



Analog Devices Announces Financial Results For The Fourth Quarter And Fiscal Year 2011

- 4Q11 revenue was \$716 million
- 4Q11 gross margin was 64.3% of revenue
- 4Q11 operating margin was 32.9% of revenue
- 4Q11 diluted EPS from continuing operations was \$0.60
- 4Q11 cash flow from operations was \$230 million, or 32% of revenue
- FY11 revenue increased 8% from the prior year to \$3.0 billion
- FY11 diluted EPS from continuing operations increased 20% from the prior year to \$2.79
- Board of Directors declared a quarterly dividend of \$0.25 per share
- Financial results and 1Q12 outlook will be discussed via conference call today at 5:00 pm

Norwood, MA (11/21/2011) - Analog Devices, Inc. (NYSE: [ADI](#)), a global leader in high-performance semiconductors for signal processing applications, today announced financial results for its fiscal fourth quarter and fiscal year ended October 29, 2011.

"We are very pleased with our fiscal year 2011 performance as ADI delivered record annual revenue and profitability, with revenue of approximately \$3 billion, operating profit of approximately \$1.1 billion, or 35.8% of revenue, and diluted EPS from continuing operations of \$2.79. In addition, we generated strong free cash flow of \$778 million, or 26% of revenue," said Jerald G. Fishman, President and CEO. "In the fourth quarter, our results declined, consistent with a general slowdown in the semiconductor industry, particularly in the industrial and communications markets. Nevertheless, during this period, the consumer end market showed seasonal growth and the automotive sector continued to be strong. During the fourth quarter, we also reduced production levels, which reduced both our internal and channel inventories despite lower revenue, and resulted in lower gross margins. In addition, we took steps to reduce discretionary spending, allowing us to produce strong profitability while continuing to invest in our key strategic programs."

Results for the Fourth Quarter of Fiscal 2011

- **Revenue** was \$716 million, a 6% decrease from the immediately prior quarter and a 7% decrease from the same period one year ago. For more information regarding revenue by end market and product type for the fourth 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 64.3% of revenue, compared to 67.2% of revenue in the immediately prior quarter, and 67.0% of revenue in the same period one year ago.
- **Operating expenses** were \$225 million, which includes \$2.2 million of restructuring charges related to actions taken in the fourth quarter. This compares to \$231 million in the immediately prior quarter and \$230 million in the same period one year ago.
- **Operating income from continuing operations** was \$235 million, or 32.9% of revenue, which includes \$2.2 million of restructuring charges. This compares to \$279 million, or 36.8% of revenue, in the immediately prior quarter, and \$286 million, or 37.1% of revenue, in the same period one year ago.
- **Diluted earnings per share (EPS) from continuing operations** was \$0.60, compared to \$0.71 in the immediately prior quarter and \$0.73 in the same period one year ago.
- **The Board of Directors declared a cash dividend** of \$0.25 per outstanding share of common stock, which will be paid on December 21, 2011 to all shareholders of record at the close of business on December 2, 2011.
- **Net cash provided by operating activities** was \$230 million, or 32% of revenue. Capital expenditures were \$26 million, cash dividends paid were \$75 million, and \$83 million was used to repurchase 2.5 million shares of ADI stock during the fourth quarter of fiscal 2011.
- **Cash and short-term investments** at the end of the quarter totaled \$3.6 billion, compared to \$3.5 billion at the end of the immediately prior quarter.

- **Accounts receivable**, as measured by days sales outstanding, was 44 days compared to 45 days in the immediately prior quarter.
- **Inventory** decreased by \$4 million, or 1%, compared to the immediately prior quarter. Days in inventory decreased to 105 days from 110 days at the end of the immediately prior quarter.

Results for Fiscal Year 2011

- **Revenue** was \$3.0 billion, an 8% increase from \$2.8 billion recorded in fiscal 2010. For more information regarding the breakout of revenue by end market and product type for 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 66.4% of revenue, compared to 65.2% of revenue in fiscal 2010.
- **Operating expenses** were \$915 million, compared to \$899 million in fiscal 2010. Excluding one-time items, non-GAAP operating expenses were \$883 million in fiscal 2010. 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.
- **Operating income from continuing operations** was \$1.1 billion, or 35.8% of revenue, compared to \$900 million, or 32.6% of revenue, in fiscal 2010. Excluding one-time items, non-GAAP operating income from continuing operations was \$917 million, or 33.2% of revenue, in fiscal 2010.
- **Diluted EPS from continuing operations** was \$2.79, compared to \$2.33 in fiscal 2010. Excluding one-time items, non-GAAP diluted EPS from continuing operations was \$2.72 in fiscal 2011, compared to \$2.37 in fiscal 2010.
- **Net cash provided by operating activities** was \$901 million, or 30% of revenue. Capital expenditures were \$123 million, cash dividends paid were \$282 million, and approximately \$330 million was used to repurchase 9.0 million shares of ADI stock during fiscal 2011.
- **Cash and short-term investments** at the end of fiscal year 2011 totaled \$3.6 billion, compared to \$2.7 billion at the end of fiscal year 2010.

Outlook for the First Quarter of Fiscal 2012

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, "During the fourth quarter, order rates slowed but appeared to stabilize and our backlog decreased from the prior quarter. We believe that our customers are taking steps to reduce their inventory levels due to the uncertainties in the worldwide economy and we expect this to continue through the first quarter. These inventory reductions, together with what is typically a seasonally weak quarter for ADI, cause us to believe that revenue will decline sequentially in the first quarter. We plan to bring production levels down in the first quarter, consistent with the decline in revenue, which should have a negative impact on gross margin. In response to this drop in revenue and gross margin, we plan to once again manage expenses carefully."

Mr. Fishman continued, "Our first quarter will have 14 weeks. However, the shutdowns for Christmas in Europe and North America, and the Lunar New Year in Asia will likely mitigate, or eliminate, the benefit of the extra week of revenue. The net result is likely to be an equivalent of 13 weeks of shipments and 14 weeks of expenses."

As a result of these factors, ADI's outlook for the first quarter of fiscal 2012 is as follows:

- **Revenue:** Down 5% to 10% sequentially.
- **Gross margin:** 63.0% plus or minus 50 basis points.
- **Operating expenses:** \$226 million to \$229 million.
- **Diluted EPS:** \$0.44 to \$0.51.

Conference Call Scheduled for 5:00 pm ET

Mr. Fishman will discuss the fourth 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: 25055926, 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 item is excluded from our non-GAAP operating expenses, non-GAAP operating income, and non-GAAP diluted earnings per share:

Restructuring-Related Expenses. These expenses are incurred in connection with facility closures, consolidation of manufacturing facilities, and other material cost reduction efforts. Apart from ongoing expense savings as a result of such items, these expenses and the related tax effects have no direct correlation to the operation of our business in the future.

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

Tax-Related Items. In the first quarter of fiscal year 2011, we recorded a \$13 million tax benefit related to taxes that are one-time in nature. These one-time tax items included the reinstatement of the R&D tax credit in December 2010, retroactive to January 1, 2010; a reduction in a state tax credit valuation reserve we had recorded in prior years, which we now believe we can recover; and a benefit from the increase to the Irish deferred tax asset as a result of the increase in the Irish manufacturing tax rate from 10% to 12.5%. In the second quarter of fiscal 2011, we 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 these tax-related items from our non-GAAP measures because they are 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.

[4Q'11 Financials](#)

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, 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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Editor's Contact Information:

Mindy Kohl
781-461-3282

investor.relations@analog.com