – we have an algorithm, it's based on kind of technical flows of ADI evaluation and when it kind of triggers, it buys back a bunch of stock. So there will be quarters in which our – we return well more than 80% of our earnings in the form of either a dividend or a buyback and there'll be quarters where we're less than 80% but over the course of a five-year period, we expect it to kind of average out to be 80%. And that's how I kind of model it.

<Q – Mark Lipacis – Jefferies LLC>: Okay. So, over the next five years, the average over – about 80% on the earnings?

<A – Dave Zinsner – Analog Devices, Inc.>: Right. 80% of our earnings, yeah.

<Q – Mark Lipacis – Jefferies LLC>: Got you. And then on the – second question, on the wireless base stations, this business has been difficult for a lot of component vendors to project over the last 18 months, and – but you seem to have a high degree of confidence on China 4G rollout next year and I'm wondering if you could provide any insight as to what drives that confidence. Are you more confident now than you have been in the past? Do you have a particularly good visibility into that? Thank you.

<A – Vincent Roche – Analog Devices, Inc.>: Well, there's a lot of tendering activity, a lot of quoting activity between the OEMs and the carriers at this point in time. We do our best to understand what's happening right through the ecosystem with the operators as well as the OEMs. So as best we can tell, over the next couple of quarters we're going to see the first deployment of the 4G systems. So that's the best information we have at this point in time.

<Q – Mark Lipacis – Jefferies LLC>: Fair enough. Thank you.

<A – Ali Husain – Analog Devices, Inc.>: We'll go to the next caller, please.

Operator: Your next question comes from the line of James Covello with Goldman Sachs.

<Q – Jim Covello – Goldman Sachs & Co.>: Great, guys. Good afternoon. Thanks very much for fitting me in. I guess just a question, you'd made the comment and this is a little bit of a follow up to the discussion you had around Blayne's question I think, you'd made the comment in the last quarter that if industrial stayed strong you'd do the – probably do close to the upside of the or upward end of the range and then obviously the delta there was defense, but if that defense piece was an order from a prior period and that's kind of going to be now in the fourth quarter revenue and the orders were up across the board in all the segments in this most recent quarter, how can you help us reconcile kind of seasonal guidance in that result – in that event? Again, strong orders this quarter with the benefit of a slippage of a relatively significant piece of business I would think would result in guidance that would be a little higher, or am I missing something?

<A – Dave Zinsner – Analog Devices, Inc.>: Well, I think, I could be wrong but I think if industrial is up in the fourth quarter, that's a bit anomalous. I mean I actually think we see it going the other direction on average. Where we see this pickup for the fourth quarter overall is because usually we have a reasonably high lift in consumer and what we're telegraphing is that I think the seasonality in consumer probably won't impact us on a go-forward basis and it's more about product cycles; and the product cycles just aren't going to happen in the fourth quarter. So that kind of gets us back down to something more in line with seasonality.

<Q – Jim Covello – Goldman Sachs & Co.>: That's helpful. And then just as a follow up, I mean I guess I had incorrectly been looking at the ISM as a gauge for the overall industrial piece. Obviously, there's an important defense component in there. What would you recommend if you were us – you would use as you go throughout the quarter kind of as a barometer of that industrial business for ADI to gauge again kind of relative to that comment last quarter that if industrial stays strong you could be at the high end. What would you be looking at if you were us as we go through the quarter?

<A – Dave Zinsner – Analog Devices, Inc.>: Well, I'd love to say there's a perfect number. The best indicator we have is usually our orders. And unfortunately we can't share that with you, although we'd love to. So that's the difficulty. I mean it's – most of where we get our real sense of how the business is doing is order flow and qualitative discussions with distributors and some of our larger industrial customers. And we kind of read through that and usually all this ISM data, PMI data and all that stuff is somewhat old news to us because it's reporting on what's pretty much already been kind of recognized in the order flow. I hate to say that that's the best answer we have, but that's the best answer I have.

<Q – Jim Covello – Goldman Sachs & Co.>: I appreciate it. Thanks very much. Good luck.

<A – Dave Zinsner – Analog Devices, Inc.>: Thanks.

<A – Ali Husain – Analog Devices, Inc.>: Thanks, Jim. We'll get the next question, please.

Operator: Your next question comes from the line of Doug Freedman from RBC.

<Q – Doug Freedman – RBC Capital Markets LLC>: Hi, guys. Thanks for taking my question, and congrats on the strong results in the quarter.

<A – Vincent Roche – Analog Devices, Inc.>: Thank you.

<Q – Doug Freedman – RBC Capital Markets LLC>: If I could get a little bit of detail on your work-down of inventory, what's your target for inventory going forward? And if you had held inventory flat, what would your utilization and gross margin have looked like?

<A – Dave Zinsner – Analog Devices, Inc.>: So the target is to be roughly in the 100 to 110 days. The fact that we're at 109 days I feel pretty good about where we are at this point, and I – in talking to the manufacturing people, I think we all agree that we'd like to keep the inventory levels on a day's basis right around where we are today. So that would mean no further reductions in inventory on a day's basis. It's difficult to tell, to give you a detailed response because there are a lot of moving pieces on the gross margin side, but suffice it to say that it's a minimum of 50 basis points better because we're guiding 50 basis points better in gross margins next quarter and we're ticking up utilization, probably somewhere, if I had to quote a range, probably somewhere in the 50 to 100 basis points.

<Q – Doug Freedman – RBC Capital Markets LLC>: Great. And if I could as my follow up, I just want to dig into a little bit about what's going on in consumer. I want to make sure I understand correctly. Are you guys – could you help me understand what your exposure is to, say, high-end smartphones versus low to mainstream or more cost-effective smartphones? And what's happening in your camera business? And given that you're guiding consumer to less than seasonal, should we think that it should have a less than seasonal decline in the first – in your fourth quarter or first fiscal?

<A – Dave Zinsner – Analog Devices, Inc.>: Yeah, I mean I think I said in a question asked before whether I thought the volatility around consumer is probably muted a lot on a go-forward basis and I think that's a fair assumption. We are certainly more closely tied to high-end portables only by the virtue of the fact that what we try to do is the really difficult things to do, the really complex problems. Generally when you start getting into the more mainstream part of the market, they don't necessarily require a lot of the more complex technologies and thus you don't normally find us in those.

<A – Vincent Roche – Analog Devices, Inc.>: Well, just to follow up on what Dave said there, Doug, the – we have a very good sense for each of the solutions we are offering, what the value and the price of that solution is. It's up to our customer to decide where they deploy. We don't differentiate. When it comes to pricing these products, we don't differentiate at all between high-end, low-end. We say here is a piece of differentiated technology, this is the price and it's on that basis we do business. But as Dave said, we are certainly targeting the higher performance and typically the higher end of the market in terms of end-products.

<A – Ali Husain – Analog Devices, Inc.>: Thanks, Doug. And we'll move on to the next question, please.

Operator: Your next question comes from the line of Craig Ellis from B. Riley & Company.

<Q – Craig Ellis – B. Riley & Co. LLC>: Thank you for taking the question and thanks for sneaking me in. Just to follow up on John's questions on communication infrastructure. It was helpful to get the comments on the content gain that you think is possible for ADI with LTE up 20% to 30%. For the China deployments, what do you think will happen with your market share there? And when will you have a good insight into what that market share will be on the different programs that rollout?

<A – Vincent Roche – Analog Devices, Inc.>: Well, it's very, very hard at this point in time to make a stab at market share and to give you any particular information on that. But our investments have been increased pretty significantly in communications infrastructure over the past four or five years to develop a really leading-edge transceiver technology capability, which we're well established in 3G with. 4G is even better for us in the sense that there are a lot more radios per system then there are in 3G. There are new antenna structures coming in, adaptive array antennas. So all these – we're at the leading edge. In fact, we're enabling a lot of these applications to occur as well as early as possible. So my sense is our market share will increase as these radio standards become just more complex to deal with.

There are very, very significant technology issues, problems to deal with such as being able to handle more and more and more LTE spectrum with different needs. So the bandwidth requirements of these units, these devices we ship is becoming more and more and more complicated and the dynamic range that's required as well, so across the radio chain, converter chain. So there's a lot of – as these standards keep evolving, there's much, much more complexity to deal with technologically and we're working very, very closely with all of the key players out there to make sure that we enable their systems to get to market as the technology is needed.

<A – Ali Husain – Analog Devices, Inc.>: Thanks, Craig. And we're running a little light on time here. So we'll have to move on to the next caller, please.

Operator: Our next question comes from the line of Will Stein from SunTrust.

<Q – Will Stein – SunTrust Robinson Humphrey>: Thanks for squeezing me in. I just want to get an opportunity to talk to you a little bit about the military part of the business that seemed to drive a bit of a shortfall relative to my – it sounds like your expectations in the industrial end-market. Can you talk to us about how big that business is relative to the overall and how concentrated it is? It sounded like perhaps this is one program that might have driven the shortfall, which would be quite surprising. So anything you can comment on this would be helpful.

<A – Dave Zinsner – Analog Devices, Inc.>: So the size of the business is I guess mid-single-digits as a percent of total company. That's probably about as accurate as we want to go. I'm sorry, what was your other question?

<Q – Will Stein – SunTrust Robinson Humphrey>: Was it a single program that drove the...

<A – Dave Zinsner – Analog Devices, Inc.>: I think what it was, it was one single program but several products.

<A – Vincent Roche – Analog Devices, Inc.>: And multiple customers.

<Q – Will Stein – SunTrust Robinson Humphrey>: And you expect that business to bounce, or to recover in the next quarter?

<A – Dave Zinsner – Analog Devices, Inc.>: Our best read is that we will see it come back in the fourth quarter.

<Q – Will Stein – SunTrust Robinson Humphrey>: Thanks. And then if I can just talk about drop-through on the gross line, I think you achieved mid-80s this quarter, it looks like you're guiding to mid-70s. Should we expect that level of incremental gross profit on revenue growth to continue in, let's say, the next few quarters?

<A – Dave Zinsner – Analog Devices, Inc.>: Somewhat mix dependent. Sometimes it's just only slightly above our corporate gross margin and sometimes it gets up as high as 90%, it really depends on how much internally manufactured product we expect to sell in the – or ship out in the next quarter. This quarter it just turns out it's going to be kind of a little bit lower, but on average it probably runs around 80%.

<A – Ali Husain – Analog Devices, Inc.>: Thanks, Will. And we'll move on to our last caller of the night, please.

Operator: Your last question comes from the line of Ranjit Ramachandran from Sanford C. Bernstein.

<Q – Ranjit Ramachandran – Sanford C. Bernstein & Co. LLC>: Hey. This is Ranjit on behalf of Stacy. Just had a quick question on distributor inventories; you had mentioned that the lead-times are short and inventories at the distributors are low. But when you look at the competition, do you see any lengthening of lead-times from other vendors or your competition? I'm just trying to get a feel for is there any reason for distributing to – distributors to stock up inventories again?

<A – Dave Zinsner – Analog Devices, Inc.>: Yeah, I – and this is only anecdotal, what I've heard. I haven't heard a lot about lead-times extending. I've heard a little bit of spot shortages in the commodity part of the market, but nothing in the kind of high-performance analog space that would drive I think any different behavior from the distributors.

<Q – Ranjit Ramachandran – Sanford C. Bernstein & Co. LLC>: Okay, great. Thanks. And the next one was about the – quickly on the tax rate. Last quarter, you had mentioned something in the range of 16.5%, it came in quite a bit lighter than that. You've guided to around 14.5% this quarter. Do you think – do you see any – foresee any circumstance in which there could be a lower tax rate in the fourth quarter?

<A – Dave Zinsner – Analog Devices, Inc.>: Well, I mean our tax rate is somewhat dictated upon how the profits break out when it's all said and done. We make an estimate of that and sometimes it ends up being a little bit different than expected and that was one of the reasons that the tax rate was so low this quarter. It could obviously go a little bit lower or a little bit higher than that, depending on how things go. But our best guess is that it would be around 14.5% and I think plus or minus 50 basis points. And I think next year probably runs in the 14% to 15% as well based on what we think the profit split's going to be between U.S. and the international locations. But, you know, we'll see how it goes. I don't think it – if it's higher or lower, it's probably not higher or lower by much.

Ali Husain, Director of Investor Relations

Thanks, Ranjit. And we'd like to thank everyone here. We're going to close off for the evening, for joining us tonight. Just a reminder that our fourth quarter FY 2013 earnings call is scheduled for November 26, 2013, beginning at 5:00 p.m. Eastern Time. So thanks again, everyone, and have a great night.

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