



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

- 1Q11 revenue was \$729 million
- 1Q11 diluted EPS from continuing operations was \$0.70, which includes \$0.04 of one-time tax benefit items
- 1Q11 gross margin was 66.2% of revenue
- 1Q11 operating margin was 35.6% of revenue
- Board of Directors declared a quarterly dividend of \$0.22 per share
- Financial results and 2Q11 outlook will be discussed via conference call today at 5:00 pm

Norwood, MA (02/15/2011) - Analog Devices, Inc. (NYSE: [ADI](#)), a global leader in high-performance semiconductors for signal processing applications, today announced financial results for the first quarter of fiscal 2011, which ended January 29, 2011.

"ADI delivered solid results in the first quarter, with revenue that was in line with our expectations. Our profitability remained strong as we achieved gross margin of 66.2%, operating margin of 35.6%, EPS from continuing operations of \$0.66, excluding one-time tax benefit items, and operating cash flow that was 30% of sales," said Jerald G. Fishman, President and CEO. "Most importantly, business levels stabilized during the first quarter, giving us confidence that 2011 will be another good year for ADI."

### Results of Operations for the First Quarter of Fiscal 2011

- **Revenue** was \$729 million, a decrease of 5% from the immediately prior quarter and an increase of 21% from the same period one year ago. For more information regarding revenue by end market and product type for the first 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](http://investor.analog.com).
- **Gross margin** was 66.2% of revenue, compared to 67% of revenue in the immediately prior quarter, and 61.1% of revenue in the same period one year ago.
- **Operating expenses** were \$223 million, compared to \$230 million in the immediately prior quarter, and \$219 million in the same period one year ago, which included a one-time restructuring charge. Excluding that charge, non-GAAP operating expenses for that period were \$203 million. 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](http://investor.analog.com).
- **Operating income from continuing operations** was \$259 million, or 35.6% of revenue, compared to \$286 million, or 37.1% of revenue, in the immediately prior quarter, and \$149 million, or 24.7% of revenue, in the same period one year ago, which included a one-time restructuring charge. Excluding that charge, non-GAAP operating income for that period was \$166 million, or 27.5% of revenue.
- **Diluted earnings per share (EPS) from continuing operations** was \$0.70, and non-GAAP diluted EPS from continuing operations was \$0.66, excluding one-time tax benefit items. This compares to \$0.73 in the immediately prior quarter, and \$0.39 in the same period one year ago, which included a one-time restructuring charge. Excluding that charge, non-GAAP diluted EPS from continuing operations for that period was \$0.43.
- **Diluted EPS from discontinued operations** was \$0.02.
- **The Board of Directors declared a cash dividend** of \$0.22 per outstanding share of common stock, which will be paid on March 23, 2011 to all shareholders of record at the close of business on March 4, 2011.
- **Net cash provided by operating activities** was \$217 million, or 30% of revenue. Capital expenditures were \$26 million, cash dividends paid were \$66 million, and approximately \$114 million was used to repurchase 3.1 million shares of ADI stock during the first quarter of fiscal 2011.
- **Cash and short-term investments** at the end of the first quarter of fiscal 2011 totaled \$3.0 billion, compared to \$2.7 billion at the end of the immediately prior quarter.

- **Accounts receivable** in the first quarter of fiscal 2011, as measured by days sales outstanding, was 48 days, compared to 46 days at the end of the immediately prior quarter.
- **Inventory** at the end of the first quarter of fiscal 2011 increased by \$6 million, or 2%, compared to the immediately prior quarter. Days in inventory was 105 days at the end of the first quarter of fiscal 2011, compared to 100 days at the end of the immediately prior quarter.

## **Outlook for the Second Quarter of Fiscal 2011**

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

Regarding the outlook for the second quarter of fiscal 2011, Mr. Fishman stated, "Order trends were strong in the first quarter. Our book-to-bill ratio, as measured by end customer bookings, was approximately one and our backlog increased slightly. Importantly, orders from our OEM customers increased above fourth quarter levels. These trends, coupled with input from our largest customers that demand is strong across their end markets, give us confidence that the inventory correction is mostly behind us at ADI. As a result, we are planning for second quarter revenue to be in the range of \$730 million to \$760 million, flat to up 4% sequentially, and up 9% to 14% on a year-to-year basis. We are planning for our gross margin to increase to approximately 66.5% of sales based on our current mix assumptions, and for our operating expenses to grow in the range of 2% to 3% primarily as a result of the annual salary increase which took effect at the beginning of the second quarter. For the balance of the year, we are planning for expenses to grow slower than revenues. On an earnings per share basis, we anticipate that our diluted EPS from continuing operations for the second quarter will be in the range of \$0.65 to \$0.69."

## **Conference Call Scheduled for 5:00 pm ET**

Mr. Fishman will discuss the first quarter results and short-term outlook via webcast, accessible at [investor.analog.com](http://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 800-642-1687 (replay only) and providing the conference ID: 40955094, or by visiting [investor.analog.com](http://investor.analog.com).

## **Non-GAAP Financial Information**

This release includes non-GAAP financial measures for prior periods 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 operating margin:**

*Restructuring-Related Expenses.* These expenses are incurred in connection with facility closures, consolidation of manufacturing facilities, and other 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:**

*Restructuring-Related Expenses.* These expenses are incurred in connection with facility closures, consolidation of manufacturing facilities, and other 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.

*Tax-Related Items.* The Company 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%. 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 in 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.

#### **[1Q'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 which include, among other things, our statements regarding expected revenue, earnings, earnings per share, operating expenses, backlog, inventory levels, gross margin, operating margin, and other financial results, 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: any faltering in the apparent improvement of economic conditions and financial markets following the recent crisis in global credit 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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