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PRESENTATION

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

Good morning, everybody. This is Ross Seymore, a semiconductor analyst at Deutsche Bank. Welcome to the 2020 Deutsche Bank Technology Conference this year, obviously, being virtual. On the semiconductor side of things, we're very happy this morning to kick things off with Analog Devices.

We're pleased to have the CFO, Prashanth Mahendra-Rajah; as well as the Head of Investor Relations, Mike Lucarelli, on the line with me. I will be going through a number of questions with them, macro, micro, company-specific, et cetera, and then passing it over to any questions that the audience might have in this venue. You can e-mail them through the system that you're logged into this webcast in, and I will see them on the screen, and we'll ask them anonymously for you. Or you can just e-mail me at ross.seymore@db.com, and I'm happy to ask those questions in that manner as well.

So with that, why don't we jump into the questions. Prashanth and Mike, thank you so much for joining me.

QUESTIONS AND ANSWERS

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

I'm going to start off all the sessions today, especially with the broad-based companies like ADI with some macro/trade questions. So first and foremost, this year has been anything other than a normal year, but I wanted to start with some COVID-related questions.

Can you, Prashanth, just walk through how have the supply impacts been, and then we can get into the demand side of the equation as well, as I believe there's been some headwinds and tailwinds on both sides. But why don't we start with the supply side? How did it impact your ability to supply the demand that was there? And do you believe any excess inventory is building up either in the channel or at your OEM customers themselves?

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

Yes. Great. Okay. So good morning, everyone. Thank you for joining us and for those of you on the West Coast, thank you for getting up so early to hear the Analog Devices story.

On the supply side, I would say that today, no issues. We quickly got back to normal capacity, probably in the May time frame. So we've been back to normal for a bit, but most impacted was our back-end operations.

We have a couple of facilities in Southeast Asia, and the shelter-in-place probably had the most significant impact there. Even when we got permission to get the operations restarted, we had to deal with logistical challenges, as you can imagine, in many of those countries, employees

rely on public transportation to move around. And with public transport shutdown, while the factories were ready to run, we had difficulty getting our employees into the factory. So that was a little bit of a setback for us.

We're now back to normal. We've clearly put in much more robust protocols on a go-forward basis. So I think we're well positioned should we see Wave 2, when we've taken particular steps to plan for how to avoid some of the things that hit us on the first time.

We're also building our die bank, which is sort of a work in process level, but we keep our inventory at pre-finished goods that allows us to push products from -- sort of between fabs and back-end pretty quickly when we need to.

And it's a great way for us to build some inventory levels without putting a lot of stress on the balance sheet. To the -- maybe the last part of your question there, Ross, on what do we think about inventory levels? In the channel, inventory levels are tight. They are very tight. And when we -- they're kind of moving it out as soon as we get it into them.

At our end customers, our view is that end customers are starting to build some inventory. It's unclear whether they're building that inventory in anticipation of demand, because they did bring inventory levels down quite a bit in 2019, or are they building some inventory levels to help insulate them from the supply chain shock of a potential phase, sort of Wave 2 of COVID. It's hard for us from where we sit to have visibility that far deep into the customers' supply chain.

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

Great. I guess as a follow-up to that would be kind of pivoting to the demand side and maybe even a little bit of bringing in that OEM/end customer building inventory. If I looked at your industrial businesses, an example that it's the broadest base part of the company. It's over half of your revenues. It's actually up year-over-year in your July quarter as well as your guidance for the October quarter. So when I think about the demand side of the equation, how in the absence of inventory, do you guys really explain with global GDP being hit because of all these shutdowns, et cetera, that your business is actually up year-over-year in the broad portion of your business, namely the industrial segment?

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

Yes. I'll take the first part and breakdown our industrial business for investors. It's a little different than just kind of a GDP-type business. The biggest portion of industrial for us is instrumentation, think of the instrumentation test, you can test 5G systems like macro base stations, you can test 5G handsets, you could do testing for data centers. That business is 25% and been quite strong. Next biggest is automation, is 20%. That's been weaker recent -- probably the past -- over the past 1.5 years, has been weaker and really starting to see a little bit of better demand there, but coming off a really low point.

Next biggest, aerospace and defense, at about 20% as well. There's a tale of 2 businesses. You have defense, which is pretty resilient, given the backdrop. And aerospace, you have avionics very weak, but space quite strong. And like I said, aerospace and defense is 20% of business. The next business is health care, that's about 15% of industrial. And obviously, that's been very strong given COVID and I would say that business actually has hit record levels, not a surprise. Part of it is COVID, part of it is we've been investing in that business for the past decade ahead of COVID. The next biggest is in energy, which is just under 10%. When I say energy, don't think of oil and gas, think of renewables. That business has also been doing quite well.

As you see more of our companies moving to more green technologies, that's good for that business there. And I'll call the remainder is what we call a broad market, which relates to tens of thousands of small customers and that business has been quite weak given COVID.

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

Yes. I think what Mike shared gives you a flavor for how the diversity of our businesses really is a tremendous strength for ADI. It creates a real strong balance across so many different sectors. So heading into a year where there is a global health pandemic, and no one could predict kind of

how that would play out in the individual segment. We would see our medical business growing very strong. As Mike mentioned, the instrumentation business, which partly supports that medical business as well as the technology deployment that's necessary on wireline and wired infrastructure as well as outside of industrial, but in our comms business, our wired infrastructure also doing really well. So it's that diversity that I think is really ADI's strength would be really our microcosm of all end markets, and in times these, we'll always have some businesses that are able to be able to perform.

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

So that's kind of checking off the COVID-related question. The second macro question I wanted to ask about was more about the trade tensions between the U.S. and China. Lots of trade restrictions of various levels of severity been imposed over the last year with some new ones going into effect even this week.

So can you just give us a little bit of perspective of how the preexisting trade restrictions, export restrictions have impacted your company? And what impact do you see the latest Huawei-specific restrictions having on Analog Devices?

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

Yes. So let me -- maybe I'll start by saying that China is and will always be an important market for us. We have deep relationships with a number of Chinese customers. We have a strong presence in-country, and we see that -- regardless of how kind of these trade restrictions evolve, we see ourselves continuing to be a key supplier to the Chinese market as permitted for years to come.

Now if we think Huawei specifically, this is a bit of old news for ADI. We had some significant restrictions on what we could sell to Huawei that were implemented more than a year ago now. So it took Huawei as a customer for us, down from mid-single digits to low single digits as a percentage of revenue. In the guidance that we gave for fourth quarter, we already made corrections based on the latest rulings from Commerce to wind down the activity that we have to Huawei over the course of the fourth quarter.

So we've already reflected that in the guidance, which is -- which will sort of be ending the fourth quarter basically with almost no revenue activity for Huawei and that will continue to be the situation until that gets resolved there.

The consequence of that is that our business, to other providers of 5G componentry actually, will see some strength because as they take share from Huawei due to Huawei's challenges in getting access to the technology they need, they're likely going to be able to provide more, both in China as well as outside China, and we have remarkably high share across the ecosystem, really.

So it's -- while we would never want to see one of our important customers like Huawei under the stress that they are under, it may actually play out to be good for us because we have actually stronger share outside of Huawei than we do within Huawei.

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

And if you guys -- I guess, 2 follow-up questions. One, do you believe Huawei built up a buffer inventory of any significant magnitude of Analog Devices parts? And then two, have you, in the past, applied for a license to continue to ship to Huawei? And what does that process -- the licensing application process look like in this latest round of restrictions?

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

Yes. I'll start on the inventory side, Ross. I would -- our best guess is no. I mean typically, if you see some of the inventory, you don't see revenue declining sequentially and down year-over-year, which we did see for Huawei, and I think, for the third quarter. And like Prashanth laid out, they

were mid-single back in 2019. Over the past 12 months, they're low single digits. So no indication that they're building inventory of ADI components. I don't know what they're doing for the rest of their board.

You have to ask other companies about that. What we're doing -- are we applying for license? Sure, we'll apply for licenses, but our expectation is it's unlikely or we don't see why we get granted one given our technology is 5G, which is really in the crosshairs right now between China and U.S.

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

Got it. Makes sense. So that was the second macro question. The third and final macro question I wanted to ask about is more on the M&A front. Obviously, quite topical today in the tech world in general. But you guys actually somewhat kicked it off in the semiconductor world with your agreement to buy Maxim.

So when we hit on that one, I guess, one of the biggest questions that I receive is you already bought Linear. That's been a very successful deal that got you the power franchise you needed to combine with your converter and amplifier offerings. So with Linear already in the fold for a number of years, what does Maxim bring? Why do you need to buy Maxim too?

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

Yes, great. Great question. So our M&A strategy has been pretty consistent from really going back to the acquisition of Hittite. We are interested in scale, and we are interested in scope. When we bought Linear, we bought the premier power franchise for the broad market. It complemented the ADI broad market portfolio, which is really about half of our business, quite well. And this is a company that brings us the highest-performing power products, but standard products, standard products that are really applicable to multiple end market segments.

What Maxim brings us is roughly \$1 billion of power that is really more targeted at vertical segments, ASSP-type areas where you have a higher concentration of customers and that marries quite well with our vertical product segments like communications, like automotive and so on. So we really do see Maxim and Linear to be quite complementary in how they sit on ADI's core franchises, both in the broad and in the vertical. It also -- Maxim also brought us some key complementary strengths, both in automotive, nonpower, as well as in data center. So some nice integration opportunities there.

We have a high conviction, and we've seen this trend now playing out for many years that engineering talent, specifically Analog engineering talent, is becoming a very valuable resource. And the -- we see it in our customers that they are pivoting more of their engineering spend to nonanalog areas where they need to show product differentiation and they're relying more and more on their suppliers like ADI to provide engineering and the bench design work that's necessary for them to do their product development. So for us, getting access to that pool of Maxim engineering talent was also a very important win for us. It really makes ADI the premier employer for Analog engineering talent.

If you're -- if this is an area of interest from you as a young professional, where you want to grow your career, it is -- there really isn't an alternative employer that you would rather work at to really learn the craft part to complement the academic part that you would have learned in school. So for us, that engineering talent was the other area that was last important -- was important. And then lastly, we do see a significant amount of cross-selling opportunity where we can take the power products that Maxim has and the anchor products and the anchor positions that ADI has in mixed-signal and RF. Customers will always come to ADI for a certain set of our portfolio.

We're the only place they go to when it comes to that mixed-signal and that RF. So having more in the basket, including the Maxim power products, allows us to fill out more of their requirements. So we also believe that there's going to be some share opportunity to come with that.

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

So Prashanth, as you look through it, all that makes a lot of sense to me. I guess the stock being -- your stock being relatively weak since that point, what do you think investors are missing about this deal? And what's the primary pushback that you're getting that you need to address when you're explaining it to them?

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

I would say, without question, the #1 feedback we get from investors is, at a time when interest rates are low, why did you choose an all-stock structure? And our answer has been very straightforward, it is, we look at this deal over a multiyear period in terms of providing that immediate return to investors. By doing an all-stock deal, it allowed us to put this transaction together at a time when the market, and frankly, continues to be very volatile and lots of ups and downs in how do you value companies and what does the future look like.

So an all-stock deal took that macro risk off the table and allowed us to bring the transaction together. We now have the benefit of using this very volatile and sort of lengthy period of uncertainty in the global world for us to clear regulatory approval. So it's -- for us, it's a really -- it's a great time to be sitting in regulatory approval when the rest of the world is stuck in a work-from-home environment and probably will be until -- and it's likely that we will get regulatory approval around the same time as a vaccine becomes available.

So I think the world is going to come back to life at the same time that we're ready to hit the ground running. And then third, the way we structured the deal is in multiple phases that allow us to drive significant shareholder value independent of how the businesses perform. On the day of close, we're going to have a significant amount of cash on our balance sheet, so we'll be able to deploy that pretty quickly to drive accretion by reducing share count.

Within 24 months of deal close, we're going to be delivering just a little under \$300 million of cost synergies. And then just following that 24-month period, we'll be bringing in some additional cost synergies, which we haven't yet quantified from consolidating our manufacturing operations. So we see a very clear trajectory with 3 distinct steps to drive shareholder value 3 years kind of post close. And I think as we get through that, this will be a deal that everyone will look back at just as they've done on Linear and Hittite to say this was a great transaction that ADI did.

And for our more medium to longer-term shareholder, this is something that they've been very cognizant that it adds to the ADI franchise.

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

Yes. I'll add couple of things to that, Ross. I'll tell you -- good from what Prashanth said, the #1 question I got for the last -- the month after the deal was announced was, why all equity, why that premium. Those questions have shifted from that to when do I buy ADI stock. And that tells me people are starting to look past the transaction structure and now to what does the combined entity look like and why is it beneficial. And that's why we did the deal, the combined entity of \$8 billion revenue that we think we can continue to grow at least mid-single digits and throw off more and more cash flow. And with that lower leverage, like Prashanth outlined, that cash flow will be returned faster to our shareholders, which I think, over time, will accrue value to our shareholders.

And you see that reflected in valuations of companies that return more cash flow to shareholders. But again, it take -- does take some time to get there.

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

I guess the last question on the deal from my side is the regulatory side of it. Obviously, there's some other even bigger deals that just got announced today in the semiconductor world that I would think. If there's going to be regulatory issues, might have larger challenges than you guys would have. But is there any specific areas within the ADI-Maxim combination that are worrisome for you? And any bigger hurdles than others that investors should be concerned about?

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

Nothing unusual. I think we remain pretty confident that summer 2021 will be deal closed. Just an update, we recently pulled and we refiled just as we did for LTC, and that's a courtesy that we provide to the LTC. They're normally given 30 days from receipt to provide their conclusion. We've had a number of great conversations with them. We wanted to encourage them to sort of stay on track at that more faster approval process, which is -- which doesn't require sort of a level to review. So we restarted the clock for their benefit, giving them an extra 30 days in anticipation that they would finish and give us their support based on a level 1 review, and that would be helpful to the time line.

So we'll know in the next 30 days or so, if we have that or if they're going to need more time. You can look at the S-4, you can see all the jurisdictions we have or will file in. I'd say for Europe, our real desire is to sort of get the clock started and get everything moving before we hit the end of the calendar year because I think one of the challenges and this bode for some of the other deals that are out there is Britain falls out of the EU approval process in January. So it now becomes a separate regulatory approval process, and it's a challenging one to get through. So it becomes a new obstacle for companies that are unable to kind of have it all be done as part of the EU.

And then for China, I'm just going to echo the comment I said earlier. We have a great relationship with our customers in China. We bring them value, and they are supportive of how ADI works to support them. We know that when SAMR does their review of this deal, one of the most important items that they're going to look at is, is this a company and is this a transaction that does not harm our Chinese customers.

And I think for ADI and Maxim, it's going to be a resounding yes, and that's what gives us confidence that we'll stay on track for the summer.

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

Perfect. So why don't we get away a little bit from those higher-level questions and go into some of the business segments at Analog Devices. And Mike, you gave a great breakdown of the industrial business, but I wanted to address that in kind of a higher level. If we look back at the July quarter, you guys had thought it would be down sequentially and ended up being up almost 10% sequentially. You're guiding it for -- to be up again sequentially in the October quarter. Both of those are up year-over-year.

You talked about the areas that are positive and negative. I guess when we think about this business going forward, what sort of revenue CAGR do you think the industrial business pre-Maxim can deliver?

And how do you think about the current growth rate being more an example of the secular trends? Or are there some cyclical aspects, whether it's work-from-home driven or just coming off of a weak year as the semiconductor downturn occurred last year?

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

Yes. I think, the long-term growth rate for our industrial business, I would call it, 5% to 10%. I think to get to the upper end of that kind of 10%-plus, what has to happen is all those diverse markets have to go in the same way. So what you need is all the markets increasing at the same time, which doesn't always happen. It did in '17, it did for a part of '18 as well. But really, that's why I think more like GDP plus or 5% to 10% is our long-term growth rate for the industrial business because you'd always have something going the other way, just like we have so far this year.

And if you look at the near term, what's driving the business I outlined a little bit earlier was half that business, inclusive of health care, instrumentation test, defense, those businesses have been growing nicely for us even in a bad GDP environment. What we're starting to see now is those business continue to do well at 50%, but the other 50%, which is more broad market and automation, more GDP-centric, have picked up. And some of that, as Prashanth outlined, is, I will call it true demand. Things have been weak there for a long time. So you have demand coming back. And some of it is likely -- inventories got too lean. So as demand comes back, you see a bit of inventory being built as well. And it's hard to pull apart what's what, but it does -- the trend is changing in that broad market business. And for that to continue, you need to continue good macro data. So you can follow that for that half of the business, and the other half will be more vertical oriented or more specific to ADI.

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

And if we think about the biggest section of that, like you said, 25% of it was the instrumentation and test, there's a lot of 5G aspects there. And after I ask this question, I'm going to go into the comms part of your business. So it might be a nice pivot there. But how do you think about the growth rate in that -- in instrumentation and test side of things? Is that an early 5G winner and then it fades over time? Or is that something that continues to be strong as 5G itself evolves? How should investors think about that portion of the business?

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

Yes. I think what -- the way to think about that business, Ross, is the complexity of what companies need to test is increasing at really an enormous rate. And with that complexity of testing, you've got 2 choices. You can either run longer test times and have an impact on your production or you build out more testers.

So it is -- the complexity of what we're testing is great for our business, because you need precision in what you're testing, and it takes longer to test. So it just puts more stress on the overall capacity, the manufacturing capacity for those businesses that need tests.

So it can be in self-driving cars or the -- on the journey to self-driving cars. And even if we never get there, just getting to higher level ADAS capabilities is great for instrumentation and test. It can be in memory as you go to more complex 3D NAND structures and more complex and concentrated memory, that's great for the instrumentation business. And then, of course, it's going to be in 5G. Right now, we're probably seeing the early phases of the activity on the handsets. But as Vince mentioned, we've heard from a number of our large industrial customers that they see 5G as being a critical element to how they think about establishing a new connectivity for manufacturing operations. And once those start getting a little further down the pipe, then you're going to need to test out all that equipment as well. So this is a business we do feel very good about.

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

I think all -- it's diverse than diversity. It's not just 5G for us. Right now, 5G is what strong, but it's also processors that get tested that go into data centers. So don't think of just instrumentation test at 5G, that Prashanth laid out, it's multiple different end markets and any secular growth driver, whether it's autonomous vehicles, electric vehicles, 5G, aerospace and defense, you name it, have to be tested.

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

Yes. I forgot health care, which has been...

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

And health care.

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

Health care has been a big beneficiary as well because of all the amount of equipment that's being built to run all of the testing that's being necessary now with the -- with all the COVID activity.

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

That's a great detailed answer and highlights the broad-based strength of that business. Why don't we pivot over quickly to the com side of things. Obviously, you have a wireless and wired side of that. But specifically on the wireless side, talk a little bit about the content increases that you guys have in that business and maybe ex Huawei, which I think everybody understands, how should we think about the lumpiness of that?

Because by my model, I think you've had quarters that have grown almost 50%, 60% year-over-year in the last year and quarters that year-over-year have been down 30%, 40% year-over-year. I know Huawei plays a portion of that in the volatility. But generally speaking, is it always going to be that volatile, and that's just natural to the business? Or can the share gain opportunities ADI has and the content gains overwhelm that and smooth things out a bit?

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

I'll start on the content side. So really what -- where we get the excess content. Look at what is 5G, what is massive MIMO. It's more channels per base station. And those channels going up 8x. You're seeing 4G base stations, we call it, 8x8. You go to 5G and massive MIMO, you have 32x32 or 64x64 and inherent when you do that, we need more transceivers. The transceiver is really the content driver for us going from 4G to 5G, but it's also new opportunities in power management and also front end switches from the Hittite portfolio as well.

Push it all together, what we've said is, going from 4G to 5G, the content increase is about 4x on average. And I think that is helping us grow faster and grow more in the 5G rollout, which is really just starting today so far. And really -- you're right, it is lumpy. It's been very lumpy. A lot of it has to do with what's going on geopolitically. But if you take a step back, why it's also very lumpy today is, it's only on 1 GEO really deploying into China. So you get really ups and downs by 1 GEO. As you look to 2021, you're going to see more GEOs deploy 5G. You're going to see Korea. You're going to see Japan. You're going to see North America finally also deploy 5G, and China, again. When you have more GEOs deploying 5G, the fluctuations of the volatility, the peaks and trough should be lower. So hopefully, we don't see up 60, down 50, but more narrow band of growth and decline.

But you always get lumpiness, just hopefully lower peaks and valleys within it.

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

That makes sense. Why don't we pivot over to the automotive side, then wrap up with some margins and cash flow in the last 5 minutes here. The automotive side of the business is now down to kind of low to mid-teens as a percentage of the company. Obviously, there's some SAR impact and the shelter-in-place that's not specific to you guys. But you've talked about having to do some restructuring of that business. And given some growth targets that we're going to take a couple of years to get to, can you talk a little bit about the state of your automotive business? And when do you think that business can start gaining share or showing the content increases that some of your competitors have shown?

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

Yes. Our -- I think the way to understand our automotive business is, we have segments of the automotive business that we are unwinding our position from. So safety MEMS is a legacy business that we are -- we've been trying to exit, and our customers are not letting us to exit it as -- at the rate we would want to. And given our commitment to support them, we're agreeing to stay active for a period of time. But that will eventually wind down, given that it is -- given that our pricing is relatively significant versus theirs. On the radar side, we've also been public that we're starting to wind down our investments there. So that's also creating a bit of headwind. On the tailwind side, I think that the areas that you're really seeing the strength is our A2B activity, which has now become a platform for us to introduce additional technologies on. So beyond sort of being this great new architecture that is being used by, I think, I feel, 20, Mike?

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

Right

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

20 different customers as the basis for how they're delivering their audio solution. We've now added noise canceling on top of that. And we've had a couple of press releases on a few different automakers who are introducing noise canceling. We have some interesting power activity that is going to be coming out shortly where we'll be able to pump, I think, over 50 watts through the A2B platform.

And then the other exciting area has been BMS, where beyond having the premier solution in terms of accuracy, which converts to range, we've now been getting some great traction on the wireless product. And you saw GM's press release from last week, which really gave a lot of credit to what ADI has been able to do in helping them come up with a flexible architecture for their Ultium battery system, which you've probably seen, they're using for -- not for vehicle solutions, beyond just General Motors. So some great tailwind coming there. And I think what investors are going to have to be a little patient with us is we need the headwinds to subside in MEMS and safety to allow the significant growth that we're having in A2B and BMS to kind of overcome those.

So we're sort of in that transition period right now. The growth is clearly there. It's just the unwind that's still that's masking some of it.

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

So maybe quick wrap-up on that topic. What's the size of the 2 businesses, if you -- the unwinding portion versus the growing portion? And when do you think we're going to hit the crossover where the growing side starts to become more apparent?

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

I'll get that one, Ross. So if you look at our automotive business, the biggest portion is electrification, which is about 40%. BMS is a part of electrification. There's other things in there as well, like start-stop technology and that type of stuff.

The next biggest infotainment, which is about 35%, A2B falls within there and road noise cancellation is part of A2B also as part of infotainment, which is 35%. Then safety is 25%. Not all of safety is unwinding. I would say, probably at least half of it is flat to down. And that's kind of the drag we're seeing. And then to your question, when does this business turn? Well, the good and bad of auto, it takes a long time to unwind and also a long time to uptick. But given the design momentum we have and design wins we have, it feels like, as you look out, we should do better in '21 than we did in '20. And really 2022, given our design profile and momentum we have that are wins today, just takes that long to get to market, we should see a much better growth here in 2022.

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

Perfect. I guess the last question I have in the 1 minute that we have remaining is on the margin front. Obviously, you're an incredibly profitable company. As we think about ADI as a stand-alone company and then maybe with Maxim in the fold, what sort of gross and operating margin targets should investors think about for your company?

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

No change from our model, right? I mean, I think that's the beauty of the Maxim combination, right, is that, as you mentioned, we're an incredibly profitable company with best-in-class gross margins at 70% plus. And the commitment we have with the Maxim acquisition is we're going to maintain that model, keep the revenue growth target the same, but the investors get the benefit of that model on a much larger enterprise.

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

Perfect. Well, guys, we're right at the top of the hour. So I appreciate you dialing in and participating today. And all your detailed answers are much appreciated by investors as well. So...

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

Ross, can I do 1 quick close, just a reminder to investors.

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

Sure.

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

We're continuing the ADI Uncovered Series and on September 24 investors will have an opportunity to hear Ross Interview Pat O'Doherty, our Senior Vice President of Health Care, and get some great insight on -- you've heard Vince talk for years about health care. Pat will shine the light a bit more on what we're doing in that business.

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

Thanks for that plug. I should have been doing that myself, Prashanth. All right, guys, we'll wrap it up there. Thank you very much for participating.

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

Thanks, Ross.

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