

ANALOG DEVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	Aug. 3, 2019	Aug. 4, 2018 (2)	Aug. 3, 2019	Aug. 4, 2018 (2)
Revenue	\$ 1,480,143	\$ 1,558,189	\$ 4,547,846	\$ 4,688,561
Cost of sales (1)	482,332	497,631	1,476,287	1,483,930
Gross margin	997,811	1,060,558	3,071,559	3,204,631
Operating expenses:				
Research & development (1)	280,102	291,642	853,330	869,711
Selling, marketing, general and administrative (1)	162,825	171,487	493,295	520,541
Amortization of intangibles	107,231	107,409	321,816	321,557
Special charges	927	1,069	30,871	59,476
Total operating expenses	551,085	571,607	1,699,312	1,771,285
Operating income	446,726	488,951	1,372,247	1,433,346
Nonoperating expense (income):				
Interest expense	59,871	61,665	178,300	194,487
Interest income	(2,625)	(2,588)	(8,241)	(6,592)
Other, net	(78)	(632)	4,287	(527)
	57,168	58,445	174,346	187,368
Income before income tax	389,558	430,506	1,197,901	1,245,978
Provision for income taxes	27,184	21,949	112,584	143,853
Net income	\$ 362,374	\$ 408,557	\$ 1,085,317	\$ 1,102,125
Shares used to compute earnings per share - basic	369,533	371,315	369,160	370,211
Shares used to compute earnings per share - diluted	373,077	375,815	372,967	374,880
Basic earnings per common share	\$ 0.98	\$ 1.10	\$ 2.93	\$ 2.97
Diluted earnings per common share	\$ 0.97	\$ 1.08	\$ 2.90	\$ 2.93

(1) Includes stock-based compensation expense as follows:

Cost of sales	\$ 5,247	\$ 5,734	\$ 15,720	\$ 13,775
R&D	\$ 18,802	\$ 18,018	\$ 57,294	\$ 59,764
Selling, marketing and G&A	\$ 12,049	\$ 13,143	\$ 39,706	\$ 40,172

(2) Balances have been restated to reflect the full retrospective adoption of Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers.

ANALOG DEVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands)

	August 3, 2019	November 3, 2018 (1)
Cash & cash equivalents	\$ 612,164	\$ 816,591
Accounts receivable	689,976	639,717
Inventories	638,305	586,760
Other current assets	66,613	69,058
Total current assets	2,007,058	2,112,126
Net property, plant and equipment	1,221,192	1,154,328
Investments	78,068	68,583
Goodwill	12,247,888	12,252,604
Intangible assets, net	4,346,377	4,778,192
Deferred tax assets	1,606,267	9,665
Other	59,800	62,868
Total assets	<u>\$ 21,566,650</u>	<u>\$ 20,438,366</u>
Other current liabilities	\$ 1,072,246	\$ 984,748
Debt, current	411,434	67,000
Long-term debt	5,278,643	6,265,674
Deferred income taxes	2,171,029	990,409
Other non-current liabilities	843,061	862,362
Shareholders' equity	11,790,237	11,268,173
Total liabilities & equity	<u>\$ 21,566,650</u>	<u>\$ 20,438,366</u>

(1) Balances have been restated to reflect the full retrospective adoption of Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers.

ANALOG DEVICES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended		Nine Months Ended	
	Aug. 3, 2019	Aug. 4, 2018 (1)	Aug. 3, 2019	Aug. 4, 2018 (1)
Cash flows from operating activities:				
Net income	\$ 362,374	\$ 408,557	\$ 1,085,317	\$ 1,102,125
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation	61,606	56,647	179,041	169,651
Amortization of intangibles	142,521	143,218	427,046	428,222
Stock-based compensation expense	36,098	36,895	112,720	113,711
Non-cash portion of special charge	—	—	4,367	—
Deferred income taxes	(33,601)	(5,844)	(55,444)	(711,484)
Other non-cash activity	8,272	7,103	26,701	22,019
Changes in operating assets and liabilities	(24,724)	(25,838)	(184,552)	603,676
Total adjustments	190,172	212,181	509,879	625,795
Net cash provided by operating activities	552,546	620,738	1,595,196	1,727,920
Percent of revenue	37.3%	39.8%	35.1%	36.9%
Cash flows from investing activities:				
Additions to property, plant and equipment	(58,094)	(51,750)	(224,297)	(168,872)
Payments for acquisitions, net of cash acquired	—	(500)	—	(52,839)
Change in other assets	(547)	(2,239)	(5,132)	(3,268)
Net cash used for investing activities	(58,641)	(54,489)	(229,429)	(224,979)
Cash flows from financing activities:				
Proceeds from debt	1,250,000	—	1,250,000	743,778
Early termination of debt	(1,250,000)	—	(1,250,000)	—
Proceeds from revolver	—	—	75,000	—
Payments on revolver	—	—	(75,000)	—
Debt repayments	(300,000)	(430,000)	(650,000)	(2,050,000)
Dividend payments to shareholders	(200,068)	(178,890)	(577,285)	(523,891)
Repurchase of common stock	(112,001)	(11,953)	(440,616)	(41,861)
Proceeds from employee stock plans	19,228	22,801	106,135	88,358
Change in other financing activities	(1,774)	(1,083)	(7,918)	6,320
Net cash used for financing activities	(594,615)	(599,125)	(1,569,684)	(1,777,296)
Effect of exchange rate changes on cash	(727)	(1,066)	(510)	(908)
Net decrease in cash and cash equivalents	(101,437)	(33,942)	(204,427)	(275,263)
Cash and cash equivalents at beginning of period	713,601	806,517	816,591	1,047,838
Cash and cash equivalents at end of period	<u>\$ 612,164</u>	<u>\$ 772,575</u>	<u>\$ 612,164</u>	<u>\$ 772,575</u>

(1) Balances have been restated to reflect the full retrospective adoption of Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers.

ANALOG DEVICES, INC.
REVENUE TRENDS BY END MARKET
(Unaudited)
(In thousands)

The categorization of revenue by end market is determined using a variety of data points including the technical characteristics of the product, the "sold to" customer information, the "ship to" customer information and the end customer product or application into which our product will be incorporated. As data systems for capturing and tracking this data and our methodology evolve and improve, the categorization of products by end market can vary over time. When this occurs we reclassify revenue by end market for prior periods. Such reclassifications typically do not materially change the sizing of, or the underlying trends of results within, each end market.

	Three Months Ended					
	Aug. 3, 2019			Aug. 4, 2018 (1)		
	Revenue	% of revenue*	Y/Y %	Revenue	% of revenue*	
Industrial	\$ 752,529	51%	(4)%	\$ 786,618	50%	
Automotive	227,760	15%	(9)%	251,396	16%	
Consumer	183,399	12%	(18)%	224,549	14%	
Communications	316,455	21%	7%	295,626	19%	
Total revenue	\$ 1,480,143	100%	(5)%	\$ 1,558,189	100%	

	Nine Months Ended					
	Aug. 3, 2019			Aug. 4, 2018 (1)		
	Revenue	% of revenue*	Y/Y %	Revenue	% of revenue*	
Industrial	\$ 2,260,907	50%	(5)%	\$ 2,386,708	51%	
Automotive	706,531	16%	(8)%	765,385	16%	
Consumer	557,097	12%	(21)%	705,690	15%	
Communications	1,023,311	23%	23%	830,778	18%	
Total revenue	\$ 4,547,846	100%	(3)%	\$ 4,688,561	100%	

(1) Balances have been restated to reflect the full retrospective adoption of Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers.

*The sum of the individual percentages may not equal the total due to rounding.

ANALOG DEVICES, INC.
RECONCILIATION OF GAAP TO NON-GAAP RESULTS
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	Aug. 3, 2019	Aug. 4, 2018 (1)	Aug. 3, 2019	Aug. 4, 2018 (1)
Gross margin	\$ 997,811	\$ 1,060,558	\$ 3,071,559	\$ 3,204,631
Gross margin percentage	67.4%	68.1%	67.5%	68.3%
Acquisition related expenses	43,694	48,488	130,444	137,007
Adjusted gross margin	\$ 1,041,505	\$ 1,109,046	\$ 3,202,003	\$ 3,341,638
Adjusted gross margin percentage	70.4%	71.2%	70.4%	71.3%
Operating expenses	\$ 551,085	\$ 571,607	\$ 1,699,312	\$ 1,771,285
Percent of revenue	37.2%	36.7%	37.4%	37.8%
Acquisition related expenses	(112,636)	(118,308)	(339,293)	(359,482)
Acquisition related transaction costs	—	(3,962)	—	(16,569)
Restructuring related expense	(927)	(1,069)	(30,871)	(59,476)
Adjusted operating expenses	\$ 437,522	\$ 448,268	\$ 1,329,148	\$ 1,335,758
Adjusted operating expenses percentage	29.6%	28.8%	29.2%	28.5%
Operating income	\$ 446,726	\$ 488,951	\$ 1,372,247	\$ 1,433,346
Operating margin	30.2%	31.4%	30.2%	30.6%
Acquisition related expenses	156,330	166,796	469,737	496,489
Acquisition related transaction costs	—	3,962	—	16,569
Restructuring related expense	927	1,069	30,871	59,476
Adjusted operating income	\$ 603,983	\$ 660,778	\$ 1,872,855	\$ 2,005,880
Adjusted operating margin	40.8%	42.4%	41.2%	42.8%
Provision for income taxes	\$ 27,184	\$ 21,949	\$ 112,584	\$ 143,853
Income tax on non discrete tax items above	20,927	6,673	68,567	23,817
Income tax on prior period tax liabilities	—	(961)	—	(1,585)
Income tax from prior period tax credits	11,210	—	11,210	—
Income tax on voluntary accounting policy change	17,155	—	17,155	—
Income tax of uncertain tax positions	—	4,195	—	7,945
Income tax one time transitional tax	—	—	7,500	(687,061)
Income tax on deferred tax recalibration	—	—	5,060	639,698
Adjusted provision for income taxes	\$ 76,476	\$ 31,856	\$ 222,076	\$ 126,667
Income before income taxes	389,558	430,506	1,197,901	1,245,978
Effective tax rate	7.0%	5.1%	9.4%	11.5%
Acquisition related expenses	156,330	166,796	469,737	496,489
Acquisition related transaction costs	—	3,962	—	16,569
Restructuring related expense	927	1,069	30,871	59,476
Adjusted income before income taxes	\$ 546,815	\$ 602,333	\$ 1,698,509	\$ 1,818,512
Adjusted tax rate	14.0%	5.3%	13.1%	7.0%
Diluted EPS	\$ 0.97	\$ 1.08	\$ 2.90	\$ 2.93
Acquisition related expenses	0.42	0.44	1.26	1.32
Acquisition related transaction costs	—	0.01	—	0.04
Restructuring related expense	—	—	0.08	0.16
Income tax on non discrete tax items above	(0.06)	(0.02)	(0.18)	(0.06)
Income on prior period tax liabilities	—	—	—	—
Income tax from prior period tax credits	(0.03)	—	(0.03)	—
Income tax on voluntary accounting policy change	(0.05)	—	(0.05)	—
Income of uncertain tax positions	—	(0.01)	—	(0.02)
Income tax one time transitional tax	—	—	(0.02)	1.83
Income tax on deferred tax recalibration	—	—	(0.01)	(1.71)
Adjusted diluted EPS (2)	\$ 1.26	\$ 1.51	\$ 3.96	\$ 4.50

(1) Balances have been restated to reflect the full retrospective adoption of Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers.

(2) The sum of the individual per share amounts may not equal the total due to rounding.

ANALOG DEVICES, INC.
RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW
(Unaudited)
(In thousands)

	Trailing Twelve Months	Three Months Ended			
	Aug. 3, 2019	Aug. 3, 2019	May 4, 2019	Feb. 2, 2019	Nov. 3, 2018
Revenue (1)	\$ 6,083,974	\$ 1,480,143	\$ 1,526,602	\$ 1,541,101	\$ 1,536,128
Net cash provided by operating activities	\$ 2,309,636	\$ 552,546	\$ 670,882	\$ 371,767	\$ 714,441
% of Revenue	38%	37%	44%	24%	47%
Capital expenditures	\$ (310,300)	\$ (58,094)	\$ (75,209)	\$ (90,993)	\$ (86,004)
Free cash flow	\$ 1,999,336	\$ 494,452	\$ 595,673	\$ 280,774	\$ 628,437
% of Revenue	33%	33%	39%	18%	41%

(1) Balances have been restated to reflect the full retrospective adoption of Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers.

ANALOG DEVICES, INC.
RECONCILIATION OF PROJECTED GAAP TO NON-GAAP RESULTS
(Unaudited)

	Three Months Ending Nov. 2, 2019	
	Reported	Adjusted
Revenue	\$1.45 Billion (+/- \$50 Million)	\$1.45 Billion (+/- \$50 Million)
Operating margin	29.2% (+/-110 bps)	40.0% (1) (+/-70 bps)
Nonoperating expense	~ \$52 Million	~ \$52 Million
Tax rate	13% to 15%	13% to 15% (2)
Earnings per share	\$0.86 (+/- \$0.07)	\$1.22 (3) (+/- \$0.07)

(1) Includes \$157 million of adjustments related to acquisition related expenses as previously defined in the Non-GAAP Financial Information section of this press release.

(2) Includes \$22 million of tax effects associated with the adjustment for acquisition related expenses above.

(3) Includes \$0.36 of adjustments related to the net impact of \$0.42 of acquisition related expenses and \$0.06 of tax effects on those acquisition related expenses.

CONTACT:

Analog Devices, Inc.

Mr. Michael Lucarelli, 781-461-3282

Director of Investor Relations

investor.relations@analog.com