



Analog Devices Announces Financial Results For The Fourth Quarter And Fiscal Year 2010

- 4Q10 revenue increased 7% sequentially to \$770 million
- 4Q10 diluted EPS increased 12% sequentially to \$0.73
- 4Q10 gross margin was 67.0% of revenue
- 4Q10 operating margin was 37.1% of revenue
- FY10 revenue increased 37% from the prior year to \$2.8 billion
- FY10 diluted EPS increased nearly three-fold from the prior year to \$2.33
- Board of Directors declared a quarterly dividend of \$0.22 per share
- Board of Directors authorized the repurchase of an additional \$1 billion of common stock
- Financial results and 1Q11 outlook will be discussed via conference call today at 5:00 pm

Norwood, MA (11/22/2010) - Analog Devices, Inc. (NYSE: [ADI](#)), a global leader in high-performance semiconductors for signal processing applications, today announced financial results for its fiscal fourth quarter and fiscal year ended October 30, 2010.

"The fourth quarter culminated a very strong year for ADI in which we achieved record revenue, profitability, and cash flow. For fiscal year 2010, revenue increased 37% and earnings nearly tripled," said Jerald G. Fishman, President and CEO. "Our results reflect the benefits of a stronger market and our concerted efforts over the past few years to refocus our investments on those products and markets where ADI innovations add substantial and sustainable value, fundamentally improve our cost structure, and better align our organization with our customers and end markets."

Results for the Fourth Quarter of Fiscal 2010

- **Revenue** was \$770 million, an increase of 7% from the immediately prior quarter and an increase of 35% from the same period one year ago. For more information regarding revenue by end market and product type for the fourth quarter of fiscal 2010, please see Schedules D and E of this document. In addition, a more complete table covering prior periods is available on the Analog Devices Investor Relations website at: investor.analog.com.
- **Gross margin** was 67.0% of revenue, compared to 66.7% of revenue in the immediately prior quarter, and 56.3% of revenue in the same period one year ago.
- **Operating expenses** were \$230 million, compared to \$229 million in the immediately prior quarter, and \$193 million in the same period one year ago.
- **Operating income** was \$286 million, or 37.1% of revenue, compared to \$251 million, or 34.9% of revenue, in the immediately prior quarter, and \$128 million, or 22.5% of revenue, in the same period one year ago.
- **Diluted earnings per share (EPS)** was \$0.73, compared to \$0.65 in the immediately prior quarter, and \$0.36 in the same period one year ago.
- **The Board of Directors declared a cash dividend** of \$0.22 per outstanding share of common stock, which will be paid on December 22, 2010 to all shareholders of record at the close of business on December 3, 2010.
- **The Board of Directors authorized the repurchase** of an additional \$1 billion of common stock under ADI's existing share repurchase program.
- **Net cash provided by operating activities** was \$274 million, or 36% of revenue. Capital expenditures were \$38 million, and cash dividends of \$66 million were paid during the fourth quarter of fiscal 2010.
- **Cash and short-term investments** at the end of the fourth quarter of fiscal 2010 totaled \$2.7 billion, compared to \$2.5 billion at the end of the immediately prior quarter.
- **Accounts receivable** in the fourth quarter of fiscal 2010, as measured by days sales outstanding, was 46 days, compared to 45 days at the end of the immediately prior quarter.

- **Inventory** at the end of the fourth quarter of fiscal 2010 increased by \$12 million, or 5%, compared to the immediately prior quarter. Days in inventory decreased to 100 days at the end of the fourth quarter of fiscal 2010 from 101 days at the end of the immediately prior quarter.

Results for Fiscal Year 2010

- **Revenue** was \$2.8 billion, an increase of 37% from \$2 billion recorded in fiscal year 2009. For more information regarding the breakout of revenue by end market and product type for fiscal 2010, please see Schedules D and E of this document. In addition, a more complete table covering prior periods is available on the Analog Devices Investor Relations website at: investor.analog.com.
- **Gross margin** was 65.2% of revenue, compared to 55.5% of revenue in fiscal 2009. The year-over-year increase in gross margin was primarily attributable to strong sales growth, lower manufacturing costs, and increased factory utilization.
- **Operating expenses** totaled \$899 million, compared to \$834 million in fiscal 2009. Excluding one-time items, non-GAAP operating expenses totaled \$883 million, compared to \$780 million in fiscal 2009. The table reconciling non-GAAP data to the Company's GAAP results is provided in this release on Schedule F. A more complete table covering reconciliations for prior periods is available on the Analog Devices Investor Relations website at investor.analog.com.
- **Operating income from continuing operations** was \$900 million, or 32.6% of revenue, compared to \$285 million, or 14.1% of revenue, in fiscal 2009. Excluding one-time items, non-GAAP operating income from continuing operations was \$917 million, or 33.2% of revenue, in fiscal 2010, compared to \$338 million, or 16.8% of revenue, in fiscal 2009.
- **Diluted EPS from continuing operations** was \$2.33, compared to \$0.85 in fiscal 2009. Excluding one-time items, non-GAAP diluted EPS from continuing operations in fiscal 2010 was \$2.37, compared to \$0.97 in fiscal 2009.
- **Net cash provided by operating activities** was \$991 million, or 36% of revenue. Capital expenditures were \$112 million, and cash dividends of \$250 million were paid during fiscal year 2010.
- **Cash and short-term investments** at the end of fiscal 2010 totaled \$2.7 billion, compared to \$1.8 billion at the end of fiscal 2009.

Outlook for the First Quarter of Fiscal 2011

The following statements are based on current expectations. These statements are forward- looking and actual results may differ materially, including as a result of the important factors discussed at the end of this release. These statements supersede all prior statements regarding business outlook set forth in prior ADI news releases.

Regarding the outlook for the first quarter of fiscal 2011, Mr. Fishman stated, "Our book-to-bill ratio for the fourth quarter, as measured by end customer bookings, was below one as customers began to lower their inventories in response to shortened industry lead-times. During the fourth quarter, order patterns at ADI weakened in late August and September, but substantially recovered in October. Overall, customer feedback indicates that end demand remains strong in most end markets. In this environment, we would expect to operate with less backlog and higher turns during the first quarter. We are planning for first quarter revenue to be in the range of \$715 million to \$740 million, down 4% to 7% sequentially, and up 19% to 23% on a year-to-year basis. This guidance is indicative of typical industrial seasonality coupled with potentially lower consumer demand. In addition, for the first quarter, we are planning for our gross margin to be approximately 66% of sales as we slightly adjust our production levels, for our operating expenses to decline by approximately 2%, and for our operating margin to be in the range of 34.5% to 35.5% of sales. As a result, we anticipate that our diluted earnings per share from continuing operations for the first quarter will be in the range of \$0.63 to \$0.67."

Conference Call Scheduled for 5:00 pm ET

Mr. Fishman will discuss the fourth quarter results and short-term outlook via webcast, accessible at investor.analog.com, today, beginning at 5:00 pm ET. Investors who prefer to join by telephone may call 706-634-7193 ten minutes before the call begins and provide the password "ADI."

A replay will be available almost immediately after the call. The replay may be accessed for up to one week by dialing 800-642-1687 (replay only) and providing the conference ID: 16695213, or by visiting investor.analog.com.

Non-GAAP Financial Information

This release includes non-GAAP financial measures for prior periods that are not in accordance with, nor an alternative to,

generally accepted accounting principles and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles.

Schedule F of this press release provides the reconciliation of the Company's non-GAAP measures to its GAAP measures.

Manner in Which Management Uses the Non-GAAP Financial Measures

Management uses non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margin, and non-GAAP diluted earnings per share to evaluate the Company's operating performance against past periods and to budget and allocate resources in future periods. These non-GAAP measures also assist management in understanding and evaluating the underlying baseline operating results and trends in the Company's business.

Economic Substance Behind Management's Decision to Use Non-GAAP Financial Measures

The items excluded from the non-GAAP measures were excluded because they are of a non-recurring or non-cash nature.

The following item is excluded from our non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margin, and non-GAAP diluted earnings per share:

Restructuring-Related Expenses. These expenses are incurred in connection with facility closures, consolidation of manufacturing facilities, and other cost reduction efforts. Apart from ongoing expense savings as a result of such items, these expenses and the related tax effects have no direct correlation to the operation of our business in the future.

Why Management Believes the Non-GAAP Financial Measures Provide Useful Information to Investors

Management believes that the presentation of non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margin, and non-GAAP diluted EPS is useful to investors because it provides investors with the operating results that management uses to manage the Company.

Material Limitations Associated with Use of the Non-GAAP Financial Measures

Analog Devices believes that non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margin, and non-GAAP diluted EPS have material limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures. In addition, our non-GAAP measures may not be comparable to the non-GAAP measures reported by other companies. The Company's use of non-GAAP measures, and the underlying methodology in excluding certain items, is not necessarily an indication of the results of operations that may be expected in the future, or that the Company will not, in fact, record such items in future periods.

Management's Compensation for Limitations of Non-GAAP Financial Measures

Management compensates for these material limitations in non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margin, and non-GAAP diluted EPS by also evaluating our GAAP results and the reconciliations of our non-GAAP measures to the most directly comparable GAAP measures. Investors should consider our non-GAAP financial measures in conjunction with the corresponding GAAP measures.

[4Q'10 Financials](#)

About Analog Devices

Innovation, performance, and excellence are the cultural pillars on which Analog Devices has built one of the longest standing, highest growth companies within the technology sector. Acknowledged industry-wide as the world leader in data conversion and signal conditioning technology, Analog Devices serves over 60,000 customers, representing virtually all types of electronic equipment. Analog Devices is headquartered in Norwood, Massachusetts, with design and manufacturing facilities throughout the world. Analog Devices is included in the S&P 500 Index.

This release may be deemed to contain forward-looking statements which include, among other things, our statements regarding expected revenue, earnings, earnings per share, operating expenses, backlog, inventory levels, gross margin, operating margin, and other financial results, expected customer demand for our products, and expected results of our ongoing expense management efforts, that are based on our current expectations, beliefs, assumptions, estimates, forecasts, and projections about the industry and markets in which Analog Devices operates. The statements contained in this release are not guarantees of future performance, are inherently uncertain, involve certain risks, uncertainties, and assumptions that are difficult to predict, and do not give effect to the potential impact of any mergers, acquisitions, divestitures, or business combinations that may be announced or closed after the date hereof. Therefore, actual outcomes and results may differ materially from what is expressed in such forward-looking statements, and such statements should not be relied upon as representing Analog Devices' expectations or beliefs as of any date subsequent to the date of this press release. We do not undertake any obligation to update forward-looking statements made

by us. Important factors that may affect future operating results include: any faltering in the apparent improvement of economic conditions and financial markets following the recent crisis in global credit and financial markets, erosion of consumer confidence and declines in customer spending, the effects of declines in customer demand for our products and for end products that incorporate our products, competitive pricing pressures, unavailability of raw materials or wafer fabrication, assembly and test capacity, any delay or cancellation of significant customer orders, changes in geographic, product or customer mix, inability to license third party intellectual property, inability to meet customer demand, adverse results in litigation matters, and other risk factors described in our most recent filings with the Securities and Exchange Commission. Our results of operations for the periods presented in this release are not necessarily indicative of our operating results for any future periods. Any projections in this release are based on limited information currently available to Analog Devices, which is subject to change. Although any such projections and the factors influencing them will likely change, we will not necessarily update the information, as we will only provide guidance at certain points during the year. Such information speaks only as of the original issuance date of this release.

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