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PRESENTATION

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Thanks. Good morning. I'm still Chris Danely, still here at Citi for the time being, kidding, not kidding. I'm still in Citi. Friendly neighborhood semiconductor analyst. It's our pleasure next to have our top pick. Thanks for coming, guys. I'd feel pretty bad if my top pick didn't show up at my tech conference - Analog Devices. Why is it our top pick? As you know, we're slightly cautious on the semiconductor industry this year. We call ADI, the igloo in the semiconductor nuclear winter that we're going through. One of the most defensive stocks out there, but you also have some nice margin expansion, some nice growth opportunities. And I believe there's still some opportunities from the Maxim acquisition as well.

So here today to talk about it is Prashanth Mahendra-Rajah, the CFO. We also have Mike Lucarelli, the Grand Poobah of Investor Relations at ADI. And since you guys were, I believe, one of the most recent semiconductor companies to announce earnings a few weeks ago. Prashanth, if you could just maybe give a brief recap and then we'll dig in from there as far as [global set].

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

So we had our earnings call, I think, 2 weeks ago now, and we had a lot of internal debate on what should the message of that call be. There was certainly a house view. We could say, record results for the third quarter with a record outlook for the fourth quarter, and record backlog for the company and sort of call it quits there.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Well, I just call you a microchip.

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

But we decided to go a bit further and share what we believe is maybe the beginning of an inflection that we think will probably be a little more broad-based than ADI. And notably, we called out a couple of highlights. First, while our backlog did grow overall as it has for the last several quarters, we did see the growth in that backlog, the rate of growth start to slow down a bit. Our industrial and our automotive businesses still had a backlog above 1. If you had asked me in the first or second quarter, I would have said, well above 1. So a noteworthy call out there. Our consumer business was just at parity. And again, prior quarters would have been expanding. And our communications business was just a hair below parity kind of in the high 0.9. So order activity did show a change.

The other change that we called out that I think got quite a bit of attention on our earnings call was we look at a metric during this particular supply-demand environment that we refer to as cancellations. Cancellations is the total orders canceled in the numerator and the denominator is our total backlog. For the last several quarters, cancellation was very steady at sub 5%, and we would have described it as mid-single digits, but sub 5%. And in the third quarter, we saw that move to above 5%, but still, we would define in mid-single digits. So 2 kind of noteworthy items that we just wanted to, in the spirit of transparency, share with our investors that we were beginning to see some changes in the macro environment that they were reflecting on us. But again, from a business standpoint, we have in excess of 12 months' worth of bookings. We're sitting on record

backlog that we haven't put an exact number out there, but I can tell you that it is well north of \$12.5 billion. And with kind of current production capacity limits, we expect to continue to print some very strong results for the foreseeable future.

QUESTIONS AND ANSWERS

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

So when did you notice, I guess, this change in the rate? Was it like midway through the quarter at the beginning of the quarter? Was it the last week of the quarter?

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

Yes, I would say that it was towards the tail end of the quarter, maybe the last month of the quarter when we started seeing things move around. And that could be perhaps why some of our peers who report on a different cycle than us hadn't seen some of the changes.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

I know customers give a laundry list of excuses. What were, I guess, the top 2 or 3 excuses as to why there were a slight increase in cancellation? Was it inventory? Was it demand?

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

I think what's most important, Chris, is that the cancellation of orders that happened, none of those were for deliveries in the fourth quarter and very little for deliveries in the first quarter. So these are, given that the industry and ADI has such extended lead times, these are folks adjusting their production planning requirements for products that they expect to be shipping in the, sort of in the second half of calendar 2023.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

That's interesting. And was there any rhyme or reason in terms of geo or end market or was it...

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

We would have called that out, again in the spread of transparency, we would have called that out. So it was very broad based from both a market and a geographic standpoint.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

Okay. And so you talked about backlog that still looks great. Maybe run through the, I guess your main end markets in terms of industrial, comm, auto, et cetera, which you feel most confident about? And I guess, what you're a little more worried about?

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

Yes. So I feel great about all of those end markets over a medium-term position kind of over the near term, what's on our mind. We feel that defense and health care are going to continue to be strong growth markets for the foreseeable future. I'll go out on a limb here and say that I would personally be surprised if our defense market isn't able to show year-over-year growth for the next sort of 5 to 7 years really given just the backlog

of design wins that, that that team has been able to accomplish. And as those continue to kind of move through the procurement process with various DoD and prime contractors.

Health care, again, also, we are on our, I think this will mark our seventh, Mike?

Michael C. Lucarelli - *Analog Devices, Inc. - VP, IR and FP&A*

Yes.

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

Our seventh year of double-digit growth for health care, and there's no sign of that abating, the design win activity, and the complexity of problems that we are solving with our health care customers suggests that that has tremendous tailwind. For the rest of the industrial, probably 2 areas that we're just observing right now, the automation business, the underlying trend on that still remains very strong as more companies are moving manufacturing to be closer to the customers or to get the geographic dispersion of their manufacturing base, they require more automation to help solve the labor arbitrage challenge. If you move production out of Asia and you're going to put it into the U.S. or Europe, you want a solution that has fewer employees working at the factory line and you solve that through more automation, and we have a suite of technologies that kind of hits what's required there from safety to motion sensing, communication, power management, et cetera.

The instrumentation test business, that's probably one that I think we'll continue to watch. The trends on that, again, continue to stay strong. And as long as we see continued activity in the deployment of more complicated devices that need to be tested and measured. That's going to play to our strength. But certainly, some of that is going to follow some of the capacity requirements that we see in markets like automotive and so forth.

Our automotive trends that's probably the hardest one for me to read. I feel very strong about the secular trends that we are enjoying in automotive. For the last couple of quarters, Mike, we've been doing 30% growth. And I think if you're watching SAAR data, that's more flattish. We can isolate all of that growth to a few key secular drivers. We can isolate it to the technologies that we sell into electric vehicles, which are unique to EVs, the BMS technology. We can isolate it into the design wins that are ramping in our A to B portfolio, which helps improve the audio and infotainment experience in the car. We've got 18 OEs who have chosen ADI as their solution for that technology, 18 out of the top 20 OEs, and only about half of them are in production. So that's going to continue to grow despite what SAAR does. And what am I missing?

The third one, Chris, I think you've referenced in some of your research is Maxim GMSL, the Serial Link technology, which sort of helps with the architecture of how you move data around in a car. What's the unknown on that is, and this is more probably a Prashanth view than an ADI view. I'm a little concerned about, I know there's a view that SAAR is at the bottom. I don't know that SAAR is at the bottom. I think that kind of with some of the macro headwinds that are out there, I would be mindful of auto sales for 2023.

Christopher Brett Danely - *Citigroup Inc., Research Division - MD & Analyst*

Meaning people buy less cars in a recession? I want to touch on a few things. I guess, first, start with China because you guys have a pretty large defense business. We just had a couple of companies in semis last week at certain parts of their product portfolio banned from selling into certain entities in China. Is there any exposure there for ADI? Is that a risk? I just had a couple of people ask me that in the hall.

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

So let's talk about our China business. We do about 20% of our business in China that's on a design-in basis. We are a bit more unique. I think than some of our peers in that we have a really top-class engineering team in China that helps do kind of a unique IP development and application development for our Chinese customers. And as a result, I think that's an important market for us that we're going to continue to be in for years

and years to come. There are certain restrictions on what we can sell into that market and that already applies to some of our defense products. So much of that has already been constrained.

Probably I think the one caveat, I think that investors may be aware of but should be aware of is historically, when the U.S. government has made certain restrictions on what companies can do. There's been a level of kind of advanced warning that maybe you'd be given. So you've time to prepare and also maybe share a countervailing view. Our sense from what we've heard is that the last announcement it sort of caught a lot of people by surprise.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

Yes, definitely. Speaking of China, one of your peers also sells to China mentioned that they were impacted earlier in the year by the China shutdowns and said earlier this week that they could be impacted by the additional China shutdowns. You guys didn't appear to be impacted by the shutdowns earlier this year. Is there any risk with seemingly millions of people in cities taken offline essentially? Is that a risk?

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

When we talk about that record backlog that includes a record backlog in China. I think we did call out maybe on the earnings call, Mike, we did call out that if you look at the specific segment of China consumer that was particularly soft. But as a percentage that's low single digits maybe revenue. But beyond that, the engagement and the demand activity remains very strong.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

You guys have had a super strong China franchise for quite some time. Not just in comm but elsewhere. Can you just talk about what have the keys been for ADI to be so successful there?

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

I think really what has been different for ADI in China is Vincent's commitment to partner with our customers regardless of their geographic location and putting technical resources in China that can help our Chinese customers with the same type of design activity that we would do with them in other geographies. And I think we had a press release a couple of years ago about establishing a regional headquarters where we're continuing to make investments in the China kind of team on the ground and we remain committed to that. Again, it's an important market for us that allows us to serve those customers in a very, very strong manner. And frankly when the Maxim deal was announced, I recall it Vince was contacted by some very large Chinese customers sharing their appreciation of bring the ADI service model to the Maxim portfolio is a win for us.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

We had dinner with the Intel CEO last night and said he doesn't think thankfully that Taiwan is going to get invaded by China in the next 5 years. I know certainly you guys use some foundry folks in Taiwan. What's your take on the perceived threat? And have you done some sort of mitigation strategy with other foundry customers, just in case?

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

Maybe some type of military outcome in Taiwan I think is a low risk but I do believe that unification is going to remain a priority and hopefully, that will find a way through more diplomatic channels. But having said that it's less about the risk of what would happen from a unification standpoint and more just good business diversification. This is an island that is also subject to a variety of natural disasters. We saw what COVID can do from

a pandemic standpoint. So our approach has really been not unique to Taiwan but just generally to give our supply chain optionality and build resiliency by having options on where we can make products.

So the investments that we're making in the manufacturing capacity through 2024 by the end of 2024, I think we have said that we will be able to make almost 3/4 of our products in more than one location, which will give us that optionality that we need. I think well understood by folks if something was to happen where the supply of semiconductors out of Taiwan was constrained. It becomes a larger challenge for us more from a demand side. Our products sit next to digital on the Board. And if you can't get digital then I'm not sure why you would want analog.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

One thing we keep hearing out there is shortages. And correct me if I'm wrong but there appear to be still some shortages in certain ADI products. How long do you think that's going to last? You talked about sort of expanding the capacity foundry wise. Do you think we'll be able to get a handle on this before the end of the year or sometime next year?

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

I can say that lead times have stabilized and lead times are improving. But when you have a portfolio as wide as ADI has with 75,000 SKUs, it's going to take us some time. So I expect that we're going to continue to be in this constrained situation for some of our portfolio well into 2023. I would add one of the changes that the manufacturing team has come up with which I give them great creativity for is they're actively running smaller lot sizes. So you solve for building more SKUs but in shorter quantities. It's a little less efficient because you're doing more changeovers. You might ideally want to run a product for a certain number of days. You run it for a fewer number of days and then switch over but that helps broaden the coverage of what we are building.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

One of your largest competitors has their own 300-millimeter fab. Now that you're getting pretty big in terms of size the ability to support your own 300-millimeter fab. Does that ever run through the ADI mine? Why or why not would you do something like that?

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

We are always doing [build or] supply analysis. It's a business case decision for us. We're very comfortable with the [capacity] expansion we're putting in. I think we've also said this at Investor Day that when we're done with the expansion that we've got planned over the next 2 years, we will have essentially doubled our ability to our internal capacity. And along with some capacity discussions that we're having with our foundry partners or availability discussions we're having with foundry partners, we feel good that we can continue to fund kind of towards the high end of that 10% growth rate for the next several years. However, as we continue to look at the tape out of new products what nodes they are at, then we'll explore whether other manufacturing decisions make sense. But nothing is kind of imminent.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

Can you just refresh us on your percentage of outsourced production maybe start from 5 years ago? And then today and then what your best guess would be 5 years from now?

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

I'm going to have Mike do that. Today, we're at 50-50 but part of that is you'll have to explain legacy ADI and then where Maxim came in.

Michael C. Lucarelli - Analog Devices, Inc. - VP, IR and FP&A

Yes. So Maxim was more external versus ADI. So that has changed a bit. ADI for Maxim. It's a bit more internal. So we went to the bucket 50 now, right? We're just below I think 50% to be perfectly candid. Our view is as we go forward in the next 5 years, Chris, you'll see us go from just below 50 above 50 but we're talking about 55%. And remember, all this capacity we're building out is swing capacity meaning it can be done externally or internally. So we're adding to our fab in our footprint our capacity but it's also all swing capacity. So every dollar we spend 22 and 23 and 24 is all that swing capacity which is very unique to ADI. If you go back 10 years we feel more internal. We like the hybrid model. We're not moving away from a hybrid model. We're just making it more resilient with these CapEx dollars.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

Can you talk about any impact on depreciation and gross margin from the increased CapEx?

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

Nothing real notable Chris. We've talked about that we set a floor out there for our gross margin at the investor model at 70%. We've got a meaningful investment to build that resiliency. And I think when we talk about that capital, that should actually go back to kind of mid-single digits in probably 2020. We were thinking we're going to do a little more this year that we didn't actually do.

So there's been a little bit of a push so 23% is probably more likely to be a peak year than we originally thought. But after that we'll start to come back down in line to where we were expecting. And from a cash flow standpoint we have also said that incremental CapEx we will go to the market to raise debt so that we do not impede our cash flow return to shareholders. So actually, I think this is a Reg FD event. So I can say today, we did a modest transaction. We raised a couple of hundred million dollars with some Japanese investors purely for the intent of allowing us to continue very strong cash return to our investors.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

And from a longer-term perspective, clearly the gross and operating margins are (inaudible). Can you talk about margin drivers from here? And then also, you seem to indicate perhaps a little more focus on revenue growth and a little less on margin growth. How does that balance out? Whenever people hear that and send me as they start to get a little bit jumpy.

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

Sure. No, no. Thank you. At the scale we're at it is about driving operating margin leverage. And I hope over time to drive investors to focus more on our operating margin versus our gross margin. We believe that we can continue to grow this franchise which had really incredible op margin levels at 50% at a high single-digit rate. We will make some flexibility on the gross margin level just because we believe there are certain markets. We're giving our sales force a little more flexibility on price is beneficial to them and beneficial to supporting that revenue growth. But I want to say that it is really de minimis.

I mean we are very comfortable being north of 70% on a gross margin level. We specifically use language which I think is quite uncommon in the investor space. We specifically use language about putting a floor out there that people did not get concerned that we were going to sacrifice gross margins to drive revenue growth. So we will be north of that floor but I wouldn't want folks to be modeling in. This is a company that can grow to 76, 77. While we certainly could do that, I think it is a better capital return for investors if we can drive that revenue growth versus drive margin expansion.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

And would this be more of an expansion into the consumer market because you can tend to find better growth opportunities there? Or elsewhere?

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

No, it's really the power market I think is where we see the greatest opportunity. I believe if you look back at the Investor Day material, Anelise Sacks our Chief Customer Officer called out the excitement that we have on being able to do more in the power market. In consumer and if you haven't I would encourage folks to listen to or read the transcript from last quarter's earnings call.

At a time when everyone was moving away from focusing on consumer Vince leaned into the consumer market because we believe our consumer business is different. And I think we laid out there a compelling story about why it is different because we are not focused on PCs or handsets. It is really a very diversified business that is aligned with secular trends for us. Consumer actually has a lot more industrial type characteristics to it.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

Between communications and industrial and automotive, can you rank the relative growth rates of those for ADI over the next let's call 3 to 5 years? Comm, industrial and auto? Communications data center, how do you classify that?

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

You want to give the number, Mike, and I'll do the color?

Michael C. Lucarelli - Analog Devices, Inc. - VP, IR and FP&A

Yes, sure. So if you look at the B2B markets what you're asking, Chris, auto was number one, our long-term growth rate there is low teens call it, 12% to 15%. Number two, it's tie. 2a and 2b.

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

The color on auto is that's assuming a relatively modest SAAR growth rate.

Michael C. Lucarelli - Analog Devices, Inc. - VP, IR and FP&A

2a and 2b I'd say industrial and comps are pretty close. I'd say both grow somewhere in the high single maybe 10% depending on just different deployments whether it's 5G or data center or on the industrial side, how fast is automation continue, how strong does defense get. But it is clear to us that auto is the fastest-growing market for us. And I think what you've seen for ADI historically is that's been with a lower growth market for us. So it's a big change. Part is what ADI has done organically and then Maxim also helped. And on top of that if you look at the revenue synergies, we outlined \$1 billion. Once that's a company, automotive market and GMSL also. So there's a lot of tailwinds to our auto business both in the combination and what we've done internally investment-wise.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

Okay. Switching gears a little bit. You guys have been probably the most successful at least analog M&A shop out there. Before we get to Maxim, maybe give us an update on Linear since it's been a while. Can we even peer into the Linear business anymore?

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

Really you can't. The company has been fully integrated. Products that have launched are now being launched with ADI part numbers on them. We don't really have the lens to go back and look but we can from a legacy Linear business, we can kind of validate that we did what we set out to do which was to double Linear growth rate. So we know we've been able to really put some juice behind that. And I think perhaps there's no greater pre-read of what we can do with Maxim than thinking about what we did with BMS and Linear.

So I remember some of the research you had at the time, Chris, was a little sour on kind of we have bought Linear at a time where there was heavy inventory in China and that we were starting to lose some sockets. So as the deal closed, it looked like it was a pretty bad timing on our part.

Michael C. Lucarelli - Analog Devices, Inc. - VP, IR and FP&A

Pretty problematic, yes.

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

Yes, pretty bad timing on our part.

Michael C. Lucarelli - Analog Devices, Inc. - VP, IR and FP&A

And I was wrong, really admit that. I'm married. I'm wrong every day. I get that.

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

What -- and I think we also learned a lot from that process as well. But what we've been able to do since then is improve the quality of the product, leverage the high performance that they had, reduce the cost of the product and now add new technology including the wireless capability. So that has become a major franchise for us. When a deal closed, it was thought up by a lot of folks as overhang.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

At that time it was expensive. Judging by today's valuations, it was a pretty decent pickup. So maybe shift gears to Maxim. Have you managed to squeeze everything you thought you get out of that? Or can we see a few more goodies in the basket?

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

No, I think our fourth quarter earnings call will probably be the last time you'll hear us sort of give you regular updates on the cost synergies. And that's large because they're dialed in now. We'll exit the year with roughly \$300 million of cost synergies in the run rate. Those are reflected in the op margins and you'll see that in the Q4 op margins as well. We still have another \$100 million to go that will phase in over 2023. But in large front those decisions have been made. So it's really just having the actions go through execution and then that will phase through. What we want to focus on now want to draw everyone's attention to is the revenue synergy opportunities that we have.

And we know we're very conscious that investors can be a little skeptical about management when we talk about revenue synergies. We have conviction knowing what we learned from Linear on how to deliver revenue synergies. We signed up for \$1 billion of revenue synergies for Maxim. We've got tremendous tracking systems in place internally that allow us to see that movement as it goes from opportunity to design win, to design and to revenue ramp. So we've got the ability for us to again continue to have conviction and communicate how we're doing against that. And I

think that's one of the maybe idiosyncratic drivers of ADI when you look at us versus some of the other investment options over the coming years is the opportunity for us to expand the growth rate with the maximum revenue synergies.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

Now that you've had a little more time with Maxim. One of the fears was that there was a little bit of product overlap or duplicated products since they are both giants and power management. Has that happened at all? It doesn't seem like it.

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

No, I think we sort of got what we expected, right? Linear is an incredible broad-based power platform that really kind of focuses on standard products. And Maxim brings us vertical power and really some great technology in the low-power space and we're finding them quite complementary.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

What would you say has been the biggest positive surprise from the Maxim acquisition? And have you seen any areas that have been a little bit more difficult than expected?

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

I think there have been a number of positive surprises. We're impressed with sort of the culture that (inaudible) built on program execution which I suppose is not surprising given kind of the type of leader that he was. But it's a team that is really focused on managing projects through excellent execution which frankly is a contrast to what we had at Linear which it was tremendously great innovation but a little less predictable maybe on kind of the timing of being able to deliver product launches.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

Okay. And anything that's been a little tougher than expected?

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

I can't think of any particular to call out. Perhaps it's a more personal challenge from my team is we had originally thought we would be able to leverage more of Maxim's IT systems and we're finding out that we're going to kind of have to go greenfield on the HR solution, on the SAP solution.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

You're not the first CFO. I've heard that from when they bought another semi company.

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

We're sort of rebuilding. We are doing in a 2-year period an IT infrastructure upgrade that many companies would normally do over 4 or 5 years.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

Oh, wow. Okay. Before we jump into [chipset] because that's the [debugger] question. I wanted to open up to the audience if anybody has anything that's burning in their mind out there, you start [over there].

Unidentified Analyst

(inaudible)

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

I'll repeat it for the folks on the webcast. So the question was how do we think about our factory utilization levels given some of the demand trends that the industry is seeing. And second was if we leverage the strength of our hybrid model which has swing capacity to bring production internal. What does that mean for the relationships we have with our foundry partner, right?

So utilization -- let's start with the backlog that we have utilization levels are going to stay elevated for quite a bit of time here. Should we get to a period where we start catching up on that backlog and we have the opportunity, then we have a 90-day notice period that we're able to notify the foundry partners to bring production internally. There is as part of that license agreement there was a royalty that they get for that it's de minimis. We do not have long-term agreements or take a pace with our foundry partners. One exception, and that is we had one customer a relatively influential customer who in order to give us the design win, they wanted a multiyear commitment from us. So we signed up a back-to-back with the foundry partner just to hedge that out.

But as a general rule, we do not do long-term agreements or take our pacts with our foundry partners as we typically don't have to given the size, scale and purchasing power and probably the depth of our relationships that we have with them.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

Any other questions, [Nick]?

Unidentified Analyst

(inaudible)

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

Mike, repeat the question first.

Michael C. Lucarelli - Analog Devices, Inc. - VP, IR and FP&A

So the question was we talked about 30% growth in automotive year-over-year in a flat production. We call it about 3 bills drivers, EVs or BMS that goes into EVs. GMSL which is the technology that connects the cameras and radars and AB, which is the infotainment technology. Those 3 [plus, I call it, value] capture or pricing make up that delta from 0 production to 30% growth. So our assumption is there's not much of any inventory build going on out there because we can account for that growth based on secular and content and new platforms plus pricing.

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

I would say maybe a little differently. So the question for the folks on the webcast was how are we that power management may be a source of constraint in the market and maybe the golden screw. And are we thinking about giving price as a way to win that. So to answer that question, no, we are not. Where we are exploring flexibility on price is as we look at new design wins we believe that there are aspects of the higher end of the power management market that customers are willing to pay up for ADI. But maybe not to the level that we're asking because their requirements are not as demanding as our portfolio is delivering. So for those segments, we believe that we can take more share by being more flexible on price when they have an alternative product that doesn't perform as well as ADI but it's good enough for what they need. Well, yes, I mean, as Chris can share as you win designs today, your revenue is many years out.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

Prashanth, just to level set on the continued shortages because it's still out there. Is it just simply a case of in a car, for example, you guys might sell 30 or 40 chips. And at any given time 5 of them, 10 of them will be in shortage and it just kind of rotates around and there's TIs in the same boat or STs in the same boat or maybe shed a little light on like the practical.

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

I can only share ADI's viewpoint. And our view and kind of data shows that golden screw is moving all the time the first. Different products and it can be different for 2 similar customers. Based on what they might have in inventory versus the other one. And that the situation is definitely improving. We have done something starting early in the year where we were creating a tracking mechanism for escalations from customers. So we took qualitative data of how often a customer was calling and say, "I need to talk to the Head of Sales. I need to talk to the CEO." And we began a tracking mechanism to put that into a system so that we knew what were they calling about, who was calling and what did they need. So we can trend line that and we can see that escalations are clearly improving. I think Vince maybe even said on the earnings call if not he has said it before, that he is getting much fewer requests to talk to a customer on an escalation topic than he was earlier in the year.

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

The complaint index you guys should publish that on the next.

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

That's probably a better word for [us to help the complaint index].

Christopher Brett Danely - Citigroup Inc., Research Division - MD & Analyst

Thanks everyone.

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