



## Analog Devices Announces Financial Results For The First Quarter Of Fiscal 2010

- 1Q10 revenue increased 5.5% sequentially to \$603 million
- Diluted EPS was \$0.39, which included \$0.04 of restructuring charges
- 1Q10 gross margin increased to 61.1% of revenue
- Board of Directors declared quarterly dividend of \$0.20 per share
- Financial results and 2Q10 outlook will be discussed via conference call today at 5:00 pm

Norwood, MA (02/17/2010) - Analog Devices, Inc. (NYSE: [ADI](#)), a global leader in high-performance semiconductors for signal processing applications, today announced financial results for its fiscal first quarter 2010, which ended January 30, 2010.

"The first quarter of fiscal year 2010 was another very strong quarter for ADI and the beginning of what we hope will be a strong year. Revenue increased by 26.5% year-over-year and 5.5% sequentially to \$603 million as orders continued to strengthen throughout the quarter," said Jerald G. Fishman, President and CEO.

"Gross margins exceeded our plan and increased significantly from the previous quarter. Operating margins reached 24.7% of revenue, or 27.5% of revenue excluding restructuring charges, and operating cash flow was 35% of revenue."

### **Results for the First Quarter of Fiscal 2010**

- **Revenue** was \$603 million, an increase of 5.5% from the immediately prior quarter and an increase of 26.5% from the same period one year ago. For more information regarding the breakout of revenue by end market and product type for the first quarter of fiscal 2010, 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 61.1% of revenue, compared to 56.3% of revenue in the immediately prior quarter, and 56.4% of revenue in the year-ago period. Gross margin improvements were primarily due to lower manufacturing costs, increased factory utilization, and strong sales of products sold to industrial and communications infrastructure customers.
- **Operating expenses** were \$219 million, which included approximately \$16.5 million of restructuring charges related to actions taken in the first quarter to further reduce infrastructure costs and continue to focus product development in areas that enable differentiation for customers. The remaining increase in operating expenses was due to higher variable compensation expense which was primarily related to the significant increase in operating margins. All other operating expenses remained flat compared to the previous quarter.
- **Operating income from continuing operations** was \$149 million, or 24.7% of revenue, which included approximately \$16.5 million in restructuring charges. Excluding this amount, operating income was \$166 million, or 27.5% of revenue. 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).
- **Diluted earnings per share (EPS) from continuing operations** was \$0.39, compared to \$0.36 in the immediately prior quarter, and \$0.08 in the same period a year ago. Excluding restructuring charges, diluted EPS was \$0.43 in the first quarter of fiscal 2010 and \$0.18 in the same period a year ago.
- **The Board of Directors declared a cash dividend** of \$0.20 per outstanding share of common stock, which will be paid on March 24, 2010 to all shareholders of record at the close of business on March 5, 2010.
- **Net cash provided by operating activities** was \$214 million, or 35% of revenue. Capital expenditures were \$17 million, and cash dividends of \$59 million were paid during the first quarter of fiscal 2010.
- **Cash and short-term investments** at the end of the first quarter of fiscal 2010 totaled approximately \$2.2 billion.
- **Accounts receivable** in the first quarter of fiscal 2010, as measured by **days sales outstanding**, was 47 days, compared to 48 days at the end of the immediately prior quarter.

- **Inventory** at the end of the first quarter of fiscal 2010 decreased by approximately \$10 million, or 4%, compared to the immediately prior quarter.

### **Outlook for the Second Quarter of Fiscal 2010**

*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 2010, Mr. Fishman stated, "Order rates from end customers were strong throughout the first quarter of fiscal 2010, increasing 8% sequentially. As a result, the opening backlog for shipment in the second quarter increased substantially. Based on order rates and customer feedback, we expect revenue from industrial and communications infrastructure customers to grow in the second quarter, and revenue from consumer customers to be approximately flat. As a result we are planning for revenue in the second quarter to increase to \$635 million to \$650 million. Our plan is for gross margins for the second quarter to increase to 62% to 63% and operating margins to increase to approximately 29% to 31%. This would result in diluted EPS from continuing operations of approximately \$0.48 to \$0.51 in the second quarter."

### **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: 49532724, or by visiting [investor.analog.com](http://investor.analog.com).

### **Non-GAAP Financial Information**

This release includes non-GAAP financial measures for this quarter and 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 margins, 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 underlying baseline 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, non-GAAP operating margins, and non-GAAP diluted earnings per share:**

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

### **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 margins, 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 margins, 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 margins, 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'10 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, inventory levels, gross margins, operating margins, restructuring charges, and other financial results, expected customer demand for our products, and expected results of our ongoing expense reduction efforts and investment strategy, 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 tentative 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, 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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