



AHEAD OF WHAT'S POSSIBLE™

# Innovation Leadership Drives Long-Term Profitable Growth

ALI HUSAIN

TREASURER AND HEAD OF INVESTOR RELATIONS

# Company Overview

- Industrial
- Communications
- Automotive
- Consumer

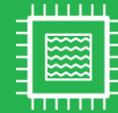


100+  
Years

Combined History of High Performance Analog Leadership

#1  
and  
#2

Market Leader Across All Analog Product Categories

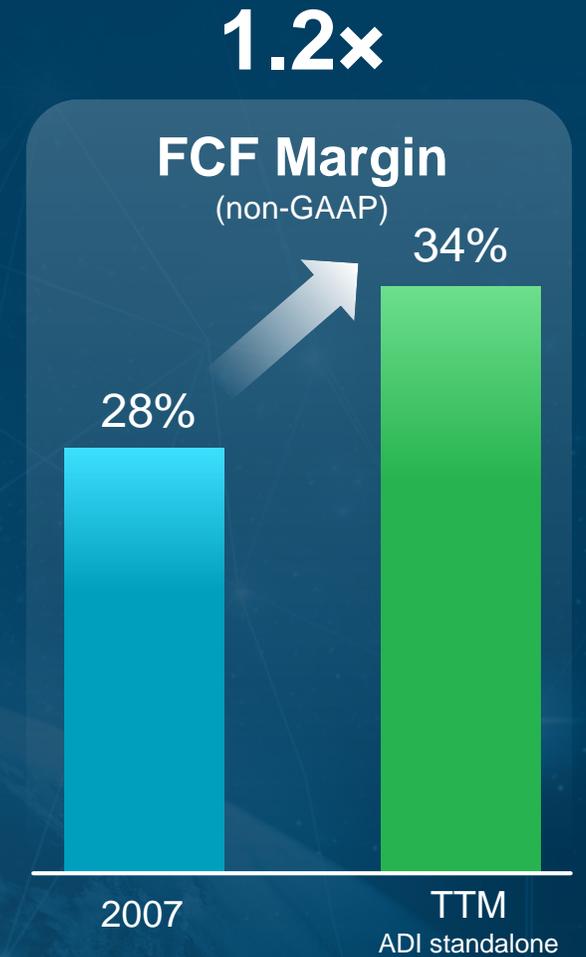
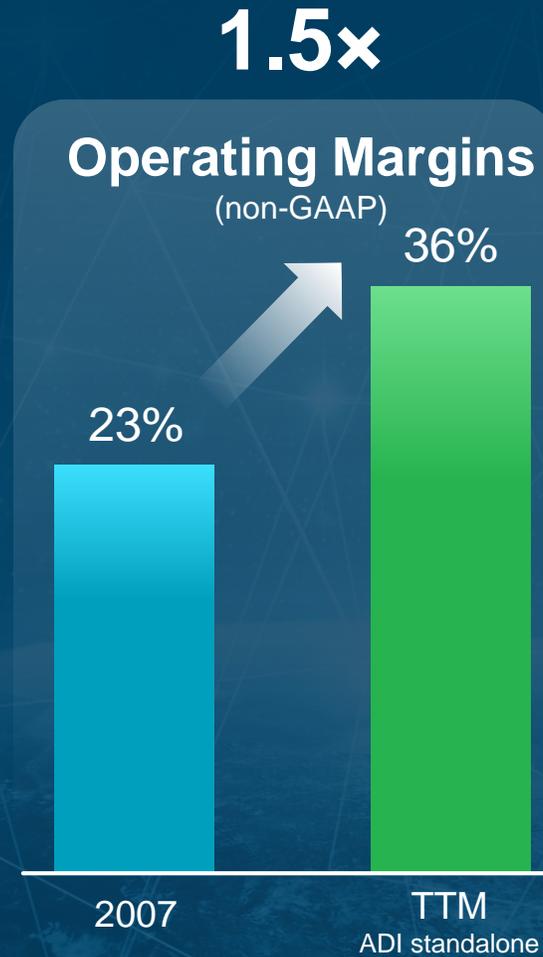


Diverse and Long Life Cycle Product Base



Secular Trends Driving Long-Term Profitable Growth

# ADI's Focus on Highest Value Applications has Delivered a Vastly Bigger and More Profitable ADI ...



# ... Creating a Top 5% S&P 500 Free Cash Flow Leader ...

Free Cash Flow Margin

## S&P 500



# ... Committed to Shareholder Returns ...

## \$7 Billion

Returned to Shareholder Since 2007



# ... Driving Shareholder Value Creation

Total Shareholder Returns ~2x vs. S&P 500

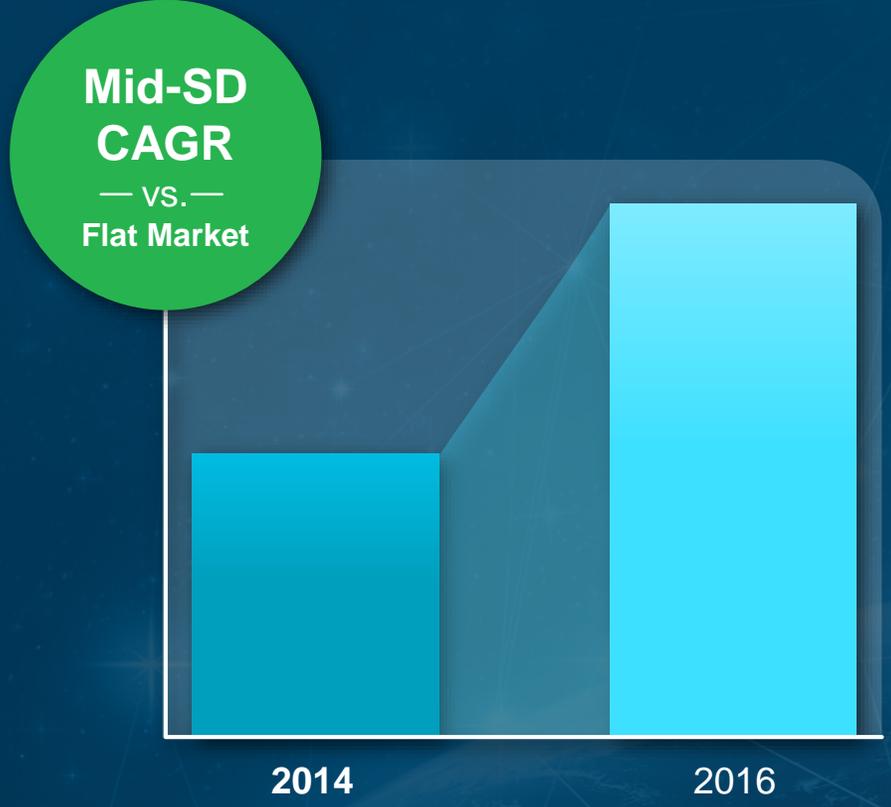


**ADI**  
+185%

**S&P 500**  
+96%

# The 2014 Acquisition of Hittite Serves as the Blueprint for Successful M&A

## Hittite Revenue



## First Co-designed Products Coming to Market this Year



Automotive



Communications



Industrial

## Successful Integration



Pipeline vs. 2014 Revenue



Cost Synergies Captured



Best of Both

# Acquisition of Linear Tech Represents Next Phase of Value Creation Journey

## Compelling Strategic and Financial Benefits

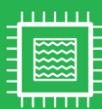
Immediately Accretive to Non-GAAP EPS, Accelerating into 2018

15%

TAM Expansion from \$8 Billion

\$14B

Highly Complementary Products, Customers, and Applications



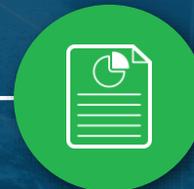
## Long-Term Shareholder Value Creation Drivers



Revenue Synergies

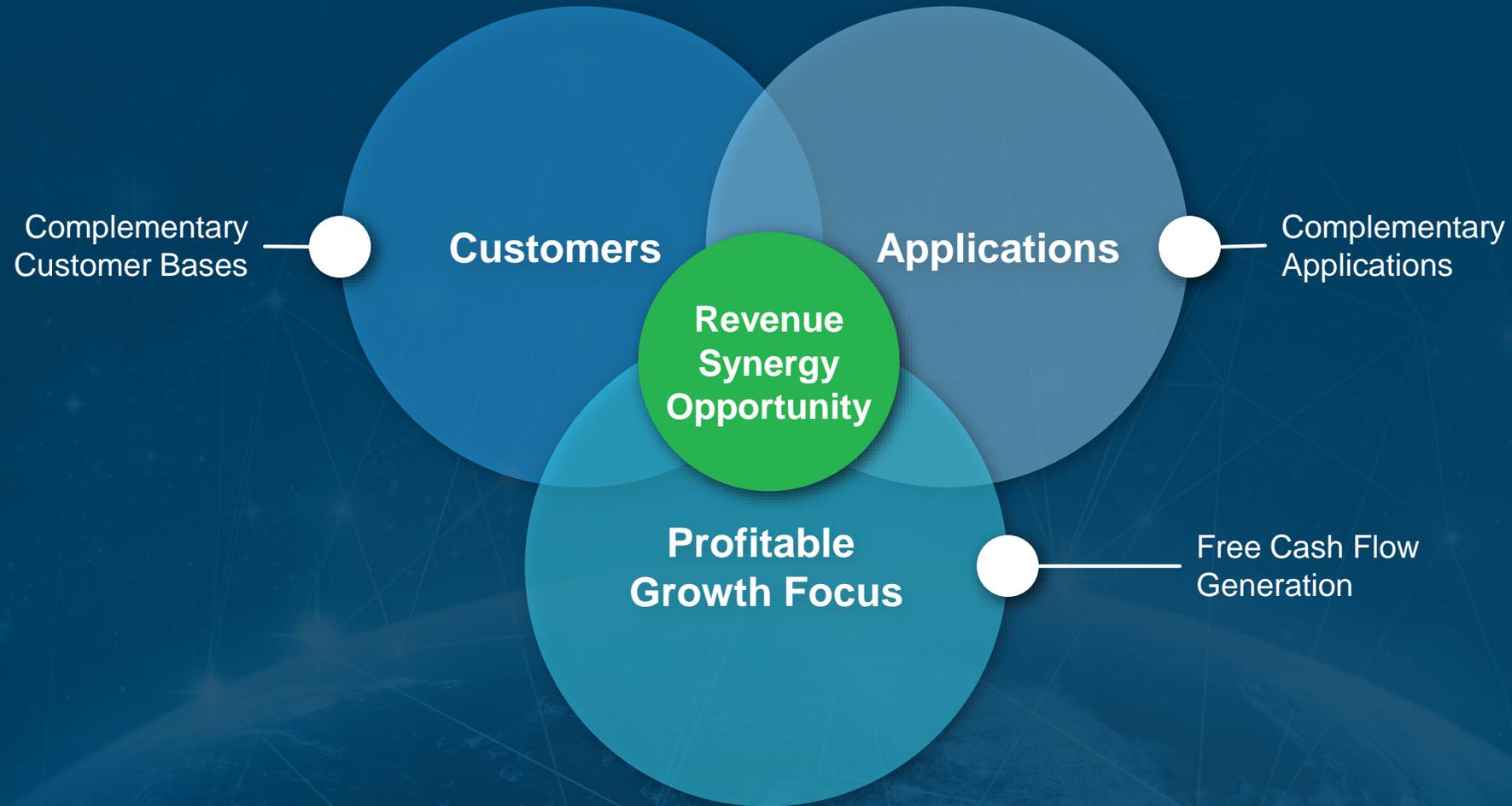


Cost Synergies



Balance Sheet Deleveraging

# Sources of LTC-Related Revenue Synergy Opportunity



# Customer Bases are Complementary



# Applications and Products are Complementary

## Strength Factor

■ ADI

■ LTC



### Industrial

Aerospace and Defense

Instrumentation

Healthcare

Factory Automation



### Infrastructure

4G, LTE, and 5G Wireless

Macro and Small Cell Base Stations

Optical

Networking



### Automotive

ADAS

LED Lighting

Infotainment

HEV



### Consumer

Portable Devices

Prosumer A/V



### Products

Converters

Power Management

Amplifiers

Interfaces

RF/Microwave

# Profitable Growth Mindset Drives Free Cash Flow Growth



# Up to \$1 Billion Revenue Synergy Opportunity Starting in 2019



# Cost Synergy Update: Increasing Target to \$250M from \$150M

**\$150M Run-Rate by 4Q18**

5% of the combined company expenses

**COGS: ~\$50M (Starting 1Q18)**

Economies of scale, better purchasing power, distribution channel optimization

**Op-ex: ~\$100M (\$20M Achieved, \$80M Starting 4Q17)**

Public company expense, duplicative activities

+

**~\$100M Within 3 to 5 years**

3% of the combined company expenses

Additional efficiencies across combined business and operations

=

**\$250M**

**by 2022**

~8% of the Combined Company Expense

# Current Capital Structure

## ~\$2.9B in Liquidity

- \$1.9B in Cash and Short-Term Investments as of 2Q17 Adjusted for \$4.1 Bridge Loan Pay Down and \$200 Million Term Loan Reduction
- \$1B in Revolver Capacity

**\$8.7B Total Debt; \$6.8B Net Debt as of Today**

## Debt Summary

Outstanding Principal	Base Rate	Maturity
\$2.4 Billion	L + 112.5 bps	3 Year Term Loan
\$2.4 Billion	L + 125 bps	5 Year Term Loan
\$400 Million	2.500%	2021
\$550 Million	3.125%	2023
\$500 Million	2.875%	2023
\$850 Million	3.900%	2025
\$900 Million	3.500%	2026
\$250 Million	4.500%	2036
\$400 Million	5.300%	2045
<b>\$8.7 Billion</b>		

# Expected to Achieve Target 2x Net Leverage by 1H FY 2019



# 2x Net Leverage Will Trigger New Capital Allocation Model

## 80% to 100% Cash Returns After Debt Service

1H FY2019

2x

Net Leverage



Continued  
Dividend  
Growth



Share  
Buybacks

80% to 100%

FCF Return After Debt Service

# Summary Execution Timeline



# Revenue Growth Model

## Mid-Single Digit Base Growth Rate Has Additional Drivers



# Long-Term Financial Model

	Long-Term Model	
Sales Growth	Mid-single digit	Upside from stronger GDP, LTC revenue synergies, consumer wins
Gross Margin	70%+	Industry-leading gross margins
Operating Margin	39% to 45%	Operating expenses to lag revenue growth
EPS/FCF Growth	8% to 12%	EPS and free cash flow grow > revenue growth
FCF Margin	34% to 42%	Industry-leading FCF margins
FCF Return	80% to 100%	Cash returns after debt service

# Focused on Creating Shareholder Value



Market Leader Across All High Performance Analog Product Categories



Secular Growth Drivers Across High Value Applications



\$250M of Long-term Cost Synergies and up to \$1B Of Revenue Synergies



Balance Sheet Deleveraging Tailwind to EPS



Target 80% to 100% Cash Returns After Debt Service

**High Performance  
Analog Leader  
Driving Long-Term  
Profitable Growth**



AHEAD OF WHAT'S POSSIBLE™

# Analog Devices 2017 Investor Day

POWERFULLY CONNECTING THE PHYSICAL  
AND DIGITAL WORLDS