FINAL TRANSCRIPT

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PRESENTATION

Operator

Please stand by for a real-time transcript. Good afternoon. My name is Bentley and I will be your conference facilitator. At this time I would like to welcome everyone to Analog Devices' fourth quarter and fiscal year 2011 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 analyst participants. (Operator Instructions) Thank you. Ms Kohl, you may begin your conference.

Mindy Kohl - *Analog Devices, Inc. - Director, IR*

Thanks and good afternoon everyone. This is Mindy Kohl, Director of Investor Relations. We appreciate you joining us for today's call. If you haven't yet seen our fourth quarter and fiscal year 2011 release, you can access it by visiting our Web site at www.analog.com and clicking on the headline in the news section of our home page. This conference call is also being Webcast live from analog.com. Select Investor Relations and follow the instructions shown next to the microphone icon. A recording of this conference call will be available today within about two hours of this call's completion and will remain available via telephone playback for one week. This Webcast will also be archived at our IR Web site.

Participating in today's call are Jerry Fishman, President and CEO; Dave Zinsner, Vice President of Finance and CFO, Robbie McAdam, Vice President of core products and technologies; and Vincent Roche, Vice President of strategic market segments and worldwide sales. During the first part of the call, Jerry and Dave will present our fourth quarter and full year 2011 results, as well as our short-term outlook. The remainder of the time will be devoted to answering questions from our analyst 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 of operations and business trends. 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 the IR Web site. In addition, we have updated the schedules on our IR Web site, which include the historical quarterly and annual summary P&Ls for continuing operations, as well as historical quarterly and annual information for revenue from continuing operations by end market and product type.

Please note that effective Q4, we changed the revenue classifications of our handset and computer businesses. Our handset revenue, previously included in communications, has been moved to consumer which is aligned with how this business is managed internally. As a result our communications revenue category now consists solely of comms infrastructure, which is also aligned with our internal management of this business. In addition, we folded our computer business, too small to be broken out on its own, into consumer which it mostly resembles in terms of market dynamics, products, and in some cases customers. On our last web schedule, we restated the last 12 fiscal quarters to reflect these changes.

Next, 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. The forward-looking information that is 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 November 21, 2011. With that I'll turn the call over to ADI's CEO, Jerry Fishman.

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

Good afternoon and thanks for joining us on today's call. As you read in this afternoon's earnings release, ADI's revenues for Q2 were about $716 million which was down 6% sequentially and 7% year-over-year, and at the lower end of the guidance that we provided to you last quarter. Our sequential revenue decrease was primarily the result of declines in industrial and communications sector revenues. Our Q4 revenues in automotive increased sequentially and consumer revenues were seasonally stronger than in Q3. For the year, our total revenues increased 8.4% to just about $3 billion.

Although our full year revenue was right on our plan for our fiscal 2011, the quarter-to-quarter volatility was very pronounced, mostly as a result of industry supply imbalances that dominated the landscape through much of the year, along with European sovereign debt and US deficit concerns that have been more recently concerns in the market and have created industry-wide uncertainty in virtually every geography. Perceived supply disruptions early in the year quickly turned into excess inventory at customers and distributors in the second half of the year. As a result, early in the year order rates for our products were well above consumption rates and in the second half of the year, order rates appeared to be well below consumption rates. While after many years in this business we see it's very unusual for order rates to very closely match consumption in any particular period, 2011 was extreme in that excess demand turned into excess supply so quickly.

Despite the volatility during 2011, ADI had a very good year in aggregate. As I mentioned earlier, revenues grew in line with our long-term model and reached just about $3 billion for the first time in our history. Gross margin increased once again to 66.4% for the year, and operating expenses grew only 2% on an 8.4% sales increase. As a result, our non-GAAP diluted earnings grew to $2.72, which was a 15% increase from the prior year. We also generated $778 million, or 26% of sales, in free cash flow. While in the short term our revenue is mostly outside our control, we believe we did a very credible job reacting to the environment and getting the upside in 2011 when it was available, and also protecting the down side when market conditions turned somewhat negative.

As the macro economic environment deteriorated over the last two quarters, we at ADI reacted very quickly. We lowered production rates to minimize inventory and all discretionary spending in the Company. Our variable compensation levels also declined, as they were designed to do, to modulate profit volatility. But, of course, the real question that's on everybody's mind is where are we in the cycle? As we know here at ADI, downturns caused by inventory imbalances rarely last more than two to three quarters. So by that measure, most of the revenue decline caused by inventory reductions should be completed in our current quarter, our first fiscal quarter.

Most of the revenue declines that have occurred in the industrial and communications markets, which represent about two-thirds of our revenue and are very closely aligned with overall capital spending worldwide. Our customers in those markets have reduced their expectations somewhat for 2012, but in general are still expecting 2012 to be a growth year over 2011. In fact, our 2012 forecast from our largest customers in these markets currently reflect that what I would call guarded optimism. But right now the world continues to be a very uncertain place in every region of the world, and the range of possible outcomes for the year as a whole is very wide. So, as we construct our operating plan for 2012, which just began a few weeks ago, we're guided by the following principles.

Number one, we are in a growth business which should provide a rate of growth well ahead of that growth rate of the semiconductor market by virtue of the fact that we're well-positioned in the fastest growth segments of the semiconductor market, with highly differentiated products that really do create real value for our customers. Number two, we're in a business that provides the opportunity to earn exceptional margins as a result of the significant value that we do provide to our customers. For ADI, it's really all about execution against our objectives, more so than the opportunity that's available to us which, even in bad times, remains considerable in size.

Number three, we believe that we're spending an adequate amount of money on R&D to achieve our growth goals. As a result, our primary focus is on resource allocation. As we have discussed previously, we will continue to re-evaluate and to optimize our product and market portfolio to ensure that we're investing the right amount of resource and the right products and in the right markets. While this is a very deliberate process, we have in the past and we will continue to change the allocation of resources when the market opportunity or the competitive dynamics in any particular market or product segment changes drastically.

Number four, ADI will continue to focus on maintaining and evolving our flexible supply chain to keep our lead times very short and responsive to customers' needs and to continue to provide industry-leading quality levels to our customers. Number five, we will keep a significant amount of our costs as variable, given all the industry volatility that keeps coming at us year after year. Lastly, number six, we should continue to generate very significant free cash flow, which provides us with the opportunity to enhance shareholder returns with increasing dividends and opportunistic stock buybacks. So, now I'd like to turn the call over to Dave who will take you through some of the details of our fourth quarter and our full year results, and I'll make some additional comments regarding what's going on in some of the market segments, and also our short-term outlook after Dave completes his remarks.

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

Thanks, Jerry. As Jerry mentioned, fourth quarter revenue declined 6% sequentially and 7% year-over-year to $716 million. For the year, we grew revenue 8.4% to $3 billion. Our gross margin was 64.3% in the fourth quarter. This was down from 67.2% we reported in the third quarter due to a greater mix of consumer and automotive versus industrial revenue, and the impact of lowering factory utilization to 73%, down from 78% last quarter. This enabled us to bring down inventory levels, both on our balance sheet as well as the balance sheet of our distributors. Inventory on our balance sheet declined by 1% and was down in days from 110 days to 105 days. Inventory at distribution decreased by 11% and was down below the typical eight weeks that distributors carry.

Operating expenses for the fourth quarter, including $2.2 million of restructuring charges, declined by $6 million, or 2% from the prior quarter, to $225 million, primarily as a result of lower variable compensation costs. As you know, the variability of our operating expenses enables us to react quickly in times when revenue is lower. In addition, we continued the discretionary cost controls we implemented at the end of the third quarter, which also helped reduce expenses this quarter. We plan to continue to carefully manage expenses in our first quarter. Operating profits for the fourth quarter were $235 million, or 32.9% of sales, compared to 36.8% of sales in the prior quarter. Operating profits were down both in dollar and percentage terms, as a result of the lower revenue and reduced factory absorption in the fourth quarter. Other expenses of $4 million in the fourth quarter was flat to Q3 and reflects the ongoing run rate of our net interest expense.

Our tax rate for the fourth quarter was 20.6%. We expect our tax rate to be approximately 22% in fiscal 2012, which is up from 2011 as a result of potentially losing the R&D tax credit. If Congress extends the tax credit, our tax rate will likely be approximately 21.5%. Diluted EPS in the fourth quarter was $0.60, compared to $0.71 in the prior quarter, and $0.73 in the same period a year ago. For the year, non-GAAP diluted earnings per share was $2.72, a 15% increase from the prior year.

In addition to solid profitability, we maintained very strong cash flow in the fourth quarter generating 32% of our revenue, or $230 million in operating cash flow. Capital expenditures were $26 million, resulting in free cash flow of $204 million, or 28% of revenue for the quarter. During the fourth quarter, we repurchased 2.5 million shares, or $83 million worth of ADI stock, and distributed $75 million in dividends to our shareholders. At current stock prices, our dividend yield is 2.8%. For the full year, we repurchased 9 million shares, or $330 million worth of ADI stock, and distributed $282 million in dividends. Since the inception of the stock repurchase plan and the dividend program beginning in fiscal 2004, ADI has paid out almost $6 billion in dividends and stock buybacks, demonstrating our strong commitment to returning cash to our shareholders. On November 18, our 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.

We closed the year with $3.6 billion in cash, of which $1.2 billion, or 33%, is in the US. Net cash, excluding approximately $900 million in debt, was $2.7 billion at the end of the year. Our accounts receivable balance decreased from the prior quarter by 7%

due to lower sales, and our days sales outstanding decreased by one day from the prior quarter to 44 days. Lead times for our direct OEM customers remain similar to last quarter and are in good control with 100% of our shipments to OEMs occurring within six weeks and 99% within four weeks.

In summary, 2011 was an excellent year across multiple dimensions, as Jerry described earlier. Although the fourth quarter was certainly weaker than other quarters within the year, we reacted by controlling that which was within our control, namely inventory builds and operating expenses to ensure that our fourth quarter profitability was maximized and that the Company is well-positioned to capture the upside when the business environment turns more positive. Now I'll turn the call back over to Jerry who will discuss the results from each of our end markets and provide a short-term outlook.

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

This is Jerry again. Let me give you -- try to give you a little bit of color on what has happened in each of the end markets and what would be logical to assume going forward. In the industrial market, for the full fiscal year, our revenues which includes industrial automation, instrumentation, energy, defense and healthcare, grew 10% over prior year levels to $1.4 billion, and represented 47% of our sales for the year. The largest year-over-year increases were in the areas of industrial automation, instrumentation, and energy management, all of which grew by double digits from levels of our fiscal 2010.

For the fourth quarter, our sales to industrial customers declined 14% sequentially to about $313 million, or 44% of total sales. This quarter industrial customers were much more cautious in response to uncertain economic conditions around the world, leading in many cases to very significant sequential inventory reductions. The industrial sales decline was very broad-based, spanning all customer tiers, both the small and large customers, all application areas, and all geographies. However, throughout the month of October and into November, order levels from our industrial companies appear to have stabilized. Many of our largest industrial customers, particularly in the US and Europe, where most of our industrial business is today, have told us that they're still forecasting mid single digit growth for 2012, barring further deterioration in the macro environment. We continue to believe that over the long term, the industrial market offers significant growth opportunities in line with ADI's overall corporate growth rate objectives, driven by our customers' needs for increased energy efficiency, industrial automation, higher precision healthcare diagnostics and advanced instrumentation.

In 2011, our automotive revenues grew 25% from the prior year and at a $415 million annual level, has more than doubled in size from our fiscal 2009. Automotive, which represented 14% of our revenues for the year in 2011, continues to be an area upon which we're focusing investment given the pervasive need of increasing electronics content in cars and our very strong product position in providing technology solutions for this market. Despite all the economic headwinds, our automotive business was very strong in the fourth quarter. Revenues from our automotive customers were approximately $113 million in the fourth quarter, an increase of 11% from the third quarter and an increase of 20% from the fourth quarter of last year. This was yet another quarterly record for automotive revenue, which in Q4 of 2011 represented 16% of our total revenues. In addition to the macro trends driving automotive growth in Q4, we at ADI are benefiting from the pent-up demand stemming from the age of current vehicles on the road, and also, but to a lesser degree, the recovery from the Japanese earthquake.

During Q4, safety systems represented a very large part of our automotive business, with particularly strong sales in the areas of air bags and stability control applications. In addition, demand for our advanced driver systems radar and vision applications also showed solid sequential growth in Q4. These systems are now gaining awareness amongst consumers, and manufacturers are increasingly incorporating them into higher volume, more mainstream vehicles. Car entertainment or infotainment also remained strong in Q4, particularly in the areas of head units and audio amplifiers during the quarter. Looking ahead, we believe that automotive will continue to be an important growth driver for ADI and we'll continue to benefit from very favorable macro trends within the automotive space in the areas of active and passive safety, infotainment and also fuel efficiency, all of which should continue to drive much higher dollar content per vehicle for ADI.

Overall, in fiscal 2011, communications infrastructure revenue grew 11% from last year, driven by very strong demand from mobile data. At just under $600 million, communications infrastructure sales comprised approximately 20% of ADI's total sales for the year. In our fourth quarter of 2011, communication infrastructure revenue was $137 million which was down 9% versus Q3 levels. Contributing to the fourth quarter sales decrease was the at least temporary postponement of the China rollout, as well as macro-driven customer inventory work downs stemming from an erosion in operator confidence. These factors offset a revenue boost that we enjoyed during the quarter related to the Japanese recovery.

So, in total, sales to communications infrastructure customers represented 19% of ADI's Q4 sales. We expect that the communications infrastructure market will remain a very key area of opportunity for ADI, which is driven by increasing mobile broadband usage and continued mobile subscriber growth which is pushing increased infrastructure capital spending, and our analog and mixed signal products are extremely well positioned with the leading suppliers of infrastructure in virtually every geography of the world.

For the full year, our consumer revenues declined by approximately 6% to $587 million. This year-over-year decline is primarily the result of our intensifying focus on only higher value-added consumer applications where our technology is highly differentiated and our position is sustainable over many, many generations of our customers' products. In the fourth quarter, consumer revenue is about $153 million, which was up 8% sequentially. In Q4, sales to consumer customers represented 21% of our total sales. Most of the quarter-to-quarter increase we enjoyed in the consumer market in Q4 was primarily due to seasonal factors, particularly in the areas of digital cameras and gaming products. On a regional basis our revenues declined sequentially in all regions of the world except for Japan in Q4.

So, now I'd like to turn to our outlook for the first quarter of 2012, which at ADI will be a 14 week long quarter which happens once every seven years, I guess. During the fourth quarter that we just finished, order rates continued to slow but appeared to stabilize, and our backlog decreased from the prior quarter. We believe that our customers are continuing to take steps to reduce their inventory levels due to all the uncertainties in the worldwide economy and we expect this trend to continue through our first quarter of 2012. During our fourth quarter, inventory distribution, as Dave mentioned, declined by 11% sequentially, which is a very, very significant inventory decline for distribution and was down below what inventories distributors typically stock which at ADI is approximately eight weeks. These inventory reductions at both customers and distributors, coupled together with what is typically a seasonally weak quarter for us, tends to cause us to expect that revenues will decline sequentially in Q1.

Certainly we'll have the advantage of an extra week in the first quarter, but the shutdowns for Christmas in Europe and North America at the end of December and the lunar new year in Asia, which occurs this year in late January, which will be in our fiscal quarter, will likely mitigate or eliminate any of that benefit. As such, our plan calls for revenues to be down sequentially in the vicinity of 5% to 10% sequentially. We're also planning to again reduce production levels in Q1, consistent with the decline in revenues. We anticipate that this should have a negative effect on gross margins which we're expecting to be approximately 63%, and that's probably plus or minus 50 basis points, depending on where the sales wind up and what the exact mix of our business is. It's certainly possible that this will be the last quarter of reduced production levels, given the low inventory levels of ADI products in all our channels, but that certainly assumes that the macro economic environment does not further deteriorate and really we have no way of gauging that.

We plan to manage our expenses carefully as we have been for many quarters. An extra week in the first quarter will drive operating expenses up by more than $10 million sequentially. However, once again, with our variable expense model and some very careful expense management, we believe we can hold operating expenses to a range of between $226 million and $229 million in the quarter. Assuming these levels of revenues, gross margin and expenses, we expect our diluted earnings will be in the range of $0.44 to $0.51 in the quarter.

So, with all the data and all the factors that are going one way or another, my summary of the take-aways from this call are as follows. First, while in the short term certainly times are very uncertain, I think by most measures ADI is weathering the storm pretty well. Our revenue declines are in line with many of our peers and less than many others, despite the fact that our peak quarter was well ahead of many of our supply challenged competitors. As demand picks up, we believe ADI is very well positioned to continue to out grow the semiconductor market as a result of better focused and sustainable mix of businesses aimed at the highest growth segments in the semiconductor market.

Secondly, our resilient business model is working well. If Q1 turns out to represent a trough quarter as we hope it will, we believe that we will have produced significantly higher margins than in the last downturn, despite the precipitous revenue declines that we have suffered. Last, we're ready for significant leverage when conditions improve. Our inventories will be low internally and out in the channels, which will allow volume ramp-ups in our fabs which should produce great improvements in gross margins sequentially. We're also committed to continuing very high service levels to our customers by maintaining our lead times at very short levels.

As we said many times as we go through these cycles, our long-term success will be very dependent on how we respond to downturns which routinely are occurring. Given all the current uncertainty, it's certainly very difficult to predict what will happen in the short term. But as such, we have to respond by staying focused on doing what we do best. We will continue to pursue the opportunities in our strategic markets that offer the highest likelihood for sustainable success, which means they will continue to make -- that we will continue to make the necessary trade offs to allocate resources to those businesses that provide the greatest returns. These trade offs necessitate making very tough choices sometimes, but this strategy protects our most important initiatives and thus preserves and enhances ADI's future. In addition, we'll continue to vigilantly manage costs throughout the Company as we have been doing over the past few years.

This strategy produced excellent results for us during our fiscal 2011, a period that we were whip-sawed by supply durations and economic turmoil. For the upcoming year we plan to stay the course, delivering innovative products to customers that give them a competitive advantage, adhering to the highest standards of supply chain responsiveness, quality and reliability, and carefully managing our resources so we stay focused on the key strategic programs and protect profitability to the fullest extent possible, given the hand that the market gives us. That's all the prepared remarks that we have. We would be happy to answer any questions that you might have.

Mindy Kohl - *Analog Devices, Inc. - Director, IR*

During today's Q&A period, please limit yourself to one primary question and no more than one follow-up question. We'll give you another opportunity to ask additional questions if we have time remaining. Operator, we're now ready for questions from our call participants.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) You have a question from the line of Terence Whalen with Citi.

Terence Whalen - *Citigroup - Analyst*

Hi. Good afternoon. Thanks for taking my question. The first question is in relation to your initiatives to jump start revenue growth overall throughout the organization. I was hoping that I could get an update on where you feel like you've made the most progress and give us an update in general, what inning of the initiatives you're in, especially in the context of automotive having been the first pep project of yours, it's showing very strong results. When can we expect some of the other program areas to begin yielding results similar to automotive? Thanks.

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

Well, I think what you're referring to is that we put a new organization on the field about two years ago. One part of the organization focused on the market segments and the other on the core technologies it will take to drive those market segments. I think some of the new initiatives that we're funding and even some of the older things that we're juggling around funding are basically the result of those two groups getting together and setting the priorities. And also, it gives us a much more flexible structure to move resources around from one area to the other, with people that are very capable of working across different product groups or technology groups or boundaries, and we can make those changes relatively quickly. As we look -- automotive, as you mentioned, I think, is certainly one of those objectives. We've had other objectives on things like radio frequency and some of the micro machine things we're doing, as well as, I would say, expanding even our core businesses in converters and amplifiers and other products into some exciting new markets.

So, I would say that to a first approximation, that's working pretty well and the hardest job that we have at analog is where to put the money. We have incredibly large opportunities for our technology in virtually every market in the world. Some of them are -- move up very quickly and they go down very quickly and commoditize. Others go up a little slower, but once you get there you have it forever. So, what we're trying to do is aim more of the resources that the markets and the product segments where the revenues increase and you develop a franchise in those products and markets and you ride that franchise for many, many years, and I think our resource allocation that we're able to do as a result of this structure enables -- gives us a much, much clearer look at it and, as I said earlier, a much clearer path to move resources to the areas that show the most promise.

Terence Whalen - *Citigroup - Analyst*

Okay. Thank you. And then my follow-up question is another question on revenue growth. If we are in a later, lower growth phase of the economic cycle, does that influence your acquisition appetite, considering that your domestic cash now stands above $1.1 billion? Thanks.

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

Well, certainly that's a factor. We do have a lot of cash. It's not earning very much money. We have a lot of cash overseas, which is earning not so much money. We're not terribly interested in repatriating that cash and paying a huge tax to the politicians to do it. So, certainly that's one of the factors that goes into our thinking about acquisitions, although we are very disciplined about that and we have a pretty high hurdle rate for doing acquisitions that are very strategic to analog. So, the margin, it does change the economics a bit, but I still think we're going to be cautious about that.

Terence Whalen - *Citigroup - Analyst*

Thank you.

Operator

You have a question from the line of Vivek Arya with Bank of America.

Vivek Arya - *BofA Merrill Lynch - Analyst*

Thanks for taking my question and thanks for providing the market color. It's very helpful. I'm curious, in the last two years your core converter business has under grown your overall company sales growth. Conceptually, what is the reason behind that? What can reverse that trend? And how are you thinking about resources and converters versus other areas in an organic and inorganic basis.

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

First, our converter business is one of the most if not the most important business at ADI, and I think what's confusing a few of those statistics is that a lot of the converter products that we do, we integrate. And as they start getting to where the converter's just a piece of the solution, that goes into the category of other analog. And as a result, you'll see the growth of other analog is very substantial. And part of the reason for that is in the converter business. The other part is we have deemphasized some of the consumer investments which utilize some converters towards other things, so that has impacted that a little bit. But I think that the primary reason for that is really the integration of converters with RF products, with linear products and power products into some very highly integrated analog solutions and I think once that level of integration goes on, it sort of goes into a different category.

Vivek Arya - *BofA Merrill Lynch - Analyst*

Got it. And as a follow-up, Jerry, just as you look at revenue growth for next year, the handset market is one of the key growth markets and I understand that in the past you have de-emphasized that market. It's only about 3% or so of sales and it is a very volatile market, but do you think about participating in that market? I know you have indirect exposure through the infrastructure piece, but how about direct exposure to handsets, how about increasing that exposure?

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

We have products that go into handsets. What we actually strategically de-emphasize is the based band or the modem, which commoditized at a staggering rate, even for some of our competitors that were much larger than us. So, I think the part that we've decided not to do anymore that we sold was the base band modem.

Were there opportunities in the handsets to provide value that really does differentiate the features of the phone? We do invest in that. We have some good products and they sell into handsets. Those are things we're going to continue to do. One example of that is in the audio business where some of our audio products make a huge difference in audio fidelity in phones and where we can do that and we've got a big lead, and we think the technology is sustainable, we certainly invest in that. So, within that whole category of portable products and SmartPhones, there is opportunity for ADI. We're just not -- we ceased and sold our investments in the digital base band.

Vivek Arya - *BofA Merrill Lynch - Analyst*

Thank you.

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

Which I guess turned out to be not such a bad thing to do.

Operator

You have a question from the line of Chris Danely.

Unidentified Participant - - *Analyst*

Thanks, guys. If you could just run down the four main end markets and maybe talk about how you view inventory in each of those end markets, and also spend a little bit of time on industrial and comm and maybe how they're trending, when you would expect those to start to bottom here and come back?

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

There are two effects going on, I think, in virtually every market segment, and one of those effects is inventory got too high and it got much too high as our customers reduced their expectations for the next couple of quarters. So, whatever inventory reductions we had, which we thought were coming to a conclusion, didn't really account for the fact that the denominator was going down as well as the numerator. So, I think the inventory corrections we're seeing are more pronounced than perhaps we would have thought a while ago. For the -- if you look at -- so that's the inventory part of the equation.

What's really going to drive what happens over the next couple of quarters in a lot of ways is going to be CapEx. Certainly, the industrial business, capital spending drives our sales and I think in the communications infrastructure business, CapEx also drives our sales. So, if you go out and look at the forecast for that, as we looked at those very, very carefully, the forecasts are really all over the map. In some cases, people think that there's going to be growth in the vicinity of 5% to 10% in some of those end markets for next year and other people think it's going to be negative, and if you just sort of average all those expectations, I think the mainstream prediction is that it's probably going to be about mid single digits.

Now, I think if it turns out that, that's what happens in 2012, then I think our communications infrastructure business and industrial businesses should do very well. Because those businesses tend to grow at a multiple of capital spending. But, we really don't know and just as you read all these reports, either from the banks or the people that study capital spending very closely, we just don't know when that's going to happen. So, we don't know when we'll get a response to that. I think we're getting to be relatively confident that the inventory correction is getting towards being over, given the inventory levels we see at customers and our distributors. But, the real question's going to be what end demand's going to be. I think we'll have to wait and see how that turns out.

Unidentified Participant - - *Analyst*

Got it. And then for my follow-up on OpEx, so with the increasing amount of variable cost in the 14 week quarter, after this quarter, does that mean that OpEx should be able to go down on an absolute basis?

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

Well, a lot of it, obviously, depends on what the revenue does in the following quarter. On kind of an apples-to-apples basis, considering the fact that we are having quite a bit of pressure in OpEx from the extra week, we don't envision having that repeat itself, obviously, because there will be one less week in the following quarter.

Unidentified Participant - - *Analyst*

Got it. Thanks, guys.

Operator

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

Mark Lipacis - *Jefferies & Co. - Analyst*

Hi. Thanks for taking my question. The deferred revenues were down, I think, 16% sequentially and then that's consistent with the distributor inventories declining so much. Dave, I think you said that they were -- just the inventory was below the normal of eight weeks. I didn't catch whether or not you quantified further. Can you give us a sense of how far below eight weeks. Are we talking 7.9 weeks? 7 weeks? Any color there would be helpful.

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

It's closer to 7 weeks of inventory. I was being a little cute. Just below the eight week target.

Mark Lipacis - *Jefferies & Co. - Analyst*

Thanks. And on that same line, can you give us a sense of your OEM customers, so anything that you're shipping directly, do you have a sense of whether or not your OEM customers are taking them well below normal as well?

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

Not surprisingly, we don't get inventory reports from our OEM customers to give us a sense for what their inventory levels are like, so we can't really answer that with any degree of accuracy. What we do believe though is that inventory is declining at our OEM customers and that's more qualitative than quantitatively. So, our opinion is that inventories are reducing at OEMs.

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

Our sense, to just give that a little bit more color, is that when we look at our order rates from our largest OEMs, and how much they're down and we look at what our largest OEMs are telling us about their business levels, our sales to our OEMs is much more negative than they're saying their sales are to their customers. So, I think all that's indicative of fairly significant inventory declines with those large OEMs, but as Dave said, the distribution data we get every week. The OEM data we get from our sales guys.

Mark Lipacis - *Jefferies & Co. - Analyst*

It certainly is encouraging. I was wondering, could you remind us what -- how low they got below normal in the worst of it in 2008?

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

In terms of a days perspective?

Mark Lipacis - *Jefferies & Co. - Analyst*

Yes, in terms of weeks.

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

They were -- they had gotten a little bit below 7 weeks, but it was in that kind of range.

Mark Lipacis - *Jefferies & Co. - Analyst*

Okay. Great. Thank you very much.

Operator

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

John Pitzer - *Credit Suisse - Analyst*

I guess, Dave, my first question just on the gross margin line, can you kind of quantify a little bit in the October quarter and then again for the guidance in January, what do you think was mix related versus utilization related? And I guess specifically to January, how much lower do you think you guys will take utilization in the quarter?

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

In the fourth quarter, about two-thirds of it was mix related and the other third was the absorption in the factories. This quarter it's going to be primarily absorption. We wouldn't expect mix to be a factor. We'll be taking utilization this quarter down to I think it's 63%, 64%. That's down from 73% or 74% this quarter.

John Pitzer - *Credit Suisse - Analyst*

And then guys, as my follow-on, Jerry, could you talk a little bit about on the first fiscal quarter outlook on revenue, how the end markets are trending for the January quarter and I guess help me understand as you think about the turn of the business, which end markets do you think will actually be the leaders in that turn?

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

Well, that of course is very hard to predict. We can't even predict the aggregate very well, forget about the details. But our sense is we had a 15% or so sequential decline in the industrial business. Now, when you think about that, that's a business with tens of thousands of customers. And the whole thing went down 15% sequentially, which that's a business where you see changes happening very, very slowly usually. So, I think what happened is when the large industrial customer base, particularly in Europe and the United States, started reading the newspapers they got very concerned and they put the brakes on very quickly, and I think that was aided and abetted by our distributors who tend to react very, very quickly to perturbations.

So, I think most of what's going to happen is going to be dependent now that they've taken the inventory down so fast, it's what happens with capital spending. If CapEx starts to get a little easier and people get a little more confident, I think the industrial business will be one of the first ones that will see the turn up. If it turns out that everybody listens to CNBC and gets depressed every day all around the world and all the CEOs come on there and say look at all this uncertainty, I'm just going to put off what I'm going to do, then I think it will take longer. Certainly what we're expecting in our guidance is that our first quarter, our consumer revenues will probably be down. That happens, even in a good economy, in the first quarter after the holiday build-ups. So, that's the part that we know pretty much for sure. The rest of it, we just don't know. But the industrial business will probably be the first business that will signal the up turn.

John Pitzer - *Credit Suisse - Analyst*

Great. Thanks, guys. Appreciate it.

Operator

Your next question comes from the line of Romit Shah with Nomura.

Romit Shah - *Nomura Asset Management - Analyst*

Hi, guys. I'm just trying to interpret the recent order activity. You mentioned orders had stabilized in October and November. Given your leverage to the industrial and communications segments, Jerry, is it typical for you to see orders improve into year end in preparation for a seasonally stronger first half? Or, would you expect things to actually slow down if factories worldwide shut down for the holidays?

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

Our sense -- again, we don't know this any better than you do -- is that as you get out towards the end of December, the order rates will slow down in the US and Europe and our hope, and that's built into our plan, is what typically happens is in January we get a pretty good pick-up. So, that's -- if the plan comes true this quarter, it would probably be with that type of pattern.

Romit Shah - *Nomura Asset Management - Analyst*

Okay. That's helpful. If your customers are to remain cautiously optimistic about their business, given that inventories are approaching 2008 lows, would it be reasonable to assume then that your business would see better than normal type of growth in the April period as customers restock?

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

Well, that's certainly logical based on if they're stocking inventories again. But I would -- if you ask me right now, I would settle for seasonal increase in Q2, given where it is right now. Certainly what you're saying is logical. I just don't know if that's the way it will play out.

Romit Shah - *Nomura Asset Management - Analyst*

Okay. Thank you.

Operator

Your next question comes from the line of Harsh Kumar with Morgan Keegan.

Harsh Kumar - *Morgan, Keegan & Company - Analyst*

Guys, wanted to dig into the orders again. It sounded like you guys mentioned stabilization. Should we assume that orders actually went up from in the October to November time frame? And then I had a follow-up.

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

No, I think what we define as stabilization is they stopped going down.

Harsh Kumar - *Morgan, Keegan & Company - Analyst*

Fair enough. And then Dave, I had a quick clarification for you. Gross margins passed the first quarter, if revenues stabilize and you start to sort of build inventory, should we think that the first quarter will mark the bottom for gross margin, all things considered?

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

All things considered, I think that's correct.

Harsh Kumar - *Morgan, Keegan & Company - Analyst*

Fair enough. Thanks.

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

Don't forget, in the gross margins we're putting out now, we not only have lower revenues but we have a lot less product that we're building for distributors and even though that doesn't detract from our revenues, it certainly detracts from our factory build rates.

Harsh Kumar - *Morgan, Keegan & Company - Analyst*

Thanks.

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

Which is why Dave is making that comment.

Harsh Kumar - *Morgan, Keegan & Company - Analyst*

Got it. Got it. Thanks, guys.

Operator

Your next question comes from the line of Shawn Webster with Macquarie.

Shawn Webster - *Macquarie Research - Analyst*

Yes, thank you. So, you had commented a little bit on the converters and other analog and some of the dynamics there. Was wondering if you could comment on what's happening in the digital signal processor part of your business and where your focus areas are, and why that was relative to the rest of your business pretty weak in the quarter as well as year-over-year?

THOMSON REUTERS

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

Well, I think the DSP business is a business that has both a many customer dimension which is a lot of different customers buy it, and it has a large customer dimension. Some of the DSP business that we have is heavily consumer oriented. And certainly anything that's going into the consumer market right now, our overall consumer business year-over-year was down and the DSP part of that is no exception. So, I think there's a part of it that's related to just the overall malaise in the market, and there's another part of it that's very related to some large programs and some large primarily consumer customers. I think as business recovers, that business, particularly in the industrial side of the market, should respond in a very similar way to our analog business because historically that's what happens.

Shawn Webster - *Macquarie Research - Analyst*

Okay. And then the next question is on your own -- actually two part second question. Can you disclose your 13 week backlog? I believe you do disclose that at the end of the fiscal year. And, do you expect your inventories, ADI's inventories to be up in fiscal Q1?

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

The 13 week backlog as of the end of the year was $379 million that we disclose in the 10-K tomorrow. We're expecting inventory on our balance -- part of it's difficult to tell because it somewhat depends on what the distributors do with their inventories, but we're thinking that the inventories on an absolute dollar basis this quarter will be not much different than they were at the end of the year.

Shawn Webster - *Macquarie Research - Analyst*

Thank you.

Operator

Your next question comes from the line of Steve Smigie with Raymond James.

Steve Smigie - *Raymond James & Associates - Analyst*

Great. Thanks, guys. I was wondering if you could talk a little about if you see better gross margin on lower revenue this cycle than previously, so could you get to say a 67% gross margin on a lower revenue base this quarter given improvements you may be making elsewhere in the organization?

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

All things being equal, they are incrementally better than in the prior cycle because we did reduce some structure -- we made some structural improvements that reduced our cost per unit. However, obviously, mix factors into it and what not, so that may not be accurate every quarter but I would say on an absolute basis, prior peak or prior cycle versus this cycle we should be incrementally better.

Steve Smigie - *Raymond James & Associates - Analyst*

Okay. And what revenue level do you think it would take for you guys to get to that 70% or better gross margin?

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

Well, we don't have necessarily 70% so I can't answer that, Steve.

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

I think a lot of that depends on the mix of business, since the gross margin by industry segment varies quite a bit. So, I think that's a better question when we get back to 67% and then we'll give you an idea of what might happen after that.

Steve Smigie - *Raymond James & Associates - Analyst*

Okay. Great. Thanks a lot, guys.

Operator

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

David Wong - *Wells Fargo Securities, LLC - Analyst*

Thank you very much. Jerry, you were talking about value-added consumer businesses. Which of the consumer businesses that you're in at the moment offer you the best growth opportunities do you think, and are there any emerging consumer segments you're interested in?

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

Well, a lot of the segments offer a lot of growth potential. The question is whether the products that we want to do will be highly differentiated enough over a long enough period of time in order to get the benefit of that. Historically, a large part of our consumer businesses have been in products like digital cameras and gaming things, but I think when you look forward, those positions are fine and we can continue to innovate in those areas but I think increasingly you'll see analog products in more portable equipment and potentially even some broadcast equipment, which are basically consumer products. So, again, what we're really looking for, David, is just products that you get them designed in and you go through a couple generations of our customers' products with them still believing that this product is very valuable, and that's what's going to define what products we're in.

David Wong - *Wells Fargo Securities, LLC - Analyst*

Great. Thanks.

Operator

Your next question is from the line of CJ Muse with Barclays Capital.

CJ Muse - *Barclays Capital - Analyst*

Good afternoon. Thank you for taking my question. I guess first question, Jerry, you talked about orders stabilizing in November. I'm just curious, is that broad based or particular to one segment and I guess as part of that question, if you could walk through relative to the midpoint of the guide, what you see for each of the segments in terms of strengths, weaknesses, that would be helpful.

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

Well, as far as the orders stabilizing, it's what I said before is that they were -- they ran down and they stopped running down, which is always a good sign. And, so that started happening in October, November, when we had no idea if they were going to keep going down or just stabilize and they sort of stopped going -- they stopped going down and, therefore, business is running at these levels, I'd say over the last six to eight weeks.

In terms of the guidance by segment, we just don't have that level of detail. There are -- the only assumption we have in there is that we expect our consumer business to be down sequentially because it always is and that's sort of a guarantee and the question of what happens between our communications infrastructure business, our industrial business, particularly some of the sub categories in those, very, very hard to predict. All we can do is look at the averages and that's what we've done.

CJ Muse - *Barclays Capital - Analyst*

That's helpful. Dave, as my follow-up, if I look at your gross deferred revenues, you're running at high 300s and at a mid kind of 600 revenue run rate. In the past you've been closer to kind of mid-200s, low 200s. I guess curious, given what you've said in terms of the drawn down of inventory at the disties, will that be complete do you think to that low 200 level exiting January or might that still be an issue beyond that?

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

Well, on a days basis, distributor inventory is below their target level. So, I guess a lot depends on what the disties business does over the course of the next couple quarters. If the first quarter turns out to be the bottom, probably the deferred margin goes down a little bit more and then starts to move back up from here. And that's kind of our operating assumption at the moment, but a lot depends, obviously, on whether we really will see the bottom in the first quarter.

CJ Muse - *Barclays Capital - Analyst*

And if that holds true, is gross margin -- does gross margin, sorry, bottom in January or April?

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

If that holds true, and inventory starts to grow at distribution, we will certainly in all likelihood be taking our production levels up. That will be beneficial to the gross margin. We expect the first quarter to be the low point.

CJ Muse - *Barclays Capital - Analyst*

Excellent. Thank you.

Operator

Your next question is from Craig Ellis with Caris & Company.

Craig Ellis - *Caris & Company - Analyst*

Thanks for taking the question. Jerry, I just wanted to clarify your comments regarding factory shutdowns. Were you referring just to ADI or factory shutdowns that you're hearing about from your customers and if the latter, what segments are those coming from?

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

I'd say both. We're going to shut down a little bit longer than we normally do, certainly in manufacturing and many of the other areas as well. And we just have anecdotal comments from customers in many different market segments about the potential of extended shutdowns. We don't get a lot of visibility to the details of that. All we have is anecdotes from customers, which you probably have better ones than we do. Our assumption is, given all the chaos and given all their obvious desire to reduce inventories, it would not be illogical for them to have extended shutdowns this quarter.

Craig Ellis - *Caris & Company - Analyst*

That sounds reasonable. A follow-up question is on company specific initiatives, since there's a lot that's out there that's outside of your control, just focus on some things that are inside your control. At analyst day you talked about pricing initiatives that I took to mean doing a better job of pricing for functional value, and I think maybe more recently the Company's really focused on its new product introduction processes and trying to do a better job hitting commercial windows with that. Can you give us an update on those two initiatives and tell us how those are impacting the business as we see it?

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

I think I could give you qualitative answers on that. We've done analyses inside the Company in terms of pricing, given that we price 10,000 products to 100,000 customers, sort of hard to be precise on that. But we've seen a pretty good improvement in our margins as a result of pricing actions that we've taken, particularly I'd say on the older products that we have, which some of them go on and sell for 10 or 20 years. And, customers are very thankful to have a source of supply to that period and are quite willing to pay little higher prices at the margin to ensure that because the price of getting those products out and putting another one in is well in excess of the price that we charge them. So, I think on that dimension we're doing better.

We're also doing better at making sure we don't have a lot of ASP leakage into the system. Through our distributors and through other people that price our products, we're just being a lot -- we have a lot better systems to understand what's going on and what you inspect you should expect to get better, and we're inspecting all that stuff pretty carefully. We do monitor very carefully our average selling prices by product area, by geography, by customer. We have tremendously credible information systems in the Company on every dimension that we're capable of understanding and actioning, where we see perturbations that don't seem right to us. So, I would say, we can always do more and I think we will do more in the future, but we've made some pretty good progress to date which is helping our gross margin, and I think is one of the reasons that Dave indicated a lot of enthusiasm about the gross margins in the future.

On the new product stuff, that's also -- we introduced between 200 and 400 new products a year and I think the best vehicle for getting our growth up on those questions is to make sure that they're the right products. So, portfolio prioritization and adjustments that we've been making and that we will continue to make are one of the best vehicles to make sure that we actually put products in the market that are going to sell. Of course, we have tremendously more pressure on the system to get the products out on time and one of the ways to do that, other than beating everybody up, which we do I guess as well as anybody, is to make sure that the products we're trying to get out are properly resourced and that means that the ones we're serious about, we add resource to and the ones we're not serious about, we take resources out of.

So, overall I think that's really helping us and it's really going to demonstrate itself in future years because what we bring out this year not only helps 2011 and 2012, but it really helps the out years. The sooner you get it out, the sooner you get design ins, the sooner you get design ins, the sooner revenue comes. Many of these products have very long revenue tails on them. Again, these are not things that have instantaneous uplifts in the short term, but I think over time on the new product side, it's going of to impact our growth rates and on the product side, it's going of to impact both our growth rates and our margins. So, I think more is better but I think we're doing okay.

Craig Ellis - *Caris & Company - Analyst*

Thanks for the color, Jerry.

Operator

Your next question is from Ross Seymore with Deutsche Bank.

Ross Seymore - *Deutsche Bank - Analyst*

Thanks for sneaking me in. Just a question on the OpEx side of things. How should I think about the extra week versus the shutdowns? Are they pretty much offsetting one another or is one larger than the other?

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

Unfortunately, no one lets us not pay them for the week off. We actually incur the expense regardless on the salaries and such. Where we do save a bit of money, obviously, we aren't turning the lights on, there's a little less activity in the lines like consulting and travel and those things. We save a little bit of money there, but we do incur the expense associated with the employees.

Ross Seymore - *Deutsche Bank - Analyst*

Got you. Then, Jerry, one on the competitive landscape. During downturns like this in the past we've seen competitors take various strategies, some wanting to run their fabs, some getting aggressive on price to keep the fabs full, et cetera. Have you seen any strange activity in the competitive landscape during this downturn?

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

I think companies keep doing the same thing in every cycle. The ones in the commodity businesses where price is the only determinant, you see a lot of people going out there, dropping prices. That's not where most of our products are. In fact, when we look at our average selling prices, which given the dynamic range of prices that we have from one product to another, they're remarkably stable so we're not seeing almost any real change. We see a change in mix and that changes things a little bit, but the mix adjusted average selling price stays the same. In the last cycle, we saw different competitors doing different things.

We've decided that we should reduce our production levels to get the best -- we have plenty of inventory. We can turn them up very quickly. We're not laying off a bunch of people, so we'll have trained people ready so that when business picks up we have trained people that are capable of building the products. There's very different competitive responses out there. Some companies just lay a whole bunch of people off. Some people just build inventory to keep their fabs running so they don't have margin deterioration. Our sense after many, many years of experience, sometimes doing the right things, sometimes doing the wrong thing, is the best strategy for ADI is to keep most of the people and keep the inventory levels down and have a supply chain that's flexible that our customers can count on. And that's, at least over the last cycle or two, what we've done. It worked out well for us, particularly relative to some of our more notable competitors and I think that's what we're going to do again.

Ross Seymore - *Deutsche Bank - Analyst*

Great. Thank you.

Operator

Your next question is from Jim Covello with Goldman Sachs.

Mark Delaney - *Goldman Sachs - Analyst*

Hi, this is Mark Delaney calling for Jim Covello. Thanks very much for taking the question. I was hoping you could talk more about the comm infrastructure business. First, if you have any visibility on when the Chinese build out might continue and second, what kind of impact you think the LTE build out might have for you guys in 2012? Thanks very much.

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

Vince, before you fall asleep there, take this question.

Vincent Roche - *Analog Devices, Inc. - VP Strategic Market Segments, Worldwide Sales*

Let me try and address the TD-SCDMA first. While there has been, obviously, a delay in -- during 2011 here, but the expectation, at least from what we're hearing in China from our customers, is that somewhere in the first half of 2012, we can expect a significant build on the TD-S side. I should point out as well, TD-SCDMA is actually a pretty small part of our communications infrastructure business overall. We depend, obviously, on the more pervasive standards like 3G and LTE for our revenue stream. But on TD-S side anyway, we expect something to happen in the first half of 2012.

Jim Covello - *Goldman Sachs - Analyst*

Thank you.

Operator

Your next question is from Stacy Rasgon with Bernstein Research.

Stacy Rasgon - *Sanford C. Bernstein & Company, Inc. - Analyst*

Hi, guys. Thanks for taking my questions. I have first one on OpEx. I know you have this tradeoff between the extra week and everything else. Basically, if I normalize your spend for 14 weeks this quarter versus the 13 weeks last quarter, I come up with about $12 million in OpEx on a normalized basis which is coming out. Can you give me some feeling for how much of that is just a simple reduction in variable comp given the reduction in year-over-year growth in operating profit versus other initiatives that you're taking? Give me some feeling for how much of those cuts and even the cuts that you saw this quarter might be temporary versus permanent. I'm trying to get some feeling for how I ought to be looking at the OpEx roll forward going forward over the quarters.

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

Let me make sure I'm understanding this properly. Our expense was 225. It was down roughly $6 million from last quarter. There was no extra week this quarter or nor was there an extra week last quarter. This was a straight apples-to-apples change. It was all -- predominantly related to a reduction in the variable compensation and then we did a few things on the austerity program side to bring the expense in a little bit more. And then on the offsetting side, we did have a couple million dollars of restructuring in the quarter. Next quarter, our guidance is for it to be up slightly to max up maybe $4 million or so. We'll probably, as you say, get at least $10 million, maybe even close to your number $12 million of additional expense associated with the extra week. However, we --

Stacy Rasgon - *Sanford C. Bernstein & Company, Inc. - Analyst*

I meant that was saved. If I divide Q4 by 13 and if I divide Q1 by 14 and if I look at the weekly OpEx, you're taking it down about $1 million, close to $1 million a week on a normalized basis.

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

Yes. Now, some of that is the variable compensation coming down. And then some of that quite honestly is just we're going to be under some pressure internally to keep the discretionary expense to an absolute minimum. And then one of the things we're doing internally is shutting the facilities down for a couple weeks across most of the locations, and so the hope is that our activity spend will be down a little bit as well and so that should help keep the expenses contained. Does that make sense, Stacy?

Stacy Rasgon - *Sanford C. Bernstein & Company, Inc. - Analyst*

Is it more like half of the comps versus the other thing, because I'd expect the variable comp to go with the operating metrics, but some of the other stuff ought to come back (Inaudible).

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

Variable comp is probably down a couple million dollars quarter-over-quarter.

Stacy Rasgon - *Sanford C. Bernstein & Company, Inc. - Analyst*

Great. For my follow-up, just something very broad. At the I guess the maximum and minimum range of your revenue guidance, can you give me some feeling for what sort of has to happen to reach the top end of your guidance and what would have to happen to reach the bottom? What do you have baked in on both extremes?

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

A great deal of it will be determined by just the macro stuff. Our sense is that the inventories are going to continue to go down. That's going to result in some additional decline, but I think what history has written, it will be mostly -- particularly as we get into January -- about what actually customers' consumption of our products is. And that's the way these cycles go. First demand is ahead of consumption, then it's behind consumption, then it equals consumption. Our hope is that as you get out to January or so, demand and consumption start to look alike and if that happens, that should be a positive. But we just don't know.

Stacy Rasgon - *Sanford C. Bernstein & Company, Inc. - Analyst*

Got it. Thank you guys.

Mindy Kohl - *Analog Devices, Inc. - Director, IR*

Operator, we have time for just one more question because we've gone over our allotted time.

Operator

You have one last question from the line of Uche Orji with UBS.

Uche Orji - *UBS - Analyst*

Can you hear me?

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

Yes.

Uche Orji - *UBS - Analyst*

Dave, can I just ask you to contextualize the utilization rate this quarter, if you went back to periods of -- if we excluded 2008 and '09 which was probably an extraordinary period, and possibly '01, '02. How does this compare with previous inventory corrections? Is this kind of way bottoms normally?

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

We've been down to 50% in terms of utilizations. It's clearly a lower number. To be fair, we had more capacity at the time we were down to 50%. So, we have taken out some of that capacity.

Uche Orji - *UBS - Analyst*

That's what I was hoping to kind of help understand, how much capacity do you think has been taken out just so that we can say okay, this is kind of where you bottomed on the inventory correction and try to get a number to this.

Dave Zinsner - *Analog Devices, Inc. - VP Finance & CFO*

I don't have that number in front of me.

Uche Orji - *UBS - Analyst*

I'll follow up offline. Jerry, you were describing what was going on with TD-SCDMA, you talked about a temporary pause and resumed assumption of half of 2012. Two questions here. One is how much more expense do you think we'll need before we could say all the phases required is done in TD, I know you said it is more product of your portfolio. Looking into 2012, in terms of comm infrastructure, how comfortable -- in terms of the conversations you have with your customers, how do you think the demand should play out in 2012 for other parts of the comm infrastructure business? That's my last question. Thanks.

Jerry Fishman - *Analog Devices, Inc. - President, CEO*

Vince?

Vincent Roche - *Analog Devices, Inc. - VP Strategic Market Segments, Worldwide Sales*

Well, on the TD-S side, there's still I believe several phases planned but to give you a specific number, I'm not in a position to do that. But we'll take this one year t at a time. As you know, in China we have many standards playing against each other. 2G, 3G and 4G coming online as well. All those standards are going to play into the mix and ultimately it will be really consumers who decide which standards get to play long-term.

With regard to demand overall, I believe our customers are looking at a brisk again 2012. Some of the larger customers out there have done very, very well during 2011. I expect those customers will do well again in 2012 in developed markets where there's a massive ongoing demand for mobile data driven by the need to be able to move video wirelessly across the network and I think certainly in Europe and America and Japan, that need is going to continue unabated and will drive what we believe to be very, very good demand, both in the wireless sector and as you know we play in the radio front ends there. There's no dampening on the requirement for innovation in that area.

Also, as we move more and more high bandwidth data through the wireless network, it creates a need to be able to move the data in packet form through the fixed networks, as well as such as optical and cable. So, our customers are bullish and we're bullish and certainly on the wireless side, we're expecting growth over the long term in the double-digit area in the communications infrastructure area.

Uche Orji - *UBS - Analyst*

Thanks very much. That's helpful.

Mindy Kohl - *Analog Devices, Inc. - Director, IR*

Okay. That concludes our Q&A session. We appreciate your participation and look forward to talking with all of you again during our first quarter 2012 earnings call. Thank you.

Operator

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