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EDITED TRANSCRIPT

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PRESENTATION

Stacy Aaron Rasgon - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Good afternoon, everyone. Thank you for coming today. I'm Stacy Rasgon. I cover the U.S. semiconductor and semi-cap space here at Bernstein. And it's my honor to introduce our guest, the President and CEO of Analog Devices, Mr. Vincent Roche.

Before I start, I want to mention, if you want to ask a question, then look on the inside cover of your program, there is a QR code. You can scan that. That will take you to our Q&A forum. It's called pigeon hole and you can put your questions in there, and we will leave time for those at the end.

So look, of all the companies I cover Analog Devices is one of the most respected. They've got an extremely high-quality franchise in the analog space, particularly as it relates to signal conversion and processing. Over the last 10 plus years, they've had a rationalization program of their product portfolio and manufacturing footprint. They are one of a few folks to get out of mobile early enough to actually get paid to do it, and increasingly focused their product offerings on high-value applications. That was many years ago, by the way.

But they focused on high-value applications, whatever the end market, they greatly increasing their presence in new markets, Automotive, which is now very big, health care, if they like, they haven't been shy to take advantage of inorganic opportunities to boost the franchise and boost the growth potential. And they're now embarking on a regime of significantly more aggressive capital return. That's great.

I'd say the investment controversy, clearly the near term and we will talk about it. But beyond that, look, there's the company's new long-term model and what Maxim that they purchased to about 1.5 years ago, 2 years ago, added to it the sustainability of the growth profile in a post-COVID world and emerging stories like health care and EV and what those look like. And to answer those and ideally many other questions, it gives me great pleasure to introduce Vince. So thank you so much for being here today.

Vincent T. Roche - *Analog Devices, Inc. - CEO & Chair of the Board of Directors*

Thank you, Stacy. Thank you. Great introduction. Thank you very much.

QUESTIONS AND ANSWERS

Stacy Aaron Rasgon - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

So in this moment, I don't like to harp on the near term. But given you just reported, I do want to harp on it, just a little bit. So, it does sound like the China recovery is taking a little more time than you thought. And that -- correct me if I'm wrong, that seems to be the biggest sort of decremental maybe versus where your near-term expectations had been. And maybe you can just talk a little bit about what are you seeing in China? What changed in your perspective? And what do you see maybe even across your segments within China as well as like comparing and contrast in the rest of the world?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes. So we saw, I guess, at the start of the second quarter, we saw some green shoots. They were short-lived. The freeze came again. So I think, China is in an inventory in digestion phase, is trying to digest the inventories that were built, over the last kind of 2 years. The economy is starting to grow again. So my sense is by the end of the year, we should see some form of growth reappear in the business out there.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Because you're not seeing it yet.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

We're not seeing it yet.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Okay.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

We're not seeing it yet. As we've talked about last week at our earnings call. But again, every economy is absorbing more and more semiconductors. They're getting closer to us. They're in every facet of our lives, every facet of the economy. And China is no different there. So we play a high-performance game in China, and we still see a lot of upside for the company in the years ahead.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Got it. Were there any specific end markets in China that were weaker than you thought? Or was it all in industrial or like...

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

No, I think it was everywhere. Consumer was particularly weak. Automotive was weaker than we expected, and communications has been muted now for quite a while. So, it was across the board, right?

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Got it. With auto, was it EV versus non-EV? Or was it again sort of universal?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

It was across the board.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Okay. What about outside of China?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

So I'd say that the -- geographically, the 2 strongest regions that we reported in our second quarter there last week were Europe and America. Pretty much everything with the exception of consumer in both places. Communications is still, I think, has kind of reached its bottom or finding its bottom, but again, industrial and Automotive were particularly strong in both of those regions and right across the globe actually.

So, I think from a sector perspective, if you look at market sectors, the areas where I think there is an inventory digestion issue, it would be cloud and probably Tier 1s in Automotive.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

So, do you think they're digesting in..

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

I think so. I think so.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Okay. What are your thoughts -- again, I'm going to go off script a little bit, but like...

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

You always do.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

I've been somewhat concerned about the apparent discrepancy between auto semi shipments and auto SAAR. And I know there's a lot of explanations. It's content and it's EVs and it's maybe it's inventories and everything else. But I mean, it's pretty massive. And the math, at least to me, suggests like sort of like the non-EV power piece of this, content, at least on a headline basis, had to have doubled or more over the last 18 to 24 months, and some of it looks pricing. Am I right to be worried about that number, I guess, is what I'm asking. And again, I get the China dynamics, but even outside of China, it looks like for most players, auto still seems reasonably robust so.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

I think it is. Look, we believe that if SAAR is flat for the future, for the foreseeable future that we will still grow 10% a year, it's content. It's the EV sector is in the very early stages of adoption of the technology. We are selling more and more products into the bus structures, for example, for safety systems for media and our power management, we have the only Automotive functional safety capable power portfolio. So we see irrespective of what SAAR does, we see a strong potential growth on the content level.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Okay. SAAR is down, right, from pre-COVID is down 20% or whatever, and your auto revenues are up. How much?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

We're up over that period of time. Last year, over 20%. The year before that, probably 20% as well. So yes. Yes. Good memory.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Got it. So okay. So Tier 1s, I guess outside of China cloud digestion.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Yes. Okay. Now your own inventories are still pretty lean in the channel. You're running well, but I think you said well below 7. What your target 7, 8 weeks, and you're running below that, and below that.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Okay. I guess is there room -- like could you ship more, if you wanted? I've got some companies that I cover that clearly could ship more and maybe -- may start to ship more. It sounds like you're trying to keep that as constrained as possible.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Well, we run the company. We -- the signal we look for to run our factories is POS. So it's sell-through, not what we sell into the channel.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

(inaudible) port sell-through back in the day, as I seem to recall.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

We still do. let's say, we still run the company on POS. We do talk about POS, but we report on POA. We report on POA. But I think we're sitting -- we've kept a high level of inventory in our balance sheet because we're in a transition phase between what was a very supply-constrained environment to a more demand-constrained environment. So, we want to control the inventory and where the inventory moves, at least for the foreseeable future. So we're prepared to keep more inventory on our balance sheet and keep our distributors at a lower level.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

I guess, what you ship it to the disti you lose control over where and how it goes.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes, exactly.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Are you just keeping this in die bank or..

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Primarily die bank. Yes. The long pole in the tent and the semiconductor manufacturing cycle is the silicon making process, as you know yourself. That can take anywhere between kind of 10 weeks to 2 quarters and then the back-end operations are much shorter.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Got it. Okay. That's probably enough on the near term.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Thank you.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Let's move on to a little bit. So, I'm kind of interested in -- and maybe it's a good segue into your manufacturing strategy. You're talking about the long pole in the tent. You guys are a hybrid model. You do some in-source and some outsource. And I think it was 40-60 in-source outsource and maybe going the other way, over the next like couple of years, you're building out a little more right now.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Maybe talk a little bit about your -- the capital intensity targets. Where those are going and where they are? And then, I want to talk a little more about this kind of like hybrid or fungible model. Like you're one of the few companies, I know that actually can actively move volume back and forth between foundry and in-house so.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes. So we run a hybrid model. We need process recipes for making our silicon that sit between 7 nanometers and 7,000 nanometers, okay?

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

7 microns.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

So 7 microns. That was probably -- that's 1970s technology.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

You used to show that chart, by the way, with your revenues.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

The vintage chart.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

The vintage chart. There's always a line at the bottom about 10% of revenues it was about 30 years old.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

That's right. We have products in the portfolio that are 45 years old. Believe it or not. They are lithography insensitive. But we need a lot of process recipes. We have been investing. We've raised our capital, our CapEx spend over the last couple of years to enable us to build more of the, let's say, typically the industrial center products with very, very long life cycles to build them inside the company. So at 180 nanometers and above, in our fabs on the West Coast of the U.S. as well as Ireland, we have capital. We spent about \$1.5 billion, \$1.6 billion to enable us by the end of '24 to have doubled the output of those of 180 nanometers and above 85% plus of ADI's revenue today is on those nodes, 180 nanometers and above, okay? But we still use external sources. We were very, very fortunate that have good partners with us during the pandemic, the supply crunch to help us get the supply that we needed.

And then, at 90 nanometers and below, all of that today is outsourced. So -- and it will be for the foreseeable future. So what we've built inside ADI or 200-millimeter wafer scale [180] nanometers and above, everything else is outside. And we believe that that's the right thing for ADI to do. As I said, we've even got process technologies now that are at 7 nanometers, where we have a lot of digital content and probably a lot of high-speed RF content as well.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Okay. But you have talked about this ability to sort of bring some volume back and forth between the outsource. How does that work?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Well, when demand is very, very strong and we run out of capacity internally, we raised the demand on our external partners. When the demand declines. We try to run our own factories to the fullest extent that we can. We obviously still keep partnerships. But that's how we get resiliency as well on the cost structure and the gross margins.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

So I understand that you're using the foundries like as a volatility sink in some sense, right? That's right at size your..

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

For smoothing or certainly internal..

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

I guess like, how do you actually do that? So you're running the same processes as the foundries are running inside your fabs? And I guess how much of your volume or how much of your revenue was actually fungible to that degree?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Well, it will be with the new capacity that we have, we'll be capable of probably doing 65% to 70% ourselves, okay, versus 50% in the past.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

I guess, what I'm asking is, of all of your products, how much of your revenues could theoretically be made in either in-source or outsource?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

I mean, today, 85% at 180 nanometers and above. So we could probably -- we could probably make the lion's share of that outside if we chose to.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Okay. Yes. Got it. And so you've actually talked about even in a fairly significant downside scenario. You still think you can keep gross margins above 70. Most semiconductor companies would be jumping up and down for joy, if they had gross margins, they were close to that. So.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

No, I think when you look on trailing 12, there may be a quarter or 2 depending on how the economy fares, over the next several quarters.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

It was a TTM statement, right?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

It's a TTM statement. So we think in the aggregate, we can keep our operating profits at above 40 and keep our gross margins above 70.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Got it. That makes sense. I guess, given that -- given where margins are, would you say it's -- and I guess, maybe this falls out of your Analyst Day targets, but is it fair to say that growth is by necessity a much bigger strategic imperative for ADI, maybe even for the entire analog industry going forward than it was in the past. Because I mean, I remember when you had peak margins that were in like the upper 50s maybe -- and then you did some manufacturing rationalization, you closed fabs I guess in Santa Clara and Limerick and Cambridge. You had that mobile business, you got out of, you had the CPU voltage stuff that was.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Good memory. Waving PC Audio, PC (inaudible).

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

And so I mean, if you're talking even trough margins now, there could be [70]. I have a hard time -- maybe I'm having a hard time gross margins going [80]? So that sort of implies with the growth is important. And frankly, it seems like at the Analyst Day that was the message, it was growth. Do I have an accurate read on that?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

No, that's exactly right. We have instructed the business teams inside ADI. You're all the time trading off growth and profit. You have to figure out where to put the fulcrum at different times in different spaces. But the instruction is, that if we need to trade gross margin, if we need to trade a point of gross margin to get a point of growth, go for the growth because that pays forward for many, many years to come. The product portfolio that we have, as you know, Stacy, we have -- we've got 125,000 customers, 75,000 product SKUs through decade product life cycles measured in the decades. So, where we make the trade-offs will be in areas where the growth will persist for a long time to come.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Yes. And to be clear, when the growth is there, there's opportunities to bring those margins up. And I think we've seen some of that like with Linear, I mean, so there was a theory with Linear. So Linear was a very high-quality analog company that they bought in 2015?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

'17, we closed '17.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

'17.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

'17. And Linear the highest gross margins of anybody in the space. I mean, they were mid to even upper [70s] sometimes. And -- they issued Linear was they didn't grow. I mean like sometimes it grew and when it did the stock worked and sometimes the most time it didn't, and then the stock going to work that well. But you know what you were getting, (inaudible) there was this thesis when you bought them was we could take business that Linear would conceivably reject because it didn't meet their margin targets, right? But will be perfectly acceptable to us, and we can grow, and that was part of the revenue. So, even with that, I mean, I would argue that the gross margins now for the entire company are not that different from where Linear was running as a company and you have gotten growth.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

That's right.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

So what have you done, I guess, around -- and we'll talk about Maxim in the middle, right? But let's talk what have you done around Linear in terms of driving the portfolio and driving growth? And also, I guess maybe driving efficiency there to get those margins back.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Well, some of it is purely investing in R&D. For example, ADI got into the electric vehicle battery management system through OTC. So what we have today..

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

(inaudible). I don't when you think you bought that in number?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Very, very extraordinarily good memory you have. Yes. But that is a very vibrant brand of ADI's automotive story, power management. We've been able to reduce costs. We've been able to increase margins. But having the channel to market that ADI had with the business ethos about growth, the commercial logic changed, and we just got the opportunity as well to cross-sell the LT power portfolio, in particular, with ADI's mixed signal and analog portfolio. So with a much more expensive go-to-market model. So that was -- I mean, that was essentially how we did it. That was the synergy.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

And I guess that was me, you were trying to build a power portfolio for 20 years before that? It's hard in analog -- it's a very nice thing to share doesn't move around very much.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

We don't do well coming from behind. We started that power business too late. We don't do well. We like to be out front lasing the trail creating the market.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

So let's talk about Maxim then. So the timing of that, when I remember like maybe scratch your head, it was right in 2020, when it was announced. And it looks like, like what's your rationale. I'd say in hindsight, the timing was pretty damn good. Maybe talk again through the rationale behind that Maxim acquisition. What it brought to the table that ADI did not have? And now, it's been 1.5 years, 2 years now. Yes, like how is it progressing? And how far along are -- I think on the cost side, we're mostly.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Cost side, we're pretty much done. I think we've been able to get more cost synergy than we had declared originally. So now, we're working very much on the revenue synergy. So what was the rationale? Okay? Well, there are two reasons you acquire. One is, in our case, anyway, scope of offering and scale. So Maxim brought both of those in different measures. On the scope side of things, we were able to fill out the parts of the power portfolio that LTC didn't really focus on. LTE was largely a catalog power franchise. Maxim was more application-driven and with very, very different cost structures to enable us to compete. Further down, the opportunity permit, if you like. We got a lot of new automotive technology. GMSL, for example, that bus structure that sits between the CPU and the safety sensors. And we also got some very, very interesting new technology platforms.

We've got a 90-nanometer technology platform that enables us to do many, many new things in many, many areas. It's a BCD process. So Maxim brought technology, product portfolio, a more expensive product portfolio that was to be more competitive in the power area. And again, ADI, I think, is still underweight in the power market. If you look at our \$12 billion revenue power is only \$3.5 billion of them. So there's still a long way to go in terms of cross connecting and cross selling the power to the rest of the franchise. Yes.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Got it. How do you think your market share position has been playing out as well? Because I'd be like to talk about analog markets being pretty sticky and pretty stable. If you're looking for growth. And to me, it feels like you're looking for above-market levels of growth, which applies share gains. So like, I guess why are customers deciding to go to ADI versus like a TI or something else like how do those share gains develop?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Well, if you compare ADI to TI, we're the same -- we play in the same space, but we play the game very differently. ADI is at our core, we are innovation centered. We care about shaping markets, bringing new technologies and improving the cutting. What is the cutting edge continuously. That's our game. I think how we address customers as well as quite different. We're inclined to take a very long-term view. We're inclined to partner on technology over the long term. And it's in the public domain. We've been gaining share in pretty much all the segments that we focus on, over the last 4 or 5 years. And I think some of it is just the portfolio has got us bigger. It's more meaningful to our customers. And we just conduct ourselves in a way that is more collaborative with our customers.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

How much is pricing added to the trajectory over the last couple of years. And you've been on the regulation of talking about is believing we're in sort of a -- how do you put a permanently inflationary environment. What is ADI doing to ensure that, that pricing can keep coming through. And that in case it turns out that we're not in a permanent inflection environment.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Well, look, I think over the last couple of years, we got half of our growth was from pricing, basically repricing our products to the level of inflation that incurred in our cost of goods. But generally speaking, if you -- that aside, we're adding more ASP value to our portfolio every year. We're doing that through innovation, okay? So the rate of increase in pricing is very, very notable.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Can you give an example?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes. So we have -- if you take, for example, our 5G transceiver technologies, okay, compared to 4G. The problem is much more difficult to solve. And we got a lot more ASP when we're solving the problem. We also are able to add some software value to the products that gives us a little more ASP again. So everything we're bringing to market has more value for which we are better able to capture. So new products in particular, we're increasing the ASPs. We're holding our gains on the portfolio, whereas 7 or 8 years ago, every year, we would face probably a 5% (inaudible) through price concession compared to the prior year's revenue. Those days are finished. So that's very, very stable now. So that's the portfolio. Stability as well as adding new value for which we're capturing better on particularly our new products. That's -- that enables us to get more share and grow the company in a more sustainable way.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

So cost inflation starts to go the other way, though, do you need to give back the purely cost adders that you got on the way up? And I guess if that's the case, does it -- do you think you have enough of the value add to sort of backfill and maybe more than backfilling?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

I mean, first off, Stacy, we're -- analog technologies are never the long pole in the tent, customers don't necessarily focus on squeezing the last center of our products.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

What's your average ASP actually. I never asked you that question before?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Well, let's say this, it's 3x the industry average, and it's about 4x more than our closest competitor.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Okay. So TI said earlier today, it was like \$0.40.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

So there you go. So that's it. Yes. So that's -- I mean, that's what we're doing. And I think if pricing goes the other way, our cost go the other way, I don't foresee we'll be giving back the prices.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Okay. Okay. Okay. Let's talk about the end markets a little bit. Maybe we start with auto. And so auto -- I remember when I started covering you guys, like you actually had auto inside your industrial business. It was still small, and it's no longer smaller. Is that, if I can remember, 20% or 25% of revenue now?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

I think it's 22% of revenue now.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Yes. How much of that is EV? And maybe even broader, is the EV opportunity that you have like solely within that battery management system? Or is it broader than that?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Well, battery is -- let's see, it's probably -- it's probably less than 20% -- probably less than 20% now of the of the auto business. We have thousands of parts that we sell to every automotive customer. So it's highly diversified. So the in-cabin is probably in-cabin electronics, probably half. The rest is electrification and power.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

So what are the new applications that let you grow like 10 points above SAAR?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

In-cabin electronics. We play in kind of mid high-end systems. So, we do everything from the core audio and media processing to transporting that along our A2B bus, road noise cancellation is becoming a key feature as well now in cars. So those things will enable us to, I think, over a sustainable period of time to grow 10% plus, we have a growth expectation in the automotive business to be able to grow kind of low double digits, kind of 12%, 13%.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Maybe this is a good opportunity to remind folks what your -- at least your Analyst Day targets were for growth by segment. I can't remember, see we have Lucarelli here.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Okay. Industrial areas. He's there. So I think Mike will correct me. But industrial, so we reset the expectation from 4% to 5% to kind of 8% to 10%. We said industrial, we thought would be kind of 7%, 8%. Automotive low double digits. Consumer in the kind of 7%. What am I missing? My Communications 10%, I think we said, right? So there you go.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Got it. I guess, Communications might be a little more cyclical than some of the others in consumer -- we're -- it's clearly an inventory situation going on consumer.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes. But we think consumer will in the second half of the year will recover. And it's a very different business for us these days as well, compared to where we were 5 years ago.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

It's not Apple anymore, right? I mean I remember the...

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

It's that plus, plus, plus. Yes. So it's highly diversified within each customer. We have lots of products, lots of applications. And we've more focused, we've put more focus into.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Got it. Let's talk about industrial. So what are the -- again, industrial, I mean, it can be like hundreds of end markets and thousands of products and tens of thousands as what are the broad sort of like segments within industrial where you guys play?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

So number one would be factory automation. So that's everything from robotics and anything that sits between the factory operating system at the edge, right up to the information technology interface. So that's one piece. Aerospace and defense, that's another key piece of it. Instrumentation, everything from very, very dense automatic test equipment for testing semiconductors, systems, TVs and so on and so forth.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

How is that ATE business doing right now, by the way?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Better than a bit, you think.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Okay. I remember another downturn like went to 0, right?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes. You know what's interesting in that business now. There are many, many secular tailwinds in that sector. Now when you think, for example, about the new computing systems. AGI driven computing, that requires an enormous amount of -- I think, I've lost my microphone here. That has a requirement of enormous amounts of instrumentation, automatic test instrumentation, computing power.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Do you guys do here Vince? Put it up to your collar.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

How is that? Sorry about that. Yes. So look, there are sectors of the electronics industry that require just tremendous amounts of computing power and sensing power in these instrumentation systems. When you think as well of all the discoveries that are going on in health care right? All the

new therapies, drug discovery. All of that uses, lots and lots of scientific equipment as well, which we participate in. So again, the portfolio is very balanced. We use and think that way before, but I think this instrumentation for ADI is electronic bench equipment as well as scientific equipment for discovery and diagnostics.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

So it's no longer just like semiconductor test equipment in your (inaudible) .

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Exactly. Exactly.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

So do you count that as industrial like as automated test or do you count that as healthcare because I want to ask about health care.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Well, health care is now getting on for \$1 billion within the ADI portfolio. When we report our industrial numbers, we include health care in that.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

At some point, you split it out or (inaudible).

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

That's inevitable. We will split out health care. It's highly profitable, highly diversified. I talked last week during the earnings call about different facets of health care, one of them being automation, robotics. I think, Mike is bringing a recovery microphone. Is that right?

Unidentified Company Representative

Yes.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

No, it doesn't work.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Can you guys turn the. There you go.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Thank you. Thank you.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

We persevere.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Hopefully. No echo on this one. Yes. So we would include the automation of health care in the healthcare segment, even though it's a robotics application because it's in the hospital environment. And I think more and more, what you'll see is the lab will move into the operating theater as well. So there will be a lot of real-time diagnostics done to age the pain care, the operating routines and so on and so forth.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

How has health care been growing sort of relative to the broader industrial segment? In dollars now.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes. So we -- when we started really putting focus on this health care business, about a decade ago, it was sub-\$100 million. So it's been growing about double digits for the last -- this will be the 8th year of double-digit growth. So it's been very, very strong. Everything from clinical grade vital signs monitoring in the hospital, now moving into the home in the clinic, automation we've talked about. And of course, x-ray and ultrasound these systems are becoming very, very challenging to develop technologies for. We know, for example, in the x-ray system. We are producing these compound monolithic system subsystems that reduce the size and so their photonics to digital conversion systems. And they dramatically reduced the size of the interface between the [scintillators] and where the data is processed. Take 5% of the energy to produce the image the equivalent image in the old systems. So there's a tremendous amount of value in the technologies that we're developing.

And we're now also -- we've brought on echo to bits ultrasound system. We've brought a solution to market that's at the very, very early stages. So basically, in something handheld, you can produce really, really high-quality images anywhere in the clinic are way, way outside the hospital environment.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Got it. So you said your long-term growth target for comm was 10%.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Why is that higher than your long-term growth target for industrial? Which, I think lets say, I thought it was high single digits.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes. It's high 7%, 8%. It's a market that has at least historically moved more slowly. It's the markets distributed over tens of thousands of customers, hundreds of applications. It's just harder to read it. It's easier for us to say in the communications market, it's these 10 customers in this cluster, these 10 customers in that cluster. So the dynamics are different. I think the adoption of technology into the system is a shorter cycle than industrial.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

So where are we in that comm cycle now? Like what -- I guess, what drives that 10% growth wireless versus wired?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes. So the portfolio is roughly split half wireless, half wire today. Wired is really about cloud. It's about the data center, for example, largely optical in its focus to optical communications. Our wireless business is communications infrastructure, 5G or run and then there are many variants coming on 5G as well. There's 5G.MIL, for example, coming. So where are we I think, as I said earlier, the data centers, the cloud activities are digesting a lot of inventory. So I think that will take probably a couple of quarters to come back.

Wireless infrastructure in Asia, I think, is in reasonable shape, particularly India. America has been slower than we expected, and Europe has been also below our expectations. But I think '24, we should see another CapEx cycle that will boost that business in the Western world.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Got it. Maybe the data center comments is a good segue to sort of perennial at least at this conference, the AI question. So like what is ADI's AI story, besides the fact that it has ANI in the ticker?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Very well know. Yes, we're ahead of ourselves. So look, we have more and more of our products these days are using software, using more algorithmic technology. We have a significant number of software engineers with over 1,000 software engineers at ADI. We're now bringing products to market that not only have kind of Linear algorithm routines, but we're also now putting machine learning, neural networking and more and more of our products. In the products around the products and even in the customer engagement.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

How does that work? Can you give me an example of what does it looks like.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes. So if you take, for example, power management, you've got very, very complex solutions. We're multiple rails and you've got to keep the loops very stable and predictable these power loops. We're using machine learning to keep the loop stable and to provide more accuracy. So the hardware gets you so far, the machine learning technologies help us tune the loops with more accuracy.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

So is it like a processor that's sitting there together with it that controls it?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Exactly.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

(inaudible) something there. Everybody forgets you have a digital business too.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

We do. We do. Yes, we do actually -- we have about -- our digital business, we use digital basically in everything that we do now, but our stand-alone digital business generates about \$0.5 billion of revenue.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Okay.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Used to report, I think, by product, you had DSPs.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

We use the data converter DSPs, but we figure is more meaningful to report now by market. So you don't hear about the technologies as much anymore. Yes. Yes.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Got it. Got it. I want to ask some broader strategic question. So you're one of the -- you've been a consolidator in the space and your larger competitor did that in the past and hasn't done that in quite a while. And they always get the question. Do you think it was a mistake to sit it out. And you always get the question, "Oh, do you think you paid too much money for these assets. I'd argue that I mean both approaches have their merits and I'm not going to argue that the acquisitions that you've done haven't worked out well. I think, they've worked out quite well. There does seem to be a pivot now. It sounds like you're sort of -- you've been fairly directly communicating that we're done with large-scale M&A, and we're going to focus now on cash return.

You've got leverage targets, which I think you're running quite a bit below those leverage targets right now. And return 100% of free cash flow. I guess, what's driving that decision? Is the portfolio where it needs to be? Or are there just no more assets to consolidate? Or why this what?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Well, I'd say, first and foremost, we have the full breadth of technology that we need on the analog side. We're very happy. I'm thrilled with the acquisitions that we've done and what they've been able to bring to ADI. And by the way, we're still in the relatively early stages of integrating Maxim. So that's job #1 make sure that we fully integrate Maxim and that we get -- we've gotten the cost synergies. We want to make sure we've got the revenue synergies.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

So what were the targets for the revenue synergies, again?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

We said \$1 billion, \$1 billion or, I think, by 2027. And I think we're well on track to be able to do that.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Okay.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

So we're all the time looking at smaller acquisitions that took in they tend to be very application-specific. They tend to be more system savvy and software savvy, more so than hardware. And we're doubling down on our digital investments inside the company to make sure that we can provide the full suite of digital technologies to meet our customers and their software application layer by the end of the decade, which I think is going to be important, particularly in an era of natural language processing capabilities.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Got it. We've got about 10 minutes left. I actually have quite a few questions here from the audience, actually feel like going to the lightning round.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Let's do it. You're going to do it anyways.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

I'm going to do it anyways, but I'll make you feel good about. China lagging edge investment. How do you think about long-term competitive dynamics given regionalization? And I would even broaden that out, like maybe, if you could talk a little bit just about broader competition in China. Get this all the time. And especially now, I think what this question is getting at, because China's ability to build out a leading edge ecosystem is pretty much stymied, that they're going to have to double and triple down presumably on loan lagging edge. What's your broad view of like China competition and what they're doing.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Well, look, we have we have a very vibrant business in China. What I can tell you is that the engagements with our customers are still very, very robust. We're still designing in across the spectrum of industrial automotive applications. Communications was obviously, where we had because of the geopolitical tensions, that changed the trajectory of that business. But I think overall, as long as there is a market in China for high-performance semiconductors -- high-performance analog semiconductors, there's a market for ADI.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Are there any local Chinese competitors that you would argue could supply some of those high-performance semiconductors? Like how many Chinese like competitors do you guys watch?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

I mean, if you're a competitor, where do you start? First off, you've got to be able to match us on performance, okay? We have 125,000 customers, 75,000 product SKUs. We're investing \$1.7 billion a year in R&D, to keep us ahead. So, I don't foresee direct competition from the start of the community in China. Does it mean that certain parts of our portfolio could over time be converted, sure. But my sense is as long as we keep innovating, stay close to our customers, keep playing on the cutting edge, there's a market for ADI.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

I'll even broaden the question beyond China. So we talked about the between you and TI. And it does seem like you're sort of playing in different tiers. Where do you see like the biggest competition in more -- how would I call it the value-add analog industry maybe, in the same kind of areas and value-add that you guys are doing like who's -- who do you guys compete against the most?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Well, it's clearly TI. TI is a very, very able competitor. But as I said, we play different games. But we see each other a lot, at the whole spectrum of customers across the globe. Beyond that, maybe in some of the communications areas, we might see broad come a bit. But when it comes to -- we are very much heavy analog play. They're more of a digital play. So I think we see some specialty players in different areas. But TI on a scale level is our biggest competitor.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Was the issue with Xilinx still going on was around ORAN or was that settled?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

You mean the to suit? That's done.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

That's all done.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

We came to a good agreement.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Okay. Do you have an innovation measure, like revenue from products introduced in the last 3 years or something like that.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

I mean, externally, we report revenue from products released in the last 10 years. Obviously, we look at -- the figure of merit for us is gross margin, gross margin over R&D within different time windows. We look because gross margin is the proxy for innovation value. So you can look at revenue,

you can look at gross margin. Over (inaudible) R&Ds what you're spending to get it. So that's the primary figure of merit inside ADI for R&D effectiveness.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

That's an interesting. Is that how you -- do you use that metric when you're determining what to invest in? Is that like what the process looks like?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Well, we tend to look at the market opportunity, the customers, the -- how we perceive customers will value the technology that we're building. So now we tend to -- we always believe that if the innovation is good enough, the margins follow.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Got it. Given your increase in CapEx and subsequent increase in internal production, how might that change your margins in the short term and over the long term?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Well, our CapEx was elevated last year. It's elevated this year. And then next year, we get back to a more normalized kind of 5%. So, we're running 7%, 8% right now, but that's the end of the big spending if you like, on CapEx. So with all that said, even with a downturn here and that spend, we'll be producing gross margins at the 70-plus level.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Got it.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

And what was the other part of that question, Stacy?

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

What was the other. No, short term and long term, I think you answered it.

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Do you have any trailing edge products that could be replicated in China, as a response to the export ban on bleeding edge equipment? And I guess there's probably also a hidden question there. China, like coming down on Micron, for example, any concerns there?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes. I mean, it's possible. But the things we're doing, first off 80% of ADI's revenue is contributed by thousands of products that contribute less than 0.1% of the overall revenue. Where do you start if you're going to compete with that portfolio. Sure, it's possible. But in the world of analog, you need to be precise. It's very much a precision industry, high performance. So on the trailing edge, I don't think so. I think, if anything, it might be the leading edge, but I don't foresee that.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Got it. How do we think about spending requirements going forward? Is wage inflation an issue?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Well, it has been. I mean, over the last couple of years. But we're -- the labor market has changed very much. When we look at the statistics, the -- I would say, we're getting back to a more normalized balance in attrition and hiring -- but interest rates are to tech curve of inflation, over the next couple of years. And I think, we'll get back to a more normalized I would say wages have been inflated for the next couple of years, the rate of change every year, but I think that will normalize in the next year or 2 years.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Got it. It's not on here, but I'm going to ask it. CHIPS Act. How is ADI benefiting from the CHIPS Act? What are your broad thoughts on the subsidization and regionalization of semiconductor manufacturing?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Yes. So resiliency, I think, is upfront and center for every semi company, including us, okay? We want options for our silicon. I mean, that's one of the reasons we invested internally as well to get more optionality on our own manufacturing. We want to make sure that we have the ability to acquire 1 to 2 new units to procure whatever products we need in areas that are acceptable to our U.S. Asian and European customers. So -- we have -- we announced a large expansion of our fab in Ireland, 2 weeks ago. That qualifies for European chipset funding. And our expansions here on the West Coast, they're the most expensive of all the investments we've made that also qualifies for U.S. chipset funding.

So we're going through that process right now. And we're also -- we've got R&D activities that qualify. We're part of the Northeast consortium that's working on a lot of advanced technologies with some of our peers, research institutes and so on. So there are many facets to CHIPS Act in America and Europe, and we're benefiting both on the R&D side as well as the manufacturing side in both areas.

Stacy Aaron Rasgon - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

Got it. So Vince, we're coming up at the end of our time. We got a lender 2 minutes left. I will give you (inaudible). Why should always investors buy your stock?

Vincent T. Roche - Analog Devices, Inc. - CEO & Chair of the Board of Directors

Well, first off, I think very, very tactically, we are trading below the S&P average right now. So it's -- I think it's a buying opportunity. But also, when you think about the semiconductors are the better rock of the modern economy, modern life, modern economy, we play a critical role there. But ADI fundamentally, you can talk all you want about AI computing and so on and so forth. But you've got to feed those beasts with useful data. And ADI is where the data is born. We pick the most important sources of data in the world of physics, biology and chemistry, that's our game. So -- and that game will persist for many, many, many decades to come. So it's a very resilient franchise. Obviously, we've got tremendous life cycles in the

portfolio. We have a lot of optionality built in as well to the business model because we cover many, many different applications, with these -- the variety of different life cycles.

And I think it's -- the growth prospects for the industry in general, are very strong. It took semiconductor, the semiconductor industry from kind of 2000 to 2020 to double its size, we could double that size in the next 10 years. And I think ADI will play a large role in that.

Stacy Aaron Rasgon - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Got it. I think that is going to be a place to leave off as any. So Vince, thank you so much. I really appreciate it.

Ross Clark Seymore - *Deutsche Bank AG, Research Division - MD*

Thank you, Stacy.

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