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# EDITED TRANSCRIPT

ADI.OQ - Analog Devices Inc to Discuss its Updated Capital Allocation Priorities and Acquisition Accretion Timeline Call

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## OVERVIEW:

Co. provided an update on its capital allocation priorities and accretion timeline of the Maxim acquisition.

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### CORPORATE PARTICIPANTS

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**Vincent T. Roche** *Analog Devices, Inc. - President, CEO & Director*

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### PRESENTATION

#### Operator

Good morning, and welcome to the Analog Devices special investor call for capital allocation, which is being audio webcast via telephone and over the web.

I'd like to now introduce your host for today's call, Mr. Michael Lucarelli, Senior Director of Investor Relations. Sir, the floor is yours.

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

Thank you, Stephanie, and good morning, everybody. Thanks for joining our capital allocation conference call. With me on the call today are ADI CEO, Vincent Roche; and ADI CFO, Prashanth Mahendra-Rajah.

We obtained copies of last night's press release as well as the supplemental presentation, which we'll use as a reference during our call today on the Events page at [investor.analog.com](http://investor.analog.com).

Now on to the disclosures. The information we're about to discuss includes forward-looking statements, which are subject to certain risks and uncertainties, as further described in our and Maxim's periodic reports and other materials filed with the SEC. Actual results could differ materially from the forward-looking information, as these statements reflect our expectations only as the date of this call. We undertake no obligation to update these statements, except as required by law.

Our comments today will also include non-GAAP financial measures, which exclude special items. When comparing results to our historical performance, special items are also excluded from prior periods. Reconciliations of these non-GAAP measures to their most directly comparable GAAP measures and additional information about our non-GAAP measures are included in today's presentation.

Okay. With that, please turn to Slide 2, titled A High Performance Analog Semiconductor Leader in the presentation, and I'll pass it over to ADI CEO, Vince.

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**Vincent T. Roche** - Analog Devices, Inc. - President, CEO & Director

Thank you, Mike, and a very good morning to you all. Well, I'd start with some quick thoughts on this combination of our 2 premier analog franchises, then I'll pass it over to Prashanth to cover our capital allocation priorities.

Well, as you know, the power of digitalization has accelerated, drastically raising the stakes for continued innovation and increasing global semiconductor demand. At ADI, the demand for our suite of products across all markets is insatiable. And with Maxim, we expect this demand to rise further, as we fortify ADI as the high-performance analog leader.

The combination of ADI and Maxim expands the scale and scope of our portfolio and grows our engineering talent, better enabling us to push the bounds of innovation to solve our customers' most complex challenges.

ADI already operates from a position of strength due to our significant organic investments and acquisitions of LTC and Hittite previously. Maxim builds on this, bolstering our portfolio that spans from microwave to bits, from nanowatts to kilowatts and from sensors to cloud, and further diversifying our business with approximately 75,000 combined SKUs.

Furthermore, at ADI, we recognize the importance of our engineering talent as a competitive differentiator. Over the last several years, our customers have allocated more of their engineering resources toward software and away from hardware. As a result, they are increasingly relying on us to fill this void and be a close partner in helping architect complete analog solutions.

The Maxim acquisition adds to our cadre of brilliant engineering talent at ADI, and we now stand at 10,000 engineers strong. This increased scale will unlock additional avenues of growth for our people as we build ADI to be the destination for the world's best analog talent. And with ADI's field technical resources that are 3x the size of Maxim's, we'll be better positioned to uncover cross-selling opportunities and serve existing and new customers who have an increased need for applications and design support.

Importantly, at our core, we're a global team of problem solvers who don't wait for the future, but we imagine it and build it. That's why we are committed to empowering our engineers with freedom and unlimited opportunities to push the boundaries of what's possible.

In support of this, we invest \$1.6 billion in R&D annually focused on strengthening our core franchises and capturing the market opportunities presented by secular growth drivers. And I have no doubt that Maxim will be an excellent partner as we drive forward the next waves of disruptive innovation and growth and, in turn, deliver significant benefits to our shareholders.

Turning to Slide 3. This combination solidifies our industry-leading financial profile. Over the trailing 12 months, the combined company has generated more than \$9 billion of annual revenue, with best-in-class gross margins, impressive operating margins and strong cash flow generation.

The combined company will have unique positioning, with 87% exposure to highly profitable, long-life B2B markets. About half of our revenue is derived from the industrial market, our most diverse segment across customers, products and applications; and feature sticky, long product life cycles.

Automotive is now our second largest segment, representing approximately 20% of revenue, and our in-cabin multimedia and electrification offerings represent approximately 85% of this particular segment's revenue. Communications will remain at high teens and is now more balanced across wireless and wireline infrastructure, and rounding out our portfolio as consumer, which becomes even more diverse with the addition of Maxim and represents 13% of revenue.

Looking at the right hand of the slide, our business model is underpinned by a diversity of products that support long and profitable life cycles. Not only do we have 75,000 SKUs, but about 80% of these products account for less than 0.1% of our revenue.

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Equally impressive is the longevity of our products. On average, our products have long life spans of 10 years or more. And in some cases, a product will ship for many, many decades. As we introduce new products to the market, it reinforces these recurring revenue streams that deliver cash flow for decades.

The diversity and longevity of our portfolio also reflects our commitment to continuous innovation over our combined 90-year history. It is these characteristics that create a high barrier to entry and a business model that is both resilient and rich with growth opportunities.

Now moving to Slide 4. Maxim not only increases the breadth and scale of our portfolio, but it also expands our capabilities to unlock new addressable SAM across secular growth trends, including Industry 4.0, digital health care, data centers, 5G communications and electrification and so on.

Now let me give you a few examples. First, the area of power management is particularly important, as power is the largest and fastest growing analog subsector. And with increasing design complexity and the need for better efficiency, our customer system power challenges are rising across all markets.

Maxim's primarily application focused offerings are highly complementary with ADI's general purpose or catalog power portfolio, adding new opportunities across all of our markets. Together, we have a more comprehensive power portfolio with over \$2 billion of annual revenue.

We're also expanding our addressable markets in automotive, data center and health care, to name just a few. In automotive, for example, ADI was already the leader in BMS and driving meaningful growth. Maxim expands our capabilities into 48 volts, while adding key OEMs globally. All told, our BMS franchise almost doubles in size, and we now sell to 7 of the top 10 OEMs.

The combination also creates a leader in in-cabin connectivity with Maxim's GMSL technology and ADI's A2B audio franchise. This expanded portfolio will allow us to design solutions optimized for bandwidth, latency and power used in an array of applications, including radar, camera, display and audio systems.

In communications, most of you know ADI for our wireless capabilities and our strong position in RF signal chains. Maxim has balance to this segment, increasing the breadth of our optical connectivity offerings. Together, our portfolio now covers shorter reach optical data path within [Server X] as well as medium and longer reach optical control across carrier networks and data centers.

Maxim also adds a new vector of growth with its power management solutions for cloud processors and accelerators. Momentum is just beginning with a strong pipeline across traditional customers as well as disruptors.

And in digital health care, where we are leaders in precision electronics and signal processing, Maxim will extend this further with a wide suite of wellness focused vital signs monitoring technology, including optical, biopotential and bioimpedance. Together, we'll be able to provide customers with more complete and higher-value system-level product offerings.

So stepping back, this combination increases our capabilities, expands our SAM across our applications and gives us new avenues to grow this business profitably. Our future as one is bright, indeed, and full of endless opportunities.

And with that, I'll pass it over to Prashanth.

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

Thank you, Vince. Let me add my welcome to our investor call this morning.

Before delving into our new capital allocation model on Slide 5, I want to first review the execution against our previous capital allocation objectives since we closed LTC in March of 2017.

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As you may recall, we used debt to help finance the LTC deal, taking ADI from a net cash position to a net debt position. Subsequently, we committed to a capital allocation policy that called for 100% free cash flow return after debt reduction. Our goals were: first, to continue growing the dividend; next, reduce debt quickly to achieve a 2x leverage ratio; and then repurchase shares.

From the third quarter of fiscal 2017, which was our first full quarter with LTC, to the third quarter of fiscal '21, we generated \$7.8 billion in cumulative free cash flow. Over the same period, we reduced our net debt by \$3.5 billion, significantly lowering our leverage ratio from 3x to 1.2.

We also paid \$3.4 billion in dividends, which grew at an 11% CAGR. Additionally, we repurchased \$1.6 billion worth of shares. This \$5 billion of capital returned to shareholders equates to 120% of free cash flow after debt reduction, exceeding our initial objective.

Now let me discuss our new capital allocation outlook following our acquisition of Maxim. We expect to return 100% of free cash flow going forward, balanced between steadily growing dividends with a target payout of 40% to 60% of free cash flow as well as quarterly share repurchases. Unlike the previous few years, we do not intend to reduce our debt. Instead, we will refinance existing obligations as they come due.

In addition to returning all free cash flow, we will also return excess cash on our balance sheet, which largely comes from Maxim given their strong net cash position. We will be delivering this excess cash via a \$2.5 billion accelerated share repurchase, or ASR, program that we announced last night.

Moving on to Slide 6. Recently, we announced that we are significantly expanding the total share repurchase authorization to approximately \$10 billion. To help investors understand the level of repurchases over the medium term, we are committing to repurchase at least \$5 billion or more than 5% of our current market cap by the end of calendar year '22. Half of the \$5 billion will be achieved through the ASR, with the other half funded through free cash flow generation.

After delivering on this commitment, we will have approximately \$5 billion left under the authorization, an amount we anticipate executing by the end of 2024. All in all, these actions reflect the strength of our balance sheet and our ability to generate robust and sustainable cash flow.

Now moving on to our updated view on accretion on Slide 7. When we announced the deal, we expected to realize \$275 million in cost savings within the first 2 years and an adjusted earnings accretion within 18 months. Based on our current expectations, we now anticipate the deal will be low single-digit accretive to adjusted earnings by the fourth quarter of '22, 6 months ahead of our initial outlook.

We expect the impact of the acquisition to be neutral to adjusted EPS in fiscal '22, as we realize over 40% of our Phase 1 cost synergies. We expect the remaining synergy to be completed during fiscal '23, and this is a testament to our exceptional integration work that was completed over the last year and the strong business fundamentals.

Capturing these savings and executing on our capital allocation objectives is Phase 1 of our value creation program for shareholders. Phase 2 will begin in fiscal 2024 and will be focused on additional efficiencies from infrastructure optimization. And lastly, Phase 3, beginning in fiscal '25, will include revenue synergies, which take a few years given the duration of design and production cycles.

As Vince mentioned, we see attractive cross-selling and co-design opportunities for the combined portfolios that should accelerate top line growth over the long term.

As you can see on Slide 8, we lay out a pro forma view of the combined entity. And while these metrics are backward-looking, an important takeaway is that with the targeted synergies, our industry-leading financials get even stronger.

On a pro forma basis, including synergies, ADI is significantly larger, more profitable, less levered and generates more than \$3 billion of cash flow. Looking to the future, we see a path to building an even stronger financial profile, with revenue potential well north of \$10 billion and upwards of 40% free cash flow margins.

Now let me pass it back to Vince for his closing remarks.

**Vincent T. Roche** - Analog Devices, Inc. - President, CEO & Director

Thanks, Prashanth. So in closing, I'm delighted to welcome the Maxim team who share our passion for solving our customers' most complex engineering problems. There's already a lot of work being done on integration, as Prashanth said, and we've made great progress, giving us the confidence to pull forward accretion timing. Importantly, as the market leader in innovating at the edge, we have a unique role bridging the physical and digital worlds.

Now with more than 10,000 engineers and the increased breadth and depth of our best-in-class technologies, we're even better positioned to own this space at the edge and develop more complete cutting-edge solutions for our customers.

Together, we will drive the next waves of analog semiconductor innovation and growth, while engineering a healthier, safer and more sustainable future for us all.

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

Thanks, Vince. Now let's get to our Q&A session. (Operator Instructions) With that, we'll have our first question, please.

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) Your first question comes from the line of John Pitzer with Credit Suisse.

**John William Pitzer** - Crédit Suisse AG, Research Division - MD, Global Technology Strategist and Global Technology Sector Head

Congratulations. Vince, the high-class problem that everyone is suffering from is just very tight supply right now, and ADI core has been offsetting that by increasing CapEx. When I look at Maxim, their capital spending over the last 12 months seem to be sort of below everybody else in the industry.

Help us understand how we should think about sequential growth from Maxim from here in light of the tight supply. And I'm curious as to whether a constrained growth environment for Maxim due to supply is the reason why accretion doesn't seem to be that aggressive of a target to set. And I guess, as a quick follow-on there, does the accretion targets you're talking about include or exclude the buyback?

**Vincent T. Roche** - Analog Devices, Inc. - President, CEO & Director

Yes. Thanks, John. So yes, there's no doubt that Maxim right now is a bit more constrained than ADI. But over the last few quarters, they've been working diligently to add more capacity in both the front ends and back ends. And we expect -- we're prepared to inject the additional capital required to enable us to kind of expand the footprint of the front- and back-end capacity.

So what I expect, John, is that over the coming quarters, we're going to see output increase from the Maxim part of the franchise. So -- but all this said, we still believe, as Prashanth said, that the combined company is going to be accretive by the fourth quarter of '22, 6 months ahead of our time line. And we expect during the course of '23, the accretion to accelerate.

So I think we've comprehended all the factors in terms of understanding the accretion factor for the company, so perhaps there's a bit of upside as we increase the output of the Maxim franchise.

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

And John, it does include the buyback, to your last part, in the accretion, we all -- Prashanth outlined on his script.

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**Operator**

Your next question comes from Vivek Arya with Bank of America.

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**Vivek Arya** - *BofA Securities, Research Division - Director*

I think one of the more interesting aspects that you're showing in the presentation is the ability to get to 40% free cash flow margins. If I'm looking at my model, I think with ADI, the average was closer to 30%. And I think the slides mentioned that you can get there at the \$10 billion-plus annual revenue.

I mean, you will probably already be there in the next fiscal year. So does it mean that we get to that 40% number if you are at that revenue next fiscal year? And then kind of part B of that is, is there a ceiling to that? What if revenues get to \$10.5 billion or \$11 billion, is there more room for improvement on a free cash flow margin perspective?

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

Yes. Vivek, thank you for the question. So let's clarify. We -- what I said in the prepared remarks is we have a path that we see that is going to take us well beyond 10 with the growth of the underlying business and continued leverage that will allow us to increase our operating cash flow to get to that 40%, and I expect that we'll even be able to push beyond that. Those 2 are not directly related.

Where that cash flow road map comes from is really the -- as we drive these cost synergies, we're going to be able to maintain our investor model of 70% plus, be able to move the top line at that mid- to high single digits. And then as Vince has said consistently over the last several years, we spent a very sizable amount on R&D. We don't need to increase that R&D spend, and that leverage will carry through to more cash flow. So that's how you should think about the road map to 40%.

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

One point, Vivek, also, given we talked about the supply constraints from the first question, you can expect CapEx for the combined company to be above our long-term model next year as well, which will be "drag" on free cash flow, but unlock more revenue opportunities for us in the future.

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**Operator**

Your next question is from Ambrish Srivastava with BMO.

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**Ambrish Srivastava** - *BMO Capital Markets Equity Research - MD of Semiconductor Research & Senior Research Analyst*

Actually, Mike, you started addressing my question. A great presentation, a lot of details. What about capital intensity? And kind of related to that, Vince and Prashanth, 200 millimeter, and now that you have such a much bigger scale than you had before, would you be looking at what TI has done and the impact -- positive impact that has had to their business model, i.e., going towards the 300 millimeter manufacturing capability internally?

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

Let me take the first part of that, which is how should you think about modeling the capital expenditure. So you can expect that, as John asked and Vince replied, Maxim is a bit more constrained than maybe some other players in the industry given they did not add capital at the same extent that we have in some others. So that will be a catch-up on our part that we're going to need to address in the coming quarters to improve their capacity and remove that constraint given where the industry's demand is.

So as Mike said, you should be modeling in capital expenditures probably for the next fiscal year above our 4% target. But we do feel longer term, once adequate investment has been made in the back end there, that we will be able to get leverage as this company continues to grow and not have CapEx continue to scale at that 4% number.

The question on 300 millimeter is a bit more strategic, so let me pass that one to Vince.

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**Vincent T. Roche** - *Analog Devices, Inc. - President, CEO & Director*

Thanks, Prashanth. So Ambrish, your question about 300 millimeter and does it make sense inside ADI, we have a hybrid manufacturing model on both the front ends and back ends. And if you look at our business, it's highly diversified with more than 100,000 customers. And as I said on the call, we've now got 75,000 product SKUs, and we use many, many hundreds of different process recipes.

It's true to say that the majority of our products don't need 12-inch wafers. We play largely on, what would be called, legacy nodes or trailing edge nodes. And given our high mix, low volume, what we need is diversity of recipes rather than concentrate recipes and scale rather than focus on one particular or a couple of nodes with one particular geometry.

So we've -- with our hybrid model, we've been able to generate gross margins above 70%, and we get that through innovation. We play at the leading edge, as you know, and also the sheer diversity of the portfolio.

But specifically on 300 millimeters, where it makes sense and it brings an advantage in some way, it is something we already use, and we source that from external partners. So this tends to be on higher volume parts with a lot of integrated digital. So right now, I think the model that we have of external use of 300 millimeter on the more advanced nodes is sufficient for ADI.

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**Operator**

Your next question is from C.J. Muse with Evercore ISI.

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**Christopher James Muse** - *Evercore ISI Institutional Equities, Research Division - Senior MD, Head of Global Semiconductor Research & Senior Equity Research Analyst*

And excellent presentation. Wanted to clarify on the higher capital intensity. Is that just something we should be thinking about for the next 12 months? Or is that something that we should think about as being sustainably higher for more than 12 months?

And then as my primary question, you talked about reaching net leverage of 1x post the ASR, but I believe your target still remains 1.5x. So clearly, with the return of 100% free cash flow, the net debt line item will remain, but, at the same time, EBITDA should move higher.

So curious how we should think about the interplay there and whether we should be thinking at a certain point in time where you will be thinking about adding more leverage to the balance sheet.



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

Great. Thank you, C.J. I'm going to clarify what I said earlier if it wasn't clear that the CapEx spend for the coming fiscal is likely to be above our long-term model of 4%. But we absolutely expect that as this enterprise grows, we will not need to continue to maintain a 4% of revenue target, and that you should see the efficiency that you get with scale against that number, which will be accretive to cash flow.

On the question of leverage, we have set the -- kind of our -- maintain our target ratio of around 1.5 turns. Clearly, we are going to be well below that until we finish the ASR. And frankly, I expect that we will probably be below that for some period of time.

That is the model that we want both our fixed income folks as well as our equity investors to be understanding that we're comfortable with, and there will be times we're going to be above and below that level. But at a steady state balance sheet, that's sort of how we think about it.

And on a go-forward basis, we're thinking of keeping about \$1.5 billion of cash on the balance sheet, but that can also fluctuate as we see opportunities for share repurchase.

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### Operator

Your next question is from Harlan Sur with JPMorgan.

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**Harlan Sur** - JPMorgan Chase & Co, Research Division - Senior Analyst

As a follow-up to John's question and Ambrish's question, Maxim's manufacturing mix was very complementary to ADI's in that Maxim's outsourced about 75%, 80% of their wafers versus analog that has about a 50-50 mix of in-sourced versus outsourced.

So Maxim has its Beaverton, Oregon 8-inch fab. And over time, I think to get to the upper end of their gross margin range, they were going to build out Beaverton and move the mix more toward in-source manufacturing because I think it did give them a 15%, 20% lower cost in Oregon versus their outsourced wafer costs.

So given that there, I think, is more room to expand in Oregon, could the Analog team further expand or again to take advantage of the lower cost profile? I mean, this would still give you the benefit of lower manufacturing cost over time without moving to 300 millimeter.

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**Vincent T. Roche** - Analog Devices, Inc. - President, CEO & Director

Yes. It's a good question. Thank you. So the Beaverton, Oregon fab is about 0.18 micron technology. It's a very, very important node for ADI across multiple parts of our business. In fact, all the market sectors we address use 0.18 micron technology.

So Beaverton right now does have excess clean room space. And it is a node, as I said, of great interest to us, and we do intend to inject capital into that fab to greatly increase the capability of ADI to generate products from that 0.18 micron technology.

So yes, I think what you're pointing out is important, and it also gives us the opportunity to bring the mix more internally and balance with the external mix. So that's really -- that's all I've got to say on that, but I think it's an important question and something that we've thought about and are already acting on.

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

Yes. Let -- maybe for some of the Maxim shareholders who may be new to the ADI model, we -- ADI legacy was about 50-50 internal versus external, and Maxim was about 80% external. So on a combined basis, we'll be 60-40 or we are today, I guess, at a -- now that we combined 60-40.

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So just following up on what Vince said, if we choose to continue to invest in the existing facilities, we have the potential to kind of move back to a 50-50 internal, external. But as we've said all along, and Vince mentioned in the earlier response, we like the flexibility of an internal and external model. It helps us address the high variety of SKUs that we have, while still giving us access to the high runner at 300 millimeter where it makes sense.

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### Operator

Your next question comes from the line of Tore Svanberg with Stifel.

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### Tore Egil Svanberg - Stifel, Nicolaus & Company, Incorporated, Research Division - MD

And congratulations on closing the deal. I had a question on the distribution strategy going forward. The 2 companies use 2 different global distributors. I'm just wondering what the strategy is going to be there going forward.

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### Vincent T. Roche - Analog Devices, Inc. - President, CEO & Director

Yes. Thanks, Tore. So well, as you know, given the business mix that ADI has got with such diversity of customers and products and applications, we've always viewed our channel activity as a very important part of our go-to-market strategy and, in particular, in dealing with our kind of mid-sized and long-tail customers, and that isn't going to change.

So as we've always done, when we've made the acquisitions, we will assess the best path forward for us. And our goal really is to reach and support as many customers as possible, while capturing as much value as we possibly can.

So there certainly will be some -- we have a global footprint, but we do plan to harmonize, obviously, our distribution partner set-up, and the savings that Prashanth referred to on our \$275 million of synergy has already been factored in.

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### Operator

Your next question comes from the line of Chris Danely with Citi.

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

Congratulations on the merger, and thanks for getting the arbs off of our back. Can you just talk about the overlap between ADI and Maxim, particularly the linear portion of ADI and Maxim? And as part of that, maybe talk about what the expectations would be for the relative growth rate of Maxim versus ADI?

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### Vincent T. Roche - Analog Devices, Inc. - President, CEO & Director

Yes. Thanks, Chris. So first and foremost, if you just contrast, compare Maxim and LTC, LTC was largely, what I would call -- it was a long-tailed focused franchise, so primarily catalog and lots of fragmentation on the product portfolio. While Maxim, over the last kind of 6, 7, 8 years tilted the company more towards application-specific solutions for the new product development side of things.

So really, what we have is we've got the best of both worlds. We've got a power franchise, for example, from LT that covers the broad tail. We've been successfully moving more of the LTC franchise to connect with some of our key applications thrust in areas like automotive and industrial. But I think what Maxim brings is, particularly in areas like automotive, data center and parts of our industrial franchise, a more integrated form of product offering for power and mixed signal technologies that complement ADI.

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The other interesting thing about the combination of Maxim and ADI is that we've almost no overlapping products in the franchise, and that 75,000 product SKUs, there's almost no pin-for-pin replacements in that franchise. So the diversity has increased, and we're going to be able to bring Maxim, I think, to more areas, for example, of the industrial space, where I think the franchise was underweight.

And look, we said when we acquired LT as well, we expected to be able to double the growth rate of that franchise, which we have done. And I expect Maxim to be able to get into -- as we're also getting the consumer headwinds behind us now at this point in time with the Maxim consumer part of the franchise, my expectation is we'll get the growth rate into a sustainable kind of mid- to high single digits for the franchise.

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

Chris, it's Prashanth. Maybe a way to size that is on a trailing 12, the combined business is just a hair over 9, with about 2.4 of that in power. And as Vince has said several times, power is the fastest-growing segment of the analog business. So we're really well set up here as the future unfolds.

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**Operator**

Your next question is from Stacy Rasgon with Bernstein Research.

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

I wanted to ask you about the accretion. So low single digit by the end of '22 Q4, but neutral for the full year implies that it's not very dilutive in the rest to it all. And I guess, given that and given the pull forward in the accretion targets, what drives that pull forward?

Is that a function more faster-than-expected share count reduction? Or is it a function more of a faster capture synergies versus your initial expectations or what? What's actually driving the synergy pull forward?

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

Yes. Actually, Stacy, it's both versus the initial model because we had a bit more time to prepare for the synergies that we are expecting. Because the regulatory process took so long, we're able to hit the ground running harder. And we've got John (sic) [Joseph] Hassett leading a team to help us execute against those synergies very quickly.

So we're pulling in the timing of how quickly we're able to hit those savings numbers, and part of our negotiation with Maxim was a suspension of their dividend, which allowed for cash to really build on their balance sheet. And now we're putting all that to work as we announced last night in taking the share count down, so both the numerator is improving and the denominator is getting smaller on the share count. So together, we're getting to accretion faster.

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**Operator**

Your final question comes from the line of Toshiya Hari with Goldman Sachs.

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**Toshiya Hari** - *Goldman Sachs Group, Inc., Research Division - MD*

I had 2 quick ones related to Slide 7, the time line chart. Prashanth, you talked about additional efficiencies from infrastructure optimization in fiscal year '24 and '25. You talked about leveraging Maxim's Oregon facility.

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I'm curious, is that primarily in terms of the driver there? Or are you guys thinking about potential fab closures as was the case with Linear? And if so, what are the potential cost synergies there?

And then on revenue synergies, Vince, I realized it takes years to materialize revenue synergies. But based on what you know and the early feedback from customers, which applications, which end markets are you most excited about as it relates to the opportunity set there?

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

Yes. Thanks, Toshi. Let me take the Phase 2 and Vince can talk to Phase 3. So just like we did with Linear, we're expecting to increase our synergy targets over time as we get more into the business. There's a lot of planning that's involved in those decisions. And particularly, given the demand environment we're in, it's a little more challenging to talk about optimizing (inaudible) until we have a better sense of the sustainability of the demand and what we can actually build out.

So I'm not going to say more about Phase 2. We are planning a Investor Day in the early part of calendar year '22. So at that point, we'll be able to share more. But you're thinking about it conceptually right. But at this point, we're not sharing any details.

And I'll let Vince talk to the revenue synergies, which we're finding very encouraging.

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**Vincent T. Roche** - *Analog Devices, Inc. - President, CEO & Director*

Yes. Toshiya, so I think the way to think about -- based on our experience and based on our knowledge of the Maxim portfolio and where the momentum is from a product availability and pipeline standpoint, I think within 2 to 3 years, we're going to see measurable gains in communications, automotive and consumer.

And then I think we have to look at industrial as kind of a 3-year-plus proposition to really see meaningful revenue synergies. So that's the breakdown, and I think the power of the 2 sales teams that we have, we've got of well over 1,000 field people out there with the best applications force in the industry to point at our customers. I'm expecting that we'll make the kind of headway that I've just outlined here.

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

Thanks, Toshiya, and thanks, everyone, for joining our call this morning. A copy of the transcript will be available on our website, and all available reconciliations and additional information can also be found there.

Thanks for joining us and your continued interest in ADI. Have a good day.

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**Operator**

This concludes today's Analog Devices conference call. You may now disconnect.

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