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EDITED TRANSCRIPT

ADI.OQ - Analog Devices Inc at Credit Suisse Technology, Media & Telecom Conference

EVENT DATE/TIME: NOVEMBER 30, 2021 / 9:30PM GMT

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PRESENTATION

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

I see the clock counting down. So why don't we go ahead and get started? I'd like to welcome everyone to the fireside chat this afternoon with the management team of ADI semiconductor corp. It's my distinct pleasure to welcome to the stage, to my immediate left, Prashanth Mahendra-Rajah, the Senior VP and CFO of ADI. Also on stage to his left is Mike Lucarelli, VP of Investor Relations, recently promoted in that role.

Michael C. Lucarelli - *Analog Devices, Inc. - Senior Director of IR*

That's right.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

The format here is fairly straightforward. We have 30 minutes of a fireside chat. I'm going to kick things off. But if you have any questions, there is a mic in the middle of the room. We're not passing the mic around this year per COVID protocol. So you need to stand up and go to the mic. But if I see you there, I'll make sure that your question gets addressed.

And with that, I want to thank both Prashanth and Mike for joining us this afternoon. I really appreciate it. It's great to be in person.

Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

It is. It is, yes.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

I think everybody likes the fact that we're live and in person once again.

QUESTIONS AND ANSWERS

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

Prashanth, the first question I always ask in this setting is somewhat open-ended. It's sort of an opportunity to have you set the stage, perhaps kind of describe the company a little bit if there's anyone new in the room. But talk a little bit about sort of the core IP at ADI, more importantly, the mission statement. What end market you're trying to drive that IP into? And what's the value proposition for the people?

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Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

Thank you. Thanks, John. And this is our first in-person event since March of 2020. So it's been a great day to see in person many of our shareholders. It's been a busy day so far, but thank you for having the courage to do something face-to-face again.

All right. So yes, for those of you who do not know ADI, we are -- we've been busy during the COVID shutdown. We entered COVID as a $6 billion company, and we emerged from COVID as a $10 billion company, having both announced and completed the acquisition of Maxim. We have industry-leading gross margins at 70%. And the business model really is about how do we find a way to continue to grow the top line, hold those extraordinarily high margins and deliver off extraordinary cash.

We -- our trailing 12-month cash flow is 33% of revenue, which puts us in the top 10% of the S&P 500. And we've got a commitment to return 100% of free cash flow to our investors through dividends, which have been growing for 13 years now. Mike, am I getting my years right?

Michael C. Lucarelli - *Analog Devices, Inc. - Senior Director of IR*

More than that, 18.

Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

18 year. Thank you, Mike. 18 years. And share repurchases, of which we can talk a little bit later about, our capital allocation plans.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

That's helpful. I think, Prashanth, the overwhelming question that I'm sure you've been asked this week is just about the supply shortages in the semiconductor industry and how that's impacting the business. You guys recently reported earnings. And clearly, demand is still outrunning supply for just about everyone, yourself included.

And so I guess I'd love to get your perspective on how long you think this current situation is going to last. And I guess, more importantly, how do you safeguard against the dreaded double ordering? And I'll preface that by saying you had a book-to-bill that was still well above 1 despite lead times stabilizing, which is always a really good sign. And you've got channel inventory that's still at all-time low levels.

Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

Correct. Correct. Yes. So I think -- let's take a step back and see how we got here, right? We -- in late 2019, our customers, particularly on the industrial side, began to adjust inventory levels following what you might argue was kind of a hidden recession in the industrial markets in 2019. So we entered 2020 with inventory levels quite low. The pandemic occurred, which disrupted supply chains.

On top of that, we had a number of just very unusual events from that deep freeze in Texas to the earthquakes and fires in Japan and all of that level of disruption as well as with the amount of stimulus money, all the -- so much investment in goods versus services has created this incredible situation we're in now.

But over that same period of time, I think what goes maybe less noticed is how much content has increased across the globe in all of our end markets as design activities were still going on. We were still working with customers, albeit virtually, to help them with the circuit board design. And so you had continued incorporation of semiconductors across all end markets.

So as we've come out of this now, you have that confluence of events, which has created this incredible shortage. We're -- as we look forward, and speaking just for ADI, I feel that we're going to be in this supply-demand imbalance certainly through the end of our fiscal third quarter. It could

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go beyond that. But as you know, John, I'm a bit more conservative, so I'm not willing to put a forecast on the full year, but I will do 3 quarters of the year and tell you that...

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

That's pretty good.

Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

That -- so -- and in that environment, what's ADI's challenge? Well, we did this incredible acquisition of Maxim, which we can talk about. But part of the challenge with Maxim is they have significantly under-invested in capital, and they are flat out from a capacity standpoint. And now that we've issued all the purchase orders to several of the companies -- the semi-cap companies that were on stage before me, tools are not coming in until the later part of the calendar year.

So our ability to drive Maxim's revenue growth for the next 3 quarters is pretty limited until they get some capacity in place. That contrasts to the ADI story, which we are, I think, in our eighth sequential quarter of revenue growth as we've been able to get in front of this and get more capacity in place and build up our ability to supply.

The second part of your question, which is a question everyone has been asking is, how do you know you're not going off a cliff on this? And I guess I'd point to a number of different indicators that we are watching, which are unique maybe to ADI.

First, like everyone, we're looking at channel inventory. So about half of our business goes through distribution channel. We require our distribution channel partners to have a pretty robust data exchange with us, which is updated weekly. And through that data exchange, we're looking at inventory levels in each of our disti partners warehouses by geography to understand what's happening there and ensuring that whatever is shipped into them is leaving immediately. So we will get an early warning signal when that inventory in the channel starts to build. That's one.

Second is a good percentage of our automotive business goes through consignment. So Mike's team is able to log into our SAP system. And we can actually see the inventory levels for our parts at our automotive customers' warehouses, where we're holding it for them on consignment. And we did look at that before coming out here for this event, looked at where were inventory levels before COVID in 2020 and where are they today. And they are down. If there was inventory build, you'd expect those to be above kind of the pre-COVID levels. And so we will continue to be watching that, and that will be another indicator for us that auto -- that at least for our parts, and I can only speak to our parts, are starting to build at our customers.

The other item we're looking at is escalation, right, customers who are calling into our senior leadership or trying to reach the CEO or, in many cases, contacting our Board of Directors, saying, hey, we're in dire need of ADI parts. And that includes a couple of the semi-cap companies who are on stage here today as well. And using those as an indicator, which we're also measuring that -- my belief is that if a CEO is reaching out to Vince, asking for him to help expedite a part, he is doing that or she is doing that because they're at risk of putting a line down, not because they're trying to build inventory.

So a number of indicators that we continue to watch. And those will be the items that will give us that early notice that, hey, things might be starting to turn.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

No, that's helpful. You brought up Maxim earlier, and I wanted to ask a couple of questions around that. First, just relative to the strategy of acquiring Maxim. It wasn't as well received as I think you might have hoped when it was first announced. I think over time, investors have gotten to understand the strategy a little bit better. But maybe you can help us understand kind of what was the motivating factor about acquiring Maxim. And sort of now that you have the asset, what do you think you can do with it?

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Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

Yes, great. Right. So let's do that in 2 parts. First, just to take a moment to talk about what you said. When we announced the deal, we did get a lot of pushback from investors, less so about the deal itself and more about the structure of the deal. What were we thinking doing an all-equity deal?

And fortunately, for us, that was followed by several semiconductor deals, which were all -- either all equity or heavily equity. So the rationale for using your currency as a medium to do this kind of large transaction, I think, has become more commonplace and therefore more accepted by the investor base.

I would say that today, the investor interest in ADI is the highest it's been since I've become CFO. We -- the number of folks doing work on the story and the number of generalists that we are talking to try to understand where Analog Devices fits into the ecosystem is really at a high.

I think some of that is now we've really established credibility, right? We -- this is our third acquisition. We bought Hittite, which brought to us the RF and microwave business. We use that RF and microwave business to significantly strengthen our defense business as well as really become a very dominant player in the 5G ecosystem with the transceiver.

We acquired Linear, the company that no one believed could improve their margins. And we actually improved the margins on Linear, not by addressing their prices, but really by finding opportunities to take their costs out even more, improve the margins of that business. And we acquired a phenomenal BMS business, which then combining with ADI technologies, we've created this revolutionary wireless BMS system, which a number of OEMs have already incorporated. And General Motors has been the most vocal about how revolutionary it is in allowing them to build out their Ultium battery line.

And now third is Maxim. And I think what excites us about Maxim is what it does for us in ASSP power as well as in the communications and data center space. We like the focus that Maxim has had on manufacturing cost efficiencies. And in fact, we've taken the head of Maxim's manufacturing business and put him in charge of all of ADI.

And I think on the opportunities side, we really see the ability to take ADI's field organization and the customer intimacy, which is really part of our DNA, and bring that to Maxim to improve how they're interacting with their customers, add it into our basket. And you'll see in the coming quarters the revenue generation that comes from that combination.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

That's helpful. We hosted a dinner with you guys in New York a few months back. One of the things that's been...

Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

A quiet dinner.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

Quiet dinner, yes, that Vince mentioned at the dinner, if you could hear him, was that he is probably more excited about what he can do to accelerate Maxim's growth rate at this point of the acquisition than he was even with the Linear asset. I think people under-appreciate the fact that you guys have kind of doubled that organic growth rate since then.

You talked about areas like data center and power. Some of that's got to be coming from the consumer market. And I'd like to spend a few minutes just talking about your consumer business. And again, the caveat here is 85% of your business is not consumer. And that's the best nonconsumer mix in all of semi. So I don't want to sort of straddle you with this consumer.

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But I do think there's a big misperception about this consumer business. There's parts of the consumer business, they're actually really good. You guys are going after this business, I think, in a very capital-efficient way. From a free cash flow perspective, it's an excellent business. So maybe you can prosecute a little bit better the consumer business and convince us why it's -- it shouldn't be a lower multiple business.

Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

Yes, definitely. Okay. So to the first part of your question, I just want to talk about why Vince was so -- and remains so excited about the Maxim business. Vince is a growth guy. And before becoming CEO, he ran sales and marketing for ADI. What he sees in Maxim is the opportunity to really bring the ADI sales and marketing expertise to Maxim. So we'll get to that later. And I think we'll deliver the proof points on that as we go into our Analyst Day to show why we feel very good about the revenue synergies that are to be announced on the Maxim deal.

On the consumer business, the bulk of your question. So 85% of our business is B2B, 15% is consumer. So of that consumer business, understanding what that consumer business looks like and why it's attractive to us, I think, is important.

So a couple of points, I guess, I'd like to make. About 1/3 of that business is hearables and wearables. About 1/3 of that business is professional audio video. We look at our consumer business very similar to our industrial business, broad diversification in terms of a large number of customers who buy a very large number -- a variety of SKUs. So great diversification.

That diversification allows us to get, I think, what most investors would be surprised at the level of gross margins we're able to get for our consumer business, which comes from that diversification. We're not chasing one large socket with one large particular customer that allows large customers to have an outsized influence on pricing. So that broad diversification is really what makes it a profitable gross margin business.

What makes it even more attractive from a cash flow standpoint is our consumer business requires very little R&D. So on a total ADI, and this is inclusive of Maxim, I think less than 10% of our R&D is pointed at the consumer business. So this ends up being very accretive to operating margins.

It requires low investment. It's really leveraging the technologies that we're building for the B2B business and having a consumer -- customer who is interested in that, being able to get very respectable gross margins from them for that socket without the underlying investment in it, and it's great for cash flow.

So when investors think about why you should discount consumer business or the consumer businesses. They're worried about the cyclicality of it, right, the lumpiness of it. And they're worried about the gross margins. Neither of which really apply in our case, right? I already mentioned gross margins are -- our gross margins in the consumer business, I can say, are better than most of our peers for their industrial business.

And as to the lumpiness of it, by having that broad diversified business base, then you really don't see the impacts of the design-ins and design-outs as they occur because it is so diversified.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

And then relative to the Maxim acquisition, the analog engineers are always a scarce asset. And so any time you can pick up good analog engineers, you probably should. The other thing it's done for you is it's put you in an interesting new ZIP code for scale. And one of the things that kind of stood out to me, and shame on me for not recognizing this earlier as I was prepping for the conference, is you're actually now spending more on R&D than Texas Instruments.

Now it's a different R&D to revenue ratio. You're at about 15%, they're at about 10%. But it puts you into an area where you're outspending kind of the biggest guy out there. Is that where you want to be? Is there efficiencies that you can bring that down? Or is this part of growth, Vince being a growth guy?

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Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

Yes. So R&D as a percentage of revenue for the combined organization now. I think I'm comfortable telling you we peaked. So as you continue to see us drive the revenue up, I don't think you're going to see that same level of increase in R&D, right? We are quite confident we'll be able to drive leverage off that R&D.

But for us, the measure of the return on that R&D and why we are comfortable with that R&D spend is it needs to be reflected in the gross margin. And that is the -- that's the contract that I strike with the engineering leaders, right, is that if you are going to spend a level of R&D that is substantially higher than our peer set, then you have to deliver gross margins that are substantially higher than our peer set. The 2 go together because the gross margins are a measure of the value of innovation that you're creating and that creates the cycle for us.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

That's a great answer. What other scale advantages does Maxim give? You're clearly not going to follow the manufacturing strategy of TI. But does it give you some leverage in distribution?

Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

Yes. So it gives us some opportunities in a number of places. We've talked about the synergies that we're chasing. But let me speak at a higher level, a couple of things that are perhaps of interest to investors.

So first, Maxim, from a manufacturing technology standpoint, gives us access to 180-nanometer capacity. ADI today -- legacy ADI does their 180-nanometer at a third-party founder. So with Maxim, we now have the ability to build flex manufacturing where we can move manufacturing internal or external for a node that we didn't -- we were unable to do before.

And as you think about on a go-forward basis, if there are disruptions in the cycle, and volume should adjust accordingly, this adds to the flex capacity that we already have in Ireland and the ability to bring manufacturing back internally when there isn't -- volume allows us to maintain that utilization and hold margins. And as we've said to folks before, today, our trough margins used to be our peak margins. And that's a reflection of the flexibility that we've built in manufacturing.

On the distribution side, we haven't announced it, but I think there have been announcements by some of our partners on the outcome of our selection process here. And we've consolidated distribution down to a small handful of key distributors, still representing about half of our business. And as part of that model, we're getting the advantages of scale with those distribution partners, but we're also getting greater mind share from those distribution partners.

I think that it's a unique place to be when we are the -- frankly, the last large analog company that's using distribution and the need for distribution selling agents to have us in their portfolio as they try to work with customers to kind of sell across their requirements. And I would also add that the overall scale of Maxim allows us to do a lot more efficiently certainly for the back office and for the G&A.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

One of the things you mentioned earlier is because of lack of CapEx at Maxim, while you were going through the merger process, your ability to grow their business sequentially is a little bit hampered. As a result, you've kind of upped your game on CapEx for the coming fiscal year to put it somewhere in the 6% to 8% range, which at least against our revenue number, not yours, would have the CapEx more than doubling year-on-year off of what's a pretty strong growth year this year.

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Help us understand why we shouldn't think about that as being a cyclical problem. You can make the argument that you and many of your peers are above your long-term range for CapEx to rev on, arguably, revenue that's somewhat overstated or could be overstated by inventory, as we discussed earlier and -- one. And then two, on a structural basis, is your capital intensity of your business just going up?

Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

Yes. So our long-term model for CapEx as a percentage of revenue is not changing. We still feel kind of that 4%-ish is the right long-term model. You're going to see an elevated level for the next 2 years, 1 to 2 years really. And that comes from the investments we are making to really catch up on Maxim and to complete some facilitization opportunity that we have for some of our European sites.

What is behind that is adding to our flex capacity. And so I come back to, we're not really building capacity that could put us in a tough situation should the market turn because that flex capacity will get filled, either get filled with new demand or we will bring in demand from third-party foundries to keep the utilization levels up. So what we're building is going to be resilient for whatever the future might be.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

And it's a long duration -- this capacity sits around for a while.

Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

It does. It does. And frankly, for the nodes that we're talking about, investment is not being made. There's a lot of investment that's been talked about into the foundry space by a number of companies, but it's -- the nodes that are important to us, it's a lot more limited.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

ASP increases have been sort of the norm for the industry this year. A lot of that has been to offset inflationary cost pressures at the chip level. I'm kind of curious, relative to going through the M&A process, were you sort of as aggressive as perhaps you could have been on the ASP front? Is there more opportunity in front of you now that you've closed the transaction?

Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

Right. So that's a leading question. I thank you for that. We were not as aggressive on the ASP front by design. It is very -- we were concerned that an act to raise prices while we were in the middle of regulatory approval might be misinterpreted by some of the government authorities as poor behavior and taking advantage of customers, even though we were in a rising cost environment.

So to avoid beginning any conversations that might have led to some misunderstanding, we put a pause on our pricing actions to get us through deal approval. And what we have done since then is we've begun to push prices out that match the cost increases that we've gotten, but we're obviously off from a timing standpoint. So if you look back at the prior fiscal cost increases were ahead of price increases. So we had net headwind for the year. But as we head into FY '22, you'll see the reverse of that, and you'll see pricing tailwind.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

One of the areas of concern early on with the Maxim acquisition when you were trying to get approval was the overlap in BMS on the auto side. That quickly dissipated. I'm wondering if you can spend a little bit of time talking about where you see that opportunity and how quickly you think that opportunity is going to ramp. If you take Linear's assets now plus Maxim's asset, you've got a pretty strong portfolio of IP in that sort of BMS market, which we're projecting could go up fivefold in the next 5 years relative to EV penetration. How do you see that business playing out?

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Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

Yes. One of the pleasant surprises we had when we closed the Maxim deal and finally were able to get the sales -- or the engineering teams together to look at customer accounts is going into the deal, we had a view on how much share we had. We had our own perspective on how much share Maxim had. And we presumed the rest was being held by other parties, and Maxim did the same. And you don't share this data until you're on the other side of regulatory approval.

When we're over the bridge and we're sharing data, we realized that jointly, we have a very, very strong position in BMS. And we underestimated -- we both underestimated how much share the other person had. So there's a lot of daylight between us now and the #2. That sets us up very well as for exactly the reasons that you talked about. First, we're continuing to invest in this technology.

The only guys out there who have the wireless platform, the performance of ADI's BMS is still -- continues to be recognized by our customers as the highest performance, which gives them the most accurate measurement, which allows them to extend the range of their vehicles. And you can see the differences between the range of vehicles -- of high-end vehicles that are using ADI technologies and some of our competitors. It's a striking amount of difference in terms of how far the car can go on a full charge.

And as you go forward, you're exactly right that the trends -- even in a flat SAAR environment, the trends are going to continue to drive towards more EV. We've got this great position going into it. The flexibility of wireless BMS allows engineers at our auto companies, once they have made a straightforward design for a wireless BMS pack, then that can be adapted to different vehicle sizes with much, much less effort.

And actually, General Motors has a TV commercial they run pretty regularly, which shows the same battery pack being used in different car configurations. And they're making the case for us. And that is the benefit is it doesn't matter whether it's sedan, SUV, pickup truck, you design the battery pack once and you get a lot more reuse of that engineering effort.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

And that's about 2x the content for you versus traditional, and the advantage for the auto OEM is just weight reduction.

Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

I've got to check with my public disclosure.

Michael C. Lucarelli - *Analog Devices, Inc. - Senior Director of IR*

Up to 2x. 2x, yes. And I would say the advantage is 2 things is weight because you take out the wires. It's the reliability of it because the wires don't corrode. And as Prashanth said, you design it 1 or 2 times for multiple models. So like for GM's case, they have 3 batteries for 30 models. So it saves them cost savings that way, too. That accrues to us the value as well. So it's a better margin and better content story for us on the wireless side. We love wired as well, and that will continue to grow. But wireless is another avenue for BMS that others don't have.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

And Prashanth, I probably should have put this question a little bit earlier, but I forgot, but I want to go back and talk about the quarter you just reported. I think one of the concerns that was out there in a quarter that was, by all intents purposes, a good quarter was that the upside in the October quarter was all Maxim. The core ADI business did an upside. And that's a little bit odd, given that you guys tend to guide conservatively or at least beat the guidance you give.

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Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

Very straightforward answer on that. So on the ADI side, we, like many companies, were impacted by COVID in Malaysia, and that brought our revenue in line with the guide. Had that not happened, we would have -- the legacy ADI would have been at the high end of the guide.

And Maxim sort of coming in at the high end of -- or higher than expected, I really put -- I put the blame on Mike and the team there. It was a partial quarter for us, 9.5 weeks. We were just sort of getting ourselves into the numbers. And we were unclear how much Maxim activity happens at the end of the quarter. So we erred a little bit conservatively, so we didn't disappoint, and that reflected in the outcome.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

And then you also took the opportunity to be a little bit more conservative on how you classify some of their businesses, right, reclassifying a little bit more into the consumer business?

Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

That's right.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

And I guess my last question, Prashanth, it's the softball. It's just the capital return story, which now that the M&A is behind you is a pretty solid story. You accomplished, I think, $2 billion of the $2.5 billion of the ASR. I think mechanically, the other $500 million gets done this quarter. There's still $2.5 billion behind that. How do we think about sort of the pace of buybacks?

Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

I mean I think -- look at us, we're on track to return probably, I'd say, 11% of our outstanding share count in a 36-month window. So we've got the pedal to the floor on this. And now that we've said we're committing 100% of free cash flow return, either divi or repo, you'll see that continue to accelerate. And as we continue to grow the business over the next couple of years, I expect we'll be going back to the Board of Directors probably before the end of the current year because we're going to run out of authorization pretty soon.

John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

You just reported earnings. You've been in front of investors a lot even before earnings, more so after, is there a question that I should have asked that I didn't? This is always sort of the catch all, because this is as much as a platform for you to guys to try to get your message out there to a broader group. What didn't I ask that I should have?

Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

I think, John, the one element that I want to make sure investors appreciate is a lot of questions, a lot of interest comes in communications, the wireless and 5G story a year or 2 ago. Today, kind of it's the auto story. What doesn't get appreciated enough is just how incredible the industrial business is.

And it is phenomenal margins. It is a long, long tail of small customers who are heavily reliant on us for their design expertise. As a result, they're willing to pay extraordinary margins. We have a great deal of influence in how they do their designs, and it's a steady recurring business that is with incredibly high barriers to entry, and it provides enormous amount of cash flow.

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John William Pitzer - *Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head*

Perfect. With that, we've come to the end of the session here. I would like to thank everyone for joining us. Especially for Prashanth, for Mike, this was a great conversation. Really appreciate it.

Prashanth Mahendra-Rajah - *Analog Devices, Inc. - Senior VP of Finance & CFO*

Thanks, John.

Michael C. Lucarelli - *Analog Devices, Inc. - Senior Director of IR*

Thanks, John.

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