UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 31, 2021
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from_______to_______
Commission File No. 1-7819

Analog Devices, Inc.

(Exact name of registrant as specified in its charter)

Massachusetts	**04-2348234**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
One Analog Way, Wilmington, MA	**01887**
(Address of principal executive offices)	*(Zip Code)*

(781) 329-4700
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock $0.16 2/3 par value per share	ADI	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of July 31, 2021 there were 368,214,341 shares of common stock of the registrant, $0.16 2/3 par value per share, outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	Three Months Ended		Nine Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Revenue	$ 1,758,853	$ 1,456,136	$ 4,978,718	$ 4,076,761
Cost of sales	537,669	483,558	1,575,526	1,409,367
Gross margin	1,221,184	972,578	3,403,192	2,667,394
Operating expenses:				
Research and development	306,617	260,794	897,005	770,280
Selling, marketing, general and administrative	206,076	153,753	597,963	494,808
Amortization of intangibles	107,783	107,077	323,217	321,448
Special charges, net	(8,938)	31,830	(8,189)	44,286
	611,538	553,454	1,809,996	1,630,822
Operating income:	609,646	419,124	1,593,196	1,036,572
Nonoperating expense (income):				
Interest expense	44,659	45,914	130,204	144,712
Interest income	(300)	(504)	(799)	(3,778)
Other, net	(6,991)	685	(21,090)	1,331
	37,368	46,095	108,315	142,265
Income before income taxes	572,278	373,029	1,484,881	894,307
Provision for income taxes	68,967	10,364	170,146	60,072
Net income	$ 503,311	$ 362,665	$ 1,314,735	$ 834,235
Shares used to compute earnings per common share – basic	368,476	368,791	368,834	368,417
Shares used to compute earnings per common share – diluted	371,849	372,003	372,457	371,857
Basic earnings per common share	$ 1.37	$ 0.98	$ 3.56	$ 2.26
Diluted earnings per common share	$ 1.35	$ 0.97	$ 3.53	$ 2.24

See accompanying notes.

ANALOG DEVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(in thousands)

	Three Months Ended		Nine Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Net income	$ 503,311	$ 362,665	$ 1,314,735	$ 834,235
Foreign currency translation adjustments	(2,952)	7,257	5,073	197
Change in fair value of derivative instruments designated as cash flow hedges (net of taxes of $10,657, $1,437, $6,452 and $26,503, respectively)	(40,040)	(1,605)	19,853	(83,016)
Changes in pension plans, net actuarial loss and foreign currency translation adjustments (net of taxes of $85, $168, $257 and $485, respectively)	964	(1,579)	(408)	68
Other comprehensive (loss) income	(42,028)	4,073	24,518	(82,751)
Comprehensive income	$ 461,283	$ 366,738	$ 1,339,253	$ 751,484

See accompanying notes.

ANALOG DEVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands, except share and per share amounts)

	July 31, 2021	October 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,480,701	$ 1,055,860
Accounts receivable	823,163	737,536
Inventories	657,520	608,260
Prepaid expenses and other current assets	129,071	116,032
Total current assets	3,090,455	2,517,688
Property, Plant and Equipment, at Cost		
Land and buildings	954,125	974,604
Machinery and equipment	2,825,698	2,667,846
Office equipment	89,399	85,291
Leasehold improvements	160,983	157,915
	4,030,205	3,885,656
Less accumulated depreciation and amortization	2,856,531	2,765,095
Net property, plant and equipment	1,173,674	1,120,561
Other Assets		
Other investments	105,562	86,729
Goodwill	12,278,898	12,278,425
Intangible assets, net	3,248,802	3,650,280
Deferred tax assets	1,425,293	1,503,064
Other assets	318,506	311,856
Total other assets	17,377,061	17,830,354
	$ 21,641,190	$ 21,468,603
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 265,933	$ 227,273
Income taxes payable	233,055	182,080
Debt, current	1,324,677	—
Accrued liabilities	969,677	955,633
Total current liabilities	2,793,342	1,364,986
Non-current liabilities		
Long-term debt	3,824,819	5,145,102
Deferred income taxes	1,776,308	1,919,595
Income taxes payable	529,057	591,780
Other non-current liabilities	453,701	449,195
Total non-current liabilities	6,583,885	8,105,672
Commitments and contingencies	—	—
Shareholders' Equity		
Preferred stock, $1.00 par value, 471,934 shares authorized, none outstanding	—	—
Common stock, 0.16 2/3 par value, 1,200,000,000 shares authorized, 368,214,341 shares outstanding (369,484,899 on October 31, 2020)	61,370	61,582
Capital in excess of par value	4,614,677	4,949,586
Retained earnings	7,812,859	7,236,238
Accumulated other comprehensive loss	(224,943)	(249,461)
Total shareholders' equity	12,263,963	11,997,945
	$ 21,641,190	$ 21,468,603

See accompanying notes.

ANALOG DEVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(in thousands)

	Three Months Ended July 31, 2021				
	Common Stock		Capital in Excess of	Retained	Accumulated Other Comprehensive
	Shares	Amount	Par Value	Earnings	Loss
BALANCE, MAY 1, 2021	368,827	$ 61,472	$ 4,724,493	$ 7,564,054	$ (182,915)
Net income				503,311	
Dividends declared and paid - $0.69 per share				(254,506)	
Issuance of stock under stock plans and other	396	66	11,610		
Stock-based compensation expense			41,687		
Other comprehensive loss					(42,028)
Common stock repurchased	(1,009)	(168)	(163,113)		
BALANCE, JULY 31, 2021	368,214	$ 61,370	$ 4,614,677	$ 7,812,859	$ (224,943)

	Nine Months Ended July 31, 2021				
	Common Stock		Capital in Excess of	Retained	Accumulated Other Comprehensive
	Shares	Amount	Par Value	Earnings	Loss
BALANCE, OCTOBER 31, 2020	369,485	$ 61,582	$ 4,949,586	$ 7,236,238	$ (249,461)
Net income				1,314,735	
Dividends declared and paid - $2.00 per share				(738,114)	
Issuance of stock under stock plans and other	2,040	340	55,008		
Stock-based compensation expense			118,683		
Other comprehensive income					24,518
Common stock repurchased	(3,311)	(552)	(508,600)		
BALANCE, JULY 31, 2021	368,214	$ 61,370	$ 4,614,677	$ 7,812,859	$ (224,943)

See accompanying notes.

ANALOG DEVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(in thousands)

	Three Months Ended August 1, 2020				
	Common Stock		Capital in Excess of	Retained	Accumulated Other Comprehensive
	Shares	Amount	Par Value	Earnings	Loss
BALANCE, MAY 2, 2020	368,425	$ 61,405	$ 4,861,013	$ 6,945,442	$ (277,002)
Net income				362,665	
Dividends declared and paid - $0.62 per share				(228,798)	
Issuance of stock under stock plans and other	892	149	26,704		
Stock-based compensation expense			39,560		
Other comprehensive income					4,073
Common stock repurchased	(151)	(25)	(17,626)		
BALANCE, AUGUST 1, 2020	369,166	$ 61,529	$ 4,909,651	$ 7,079,309	$ (272,929)

	Nine Months Ended August 1, 2020				
	Common Stock		Capital in Excess of	Retained	Accumulated Other Comprehensive
	Shares	Amount	Par Value	Earnings	Loss
BALANCE, NOVEMBER 2, 2019	368,302	$ 61,385	$ 4,936,349	$ 6,899,253	$ (187,799)
Effect of Accounting Standards Update 2018-02				2,379	(2,379)
Net income				834,235	
Dividends declared and paid - $1.78 per share				(656,558)	
Issuance of stock as charitable contribution	336	56	39,944		
Issuance of stock under stock plans and other	2,730	455	57,295		
Stock-based compensation expense			112,961		
Other comprehensive loss					(82,751)
Common stock repurchased	(2,202)	(367)	(236,898)		
BALANCE, AUGUST 1, 2020	369,166	$ 61,529	$ 4,909,651	$ 7,079,309	$ (272,929)

See accompanying notes.

ANALOG DEVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Nine Months Ended	
	July 31, 2021	**August 1, 2020**
Cash flows from operating activities:		
Net income	$ 1,314,735	$ 834,235
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	158,937	176,722
Amortization of intangibles	436,734	431,985
Stock-based compensation expense	118,683	112,961
Gain on sale of property, plant and equipment	(13,557)	—
Deferred income taxes	(72,578)	(42,802)
Non-cash contribution to charitable foundation	—	40,000
Other	(14,965)	5,675
Changes in operating assets and liabilities	(133,644)	(222,887)
Total adjustments	479,610	501,654
Net cash provided by operating activities	1,794,345	1,335,889
Cash flows from investing activities:		
Proceeds from other investments	22,215	—
Additions to property, plant and equipment	(212,899)	(135,804)
Proceeds from sale of property, plant and equipment	35,714	—
Payments for acquisitions, net of cash acquired	(24,950)	(12,763)
Changes in other assets	(3,360)	(1,214)
Net cash used for investing activities	(183,280)	(149,781)
Cash flows from financing activities:		
Proceeds from debt	—	395,646
Proceeds from revolver	—	350,000
Payments on revolver	—	(350,000)
Debt repayments	—	(300,000)
Dividend payments to shareholders	(738,114)	(656,558)
Repurchase of common stock	(509,152)	(237,265)
Proceeds from employee stock plans	55,348	57,750
Changes in other financing activities	1,952	(4,015)
Net cash used for financing activities	(1,189,966)	(744,442)
Effect of exchange rate changes on cash	3,742	276
Net increase in cash and cash equivalents	424,841	441,942
Cash and cash equivalents at beginning of period	1,055,860	648,322
Cash and cash equivalents at end of period	$ 1,480,701	$ 1,090,264

See accompanying notes.

Note 1 – Basis of Presentation

In the opinion of management, the information furnished in the accompanying condensed consolidated financial statements reflects all normal recurring adjustments that are necessary to fairly state the results for these interim periods and should be read in conjunction with Analog Devices, Inc.'s (the Company) Annual Report on Form 10-K for the fiscal year ended October 31, 2020 (fiscal 2020) and related notes. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for the fiscal year ending October 30, 2021 (fiscal 2021) or any future period.

The Company has a 52-53 week fiscal year that ends on the Saturday closest to the last day in October. Certain amounts reported in previous periods have been reclassified to conform to the fiscal 2021 presentation.

Proposed acquisition of Maxim Integrated Products, Inc.

On July 12, 2020, the Company entered into a definitive agreement (the Merger Agreement) to acquire Maxim Integrated Products, Inc. (Maxim), an independent manufacturer of innovative analog and mixed-signal products and technologies. See Note 14, *Acquisitions*, for additional information.

Note 2 – Stock-Based Compensation and Shareholders' Equity

A summary of the Company's stock option activity as of July 31, 2021 and changes during the nine-month period then ended is presented below:

	Options Outstanding (in thousands)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Options outstanding at October 31, 2020	4,192	$70.73		
Options granted	644	$145.04		
Options exercised	(875)	$63.18		
Options forfeited	(36)	$87.18		
Options expired	(6)	$40.69		
Options outstanding at July 31, 2021	3,919	$84.53	5.7	$324,862
Options exercisable at July 31, 2021	2,511	$66.15	4.3	$254,262
Options vested or expected to vest at July 31, 2021 (1)	3,816	$83.41	5.7	$320,532

(1) In addition to the vested options, the Company expects a portion of the unvested options to vest at some point in the future. The number of options expected to vest is calculated by applying an estimated forfeiture rate to the unvested options.

In the first quarter of fiscal 2021, the Company issued a special performance stock option award to the Company's chief executive officer. The performance stock option award is exercisable for up to 460,000 shares of the Company's common stock (the Target Number of Shares) at an exercise price per share of $144.06, which was the closing price of the Company's common stock on the date of grant, and vests subject to the satisfaction of certain target stock price thresholds during a five-year period, measured on the basis of the average of the closing prices of the Company's common stock over 70 consecutive trading days. The actual number of shares that will become exercisable will range from 0% to a maximum of 100% of the Target Number of Shares based on the attainment of such target stock price thresholds at any time during a five-year period from December 15, 2020 to December 15, 2025. The grant date fair value of the award was calculated using the Monte Carlo simulation model which utilizes multiple input variables that determine the probability of satisfying the performance conditions stipulated in the award to calculate the fair market value. The Monte Carlo simulation model also uses stock price volatility and other variables to estimate the probability of satisfying the performance conditions, including the possibility that the market condition may not be satisfied, and the resulting fair value of the award.

During the nine-month periods ended July 31, 2021 and August 1, 2020, the total intrinsic value of options exercised (i.e., the difference between the market price at exercise and the price paid by the employee to exercise the options) was $79.1 million and $61.7 million, respectively.

A summary of the Company's restricted stock unit/award activity as of July 31, 2021 and changes during the nine-month period then ended is presented below:

	Restricted Stock Units/ Awards Outstanding (in thousands)	Weighted-Average Grant-Date Fair Value Per Share
Restricted stock units/awards outstanding at October 31, 2020	3,637	$91.54
Units/Awards granted	1,034	$143.88
Restrictions lapsed	(1,160)	$89.08
Forfeited	(163)	$100.74
Restricted stock units/awards outstanding at July 31, 2021	3,348	$107.70

In the first half of fiscal 2021, the Company issued approximately 121,000 performance-based restricted stock units (Maxim Integration PRSUs) related to the Company's planned acquisition of Maxim to a select group of employees. The number of Maxim Integration PRSUs that may be earned will range from 0% to a maximum of 200% of the issued amount of Maxim Integration PRSUs and will be determined according to the achievement of certain performance metrics. Any shares earned will vest on the 60th day following the two-year anniversary of the closing of the Maxim acquisition. If the Maxim acquisition does not close, the awards will be cancelled. The grant date fair value of these awards were calculated using the value of the Company's common stock on the date of grant, reduced by the present value of dividends expected to be paid on the Company's common stock prior to vesting. The grant-date fair value of these awards is also impacted by the number of units that are expected to vest during the performance period and is adjusted through the related stock-based compensation expense at each reporting period based on the probability of achievement of that performance condition.

As of July 31, 2021, there was $337.9 million of total unrecognized compensation cost related to unvested stock-based awards comprised of stock options and restricted stock units/awards. That cost is expected to be recognized over a weighted-average period of 1.4 years. The total grant-date fair values of awards that vested during the nine-month periods ended July 31, 2021 and August 1, 2020 were approximately $114.7 million and $157.9 million, respectively.

Total stock-based compensation expense recognized was as follows:

	Three Months Ended		Nine Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Cost of sales	$ 4,331	$ 4,508	$ 13,338	$ 13,428
Research and development	19,806	19,158	57,675	55,163
Selling, marketing, general and administrative	17,550	14,951	47,670	43,427
Special charges, net	—	943	—	943
Total stock-based compensation expense	$ 41,687	$ 39,560	$ 118,683	$ 112,961

As of July 31, 2021 and October 31, 2020, the Company capitalized $6.0 million and $5.8 million, respectively, of stock-based compensation in Inventories on the Condensed Consolidated Balance Sheets.

Common Stock Repurchases

As of July 31, 2021, the Company had repurchased a total of approximately 159.0 million shares of its common stock for approximately $6.7 billion under the Company's share repurchase program. As of July 31, 2021, an additional $1.4 billion remains available for repurchase of shares under the current authorized program. The Company also repurchases shares in settlement of employee tax withholding obligations due upon the vesting of restricted stock units/awards or the exercise of stock options. Future repurchases of common stock will be dependent upon the Company's financial position, results of operations, outlook, liquidity, and other factors deemed relevant by the Company.

Note 3 – Accumulated Other Comprehensive (Loss) Income

The following table provides the changes in accumulated other comprehensive (loss) income (AOCI) by component and the related tax effects during the first nine months of fiscal 2021.

	Foreign currency translation adjustment	Unrealized holding gains (losses) on derivatives	Pension plans	Total
October 31, 2020	$ (26,852)	$ (172,670)	$ (49,939)	$ (249,461)
Other comprehensive income (loss) before reclassifications	5,073	32,548	(2,396)	35,225
Amounts reclassified out of other comprehensive income (loss)	—	(6,243)	2,245	(3,998)
Tax effects	—	(6,452)	(257)	(6,709)
Other comprehensive income (loss)	5,073	19,853	(408)	24,518
July 31, 2021	$ (21,779)	$ (152,817)	$ (50,347)	$ (224,943)

The amounts reclassified out of AOCI into the Condensed Consolidated Statements of Income and the Condensed Consolidated Statements of Shareholders' Equity with presentation location during each period were as follows:

Comprehensive Income Component	Three Months Ended July 31, 2021	Three Months Ended August 1, 2020	Nine Months Ended July 31, 2021	Nine Months Ended August 1, 2020	Location
Unrealized holding losses (gains) on derivatives					
Currency forwards	$ (351)	$ (842)	$ (3,700)	$ (762)	Cost of sales
	(283)	(226)	(2,138)	640	Research and development
	28	(189)	(1,796)	895	Selling, marketing, general and administrative
Interest rate derivatives	464	464	1,391	1,392	Interest expense
	(142)	(793)	(6,243)	2,165	Total before tax
	(28)	79	505	(488)	Tax
Effect of Accounting Standards Update 2018-02	—	—	—	(2,379)	Retained earnings
	$ (170)	$ (714)	$ (5,738)	$ (702)	Net of tax
Amortization of pension components included in the computation of net periodic pension cost					
Actuarial losses	747	672	2,245	1,954	
	(85)	(168)	(257)	(485)	Tax
	$ 662	$ 504	$ 1,988	$ 1,469	Net of tax
Total amounts reclassified out of AOCI, net of tax	$ 492	$ (210)	$ (3,750)	$ 767	

Realized gains or losses on investments are determined based on the specific identification basis and are recognized in nonoperating expense (income). There were no material net realized gains or losses from the sales of available-for-sale investments during any of the fiscal periods presented.

Note 4 – Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended		Nine Months Ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Net Income	$ 503,311	$ 362,665	$ 1,314,735	$ 834,235
Basic shares:				
Weighted-average shares outstanding	368,476	368,791	368,834	368,417
Earnings per common share basic:	$ 1.37	$ 0.98	$ 3.56	$ 2.26
Diluted shares:				
Weighted-average shares outstanding	368,476	368,791	368,834	368,417
Assumed exercise of common stock equivalents	3,373	3,212	3,623	3,440
Weighted-average common and common equivalent shares	371,849	372,003	372,457	371,857
Earnings per common share diluted:	$ 1.35	$ 0.97	$ 3.53	$ 2.24
Anti-dilutive shares related to:				
Outstanding stock-based awards	645	384	502	487

Note 5 – Special Charges, net

The following table is a quarterly roll-forward from October 31, 2020 to July 31, 2021 of the employee separation and exit cost accruals established related to existing restructuring actions:

Accrued Restructuring	Closure of Manufacturing Facilities	Repositioning Action	Other Actions
Balance at October 31, 2020	$ 45,176	$ 20,774	$ 3,489
First quarter fiscal 2021 special charges	438	—	—
Severance and other payments	(1,950)	(8,128)	(333)
Effect of foreign currency on accrual	—	248	—
Balance at January 30, 2021	$ 43,664	$ 12,894	$ 3,156
Second quarter fiscal 2021 special charges	311	—	—
Severance and other payments	(5,769)	(2,767)	(270)
Effect of foreign currency on accrual	—	(44)	—
Balance at May 1, 2021	$ 38,206	$ 10,083	$ 2,886
Third quarter fiscal 2021 special charges	4,618	—	—
Severance and other payments	(15,949)	(2,178)	(219)
Effect of foreign currency on accrual	—	(24)	—
Balance at July 31, 2021	$ 26,875	$ 7,881	$ 2,667
Accrued liabilities	$ 26,875	$ 7,881	$ 2,667

Special charges, net, for the quarter ended July 31, 2021 was a net gain of $8.9 million, which included charges of $4.6 million related to the closure of the Company's manufacturing facilities reflected in the table above as well as a gain of $13.6 million related to the sale of the Company's Singapore test facility described further below.

Repositioning Action

The Company recorded special charges of $137.5 million on a cumulative basis through July 31, 2021, as a result of organizational initiatives to better align the global workforce with the Company's long-term strategic plan. Approximately $123.3 million of the total charges was for severance and fringe benefit costs in accordance with either the Company's ongoing benefit plan or statutory requirements for the impacted manufacturing, engineering and selling, marketing, general and administrative (SMG&A) employees. The remaining $14.2 million of the charges were recorded in the fiscal year ended November 2, 2019 (fiscal 2019) and related to the write-off of acquired intellectual property due to the Company's decision to discontinue certain product development strategies.

Closure of Manufacturing Facilities

The Company recorded net special charges of $46.8 million on a cumulative basis through July 31, 2021 as a result of its decision to consolidate certain wafer and test facility operations acquired as part of the acquisition of Linear Technology Corporation (Linear).

The special charges include severance and fringe benefit costs, in accordance with the Company's ongoing benefit plan or statutory requirements at foreign locations, one-time termination benefits for the impacted manufacturing, engineering and SMG&A employees and other exit costs. These one-time termination benefits are being recognized over the future service period required for employees to earn these benefits.

During the third quarter of fiscal 2021, the Company ceased production at its Hillview wafer fabrication facility located in Milpitas, California and determined that this facility met the held for sale criteria specified in Accounting Standards Codification (ASC) 360. See Note 6 - *Property, Plant and Equipment* for amounts reclassified.

During the third quarter of fiscal 2021, the Company completed the sale of its facility and certain equipment in Singapore, that were previously classified as held for sale, for approximately $35.7 million, which resulted in a gain of $13.6 million. Concurrent with the sale, the Company entered into a short-term lease agreement to leaseback a portion of the facility while it completes its transition of related operations to its facilities in Penang, Malaysia and the Philippines, as well as to its outsourced assembly and test partners, which is expected to be competed in the fiscal year ending October 29, 2022 (fiscal 2022).

Note 6 – Property, Plant and Equipment

During the third quarter of fiscal 2021, the Company ceased production at its Hillview wafer fabrication facility located in Milpitas, California and determined that this facility met the held for sale criteria specified in ASC 360. No write-down to fair value was required upon this designation, as the fair value of the asset group, less costs to sell, was greater than its carrying value. As shown below, this carrying value was reclassified from Property, plant and equipment to Prepaid expenses and other current assets upon designation and remains in Prepaid expenses and other current assets as of July 31, 2021.

Land and buildings	$ 42,608
Less accumulated depreciation and amortization	(13,634)
Net property, plant and equipment reclassified to Prepaid expenses and other current assets	$ 28,974

Note 7 – Segment Information

The Company designs, develops, manufactures and markets a broad range of integrated circuits. The Company operates and tracks its results in one reportable segment based on the aggregation of nine operating segments.

Revenue Trends by End Market

The following table summarizes revenue by end market. The categorization of revenue by end market is determined using a variety of data points including the technical characteristics of the product, the “sold to” customer information, the “ship to” customer information and the end customer product or application into which the Company’s product will be incorporated. As data systems for capturing and tracking this data and the Company's methodology evolves and improves, the categorization of products by end market can vary over time. When this occurs, the Company reclassifies revenue by end market for prior periods. Such reclassifications typically do not materially change the sizing of, or the underlying trends of results within, each end market.

	Three Months Ended				
	July 31, 2021			August 1, 2020	
	Revenue	% of Revenue*	Y/Y%	Revenue	% of Revenue*
Industrial	$ 1,001,867	57 %	29 %	$ 778,361	53 %
Communications	288,743	16 %	(21) %	363,304	25 %
Automotive	290,077	16 %	80 %	161,489	11 %
Consumer	178,166	10 %	16 %	152,982	11 %
Total revenue	**$ 1,758,853**	**100 %**	**21 %**	**$ 1,456,136**	**100 %**

	Nine Months Ended				
	July 31, 2021			August 1, 2020	
	Revenue	% of Revenue*	Y/Y%	Revenue	% of Revenue*
Industrial	$ 2,829,648	57 %	30 %	$ 2,184,413	54 %
Communications	847,632	17 %	(4) %	880,633	22 %
Automotive	793,443	16 %	45 %	548,002	13 %
Consumer	507,995	10 %	10 %	463,713	11 %
Total revenue	**$ 4,978,718**	**100 %**	**22 %**	**$ 4,076,761**	**100 %**

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

Revenue by Sales Channel

The following table summarizes revenue by channel. The Company sells its products globally through a direct sales force, third party distributors, independent sales representatives and via its website. Distributors are customers that buy products with the intention of reselling them. Direct customers are non-distributor customers and consist primarily of original equipment manufacturers (OEMs). Other customers include the U.S. government, government prime contractors and certain commercial customers for which revenue is recorded over time.

	Three Months Ended			
	July 31, 2021		August 1, 2020	
Channel	Revenue	% of Revenue*	Revenue	% of Revenue*
Distributors	$ 1,123,301	64 %	$ 819,472	56 %
Direct customers	588,001	33 %	614,770	42 %
Other	47,551	3 %	21,894	2 %
Total revenue	**$ 1,758,853**	**100 %**	**$ 1,456,136**	**100 %**

	Nine Months Ended			
	July 31, 2021		August 1, 2020	
Channel	Revenue	% of Revenue*	Revenue	% of Revenue*
Distributors	$ 3,162,615	64 %	$ 2,317,421	57 %
Direct customers	1,724,012	35 %	1,692,152	42 %
Other	92,091	2 %	67,188	2 %
Total revenue	**$ 4,978,718**	**100 %**	**$ 4,076,761**	**100 %**

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

Note 8 – Fair Value

The Company defines fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1 — Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Level 3 inputs are unobservable inputs for the asset or liability in which there is little, if any, market activity for the asset or liability at the measurement date.

The tables below, set forth by level, presents the Company's financial assets and liabilities, excluding accrued interest components that were accounted for at fair value on a recurring basis as of July 31, 2021 and October 31, 2020. The tables exclude cash on hand and assets and liabilities that are measured at historical cost or any basis other than fair value. As of July 31, 2021 and October 31, 2020, the Company held $289.7 million and $239.6 million, respectively, of cash that was excluded from the tables below.

	July 31, 2021		
	Fair Value measurement at Reporting Date using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Assets			
Cash equivalents:			
Available-for-sale:			
Government and institutional money market funds	$ 810,935	$ —	$ 810,935
Corporate obligations (1)	—	380,050	380,050
Other assets:			
Deferred compensation plan investments	68,383	—	68,383
Total assets measured at fair value	$ 879,318	$ 380,050	$ 1,259,368
Liabilities			
Forward foreign currency exchange contracts (2)	$ —	$ 4,573	$ 4,573
Interest rate derivatives	—	181,189	181,189
Total liabilities measured at fair value	$ —	$ 185,762	$ 185,762

(1) The amortized cost of the Company's investments classified as available-for-sale as of July 31, 2021 was $380.0 million.

(2) The Company has master netting arrangements by counterparty with respect to derivative contracts. See Note 9, *Derivatives,* in these Notes to Condensed Consolidated Financial Statements for more information related to the Company's master netting arrangements.

	October 31, 2020		
	Fair Value measurement at Reporting Date using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Assets			
Cash equivalents:			
Available-for-sale:			
Government and institutional money market funds	$ 816,253	$ —	$ 816,253
Other assets:			
Forward foreign currency exchange contracts (1)	—	5,427	5,427
Deferred compensation plan investments	52,956	—	52,956
Total assets measured at fair value	$ 869,209	$ 5,427	$ 874,636
Liabilities			
Interest rate derivatives	$ —	$ 214,586	$ 214,586
Total liabilities measured at fair value	$ —	$ 214,586	$ 214,586

(1) The Company has master netting arrangements by counterparty with respect to derivative contracts. See Note 9, *Derivatives,* in these Notes to Condensed Consolidated Financial Statements for more information related to the Company's master netting arrangements.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash equivalents — These investments are adjusted to fair value based on quoted market prices or are determined using a yield curve model based on current market rates.

Deferred compensation plan investments — The fair value of these mutual fund, money market fund and equity investments are based on quoted market prices.

Interest rate derivatives — The fair value of the interest rate derivatives is estimated using a discounted cash flow analysis based on the contractual terms of the derivative.

Forward foreign currency exchange contracts — The estimated fair value of forward foreign currency exchange contracts, which includes derivatives that are accounted for as cash flow hedges and those that are not designated as cash flow hedges, is based on the estimated amount the Company would receive if it sold these agreements at the reporting date taking into consideration current interest rates as well as the creditworthiness of the counterparty for assets and the Company's creditworthiness for liabilities. The fair value of these instruments is based upon valuation models using current market information such as strike price, spot rate, maturity date and volatility.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

***Held for sale assets* —**The Company has classified the assets held for sale at carrying value. However, if they were to be carried at fair value, they would be considered a Level 3 fair value measurement and would be determined based on the use of appraisals and input from market participants.

***Debt* —** The table below presents the estimated fair value of certain financial instruments not recorded at fair value on a recurring basis. The carrying amounts of the term loan approximates fair value. The term loan is classified as a Level 2 measurement according to the fair value hierarchy. The fair values of the senior unsecured notes are obtained from broker prices and are classified as Level 1 measurements according to the fair value hierarchy.

	July 31, 2021		October 31, 2020	
	Principal Amount Outstanding	Fair Value	Principal Amount Outstanding	Fair Value
3-Year term loan, due March 2022	$ 925,000	$ 925,000	$ 925,000	$ 925,000
2.50% Senior unsecured notes, due December 2021	400,000	403,072	400,000	$ 408,565
2.875% Senior unsecured notes, due June 2023	500,000	523,041	500,000	$ 526,855
3.125% Senior unsecured notes, due December 2023	550,000	583,885	550,000	$ 590,177
2.95% Senior unsecured notes, due April 2025	400,000	429,643	400,000	$ 434,919
3.90% Senior unsecured notes, due December 2025	850,000	953,017	850,000	$ 969,033
3.50% Senior unsecured notes, due December 2026	900,000	1,004,709	900,000	$ 1,017,505
4.50% Senior unsecured notes, due December 2036	250,000	300,420	250,000	$ 298,153
5.30% Senior unsecured notes, due December 2045	400,000	549,646	400,000	$ 538,788
Total debt	$ 5,175,000	$ 5,672,433	$ 5,175,000	$ 5,708,995

As of July 31, 2021, the Company believed that none of its unrealized losses on its available-for-sale investments were attributable to credit losses and therefore were not impaired. The investments with unrealized losses consisted primarily of corporate debt securities. In making the determination that the decline in fair value of these securities did not indicate impairment, the Company considered various factors, including, but not limited to: the extent to which fair value was less than cost; the financial condition and near-term prospects of the issuers; and the Company's intent not to sell these securities and the assessment that it is more likely than not that the Company would not be required to sell these securities before the recovery of their amortized cost basis.

Unrealized gains and losses, net of taxes, are reported as a component of AOCI in the Company's Condensed Consolidated Statements of Stockholders' Equity. No material amounts were reclassified out of AOCI during the three- and nine-month periods ended July 31, 2021 and August 1, 2020 for realized gains or losses on available-for-sale investments.

Note 9 – Derivatives

Foreign Exchange Exposure Management — The Company enters into forward foreign currency exchange contracts to offset certain operational and balance sheet exposures from the impact of changes in foreign currency exchange rates. Such exposures result from the portion of the Company's operations, assets and liabilities that are denominated in currencies other than the U.S. dollar, primarily the Euro; other significant exposures include the British Pound, Philippine Peso and the Japanese Yen. Derivative instruments are employed to eliminate or minimize certain foreign currency exposures that can be confidently identified and quantified. These foreign currency exchange contracts are entered into to support transactions made in the normal course of business, and accordingly, are not speculative in nature. The contracts are for periods consistent with the terms of the underlying transactions, generally one year or less. Hedges related to anticipated transactions are matched with the underlying exposures at inception and designated and documented as cash flow hedges. They are qualitatively evaluated for effectiveness on a quarterly basis. The gain or loss on the derivative is recorded as a component of AOCI in shareholders' equity and is reclassified into earnings in the same line item on the Consolidated Statements of Income as the impact of the hedged transaction in the same period during which the hedged transaction affects earnings.

The total notional amounts of forward foreign currency derivative instruments designated as hedging instruments of cash flow hedges denominated in Euros, British Pounds, Philippine Pesos and Japanese Yen as of July 31, 2021 and October 31, 2020 were $236.5 million and $202.7 million, respectively. The fair values of forward foreign currency derivative instruments designated as hedging instruments in the Company's Condensed Consolidated Balance Sheets as of July 31, 2021 and October 31, 2020 were as follows:

		Fair Value At	
	Balance Sheet Location	July 31, 2021	October 31, 2020
Forward foreign currency exchange contracts	Prepaid expenses and other current assets	$ —	$ 5,550
Forward foreign currency exchange contracts	Accrued liabilities	$ 4,327	$ —

As of July 31, 2021 and October 31, 2020, the total notional amounts of undesignated hedges related to forward foreign currency exchange contracts were $142.4 million and $62.7 million, respectively. The fair values of these hedging instruments in the Company's Condensed Consolidated Balance Sheets were immaterial as of July 31, 2021 and October 31, 2020.

The Company estimates $3.5 million, net of tax, of losses on forward foreign currency derivative instruments included in AOCI will be reclassified into earnings within the next twelve months.

All of the Company's derivative financial instruments are eligible for netting arrangements that allow the Company and its counterparties to net settle amounts owed to each other. Derivative assets and liabilities that can be net settled under these arrangements have been presented in the Company's Condensed Consolidated Balance Sheets on a net basis. As of July 31, 2021 and October 31, 2020, none of the netting arrangements involved collateral.

The following table presents the gross amounts of the Company's forward foreign currency exchange contract derivative assets and liabilities and the net amounts recorded in the Company's Condensed Consolidated Balance Sheets:

	July 31, 2021	October 31, 2020
Gross amount of recognized assets	$ 659	$ 6,114
Gross amounts of recognized liabilities	(5,232)	(687)
Net (liabilities) assets offset and presented in the Condensed Consolidated Balance Sheets	$ (4,573)	$ 5,427

As of July 31, 2021 and October 31, 2020, the fair value of the interest rate swap agreement designated as a cash flow hedge was $181.2 million and $214.6 million, respectively, and is included within Accrued liabilities in the Company's Condensed Consolidated Balance Sheets.

The market risk associated with the Company's derivative instruments results from currency exchange rate or interest rate movements that are expected to offset the market risk of the underlying transactions, assets and liabilities being hedged. The counterparties to the agreements relating to the Company's derivative instruments consist of a number of major international financial institutions with high credit ratings. Based on the credit ratings of the Company's counterparties as of July 31, 2021 and October 31, 2020, nonperformance is not perceived to be a material risk. Furthermore, none of the Company's derivatives are subject to collateral or other security arrangements and none contain provisions that are dependent on the Company's credit ratings from any credit rating agency. While the contract or notional amounts of derivative financial instruments provide one measure of the volume of these transactions, they do not represent the amount of the Company's exposure to credit risk. The amounts potentially subject to credit risk (arising from the possible inability of counterparties to meet the terms of their contracts) are generally limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed the obligations of the Company to the counterparties. As a result of the above considerations, the Company does not consider the risk of counterparty default to be significant.

For information on the unrealized holding gains (losses) on derivatives included in and reclassified out of AOCI into the Condensed Consolidated Statements of Income related to forward foreign currency exchange contracts, see Note 3, *Accumulated Other Comprehensive (Loss) Income,* in these Notes to Condensed Consolidated Financial Statements for further information.

Note 10 – Inventories

Inventories at July 31, 2021 and October 31, 2020 were as follows:

	July 31, 2021	October 31, 2020
Raw materials	$ 42,173	$ 33,806
Work in process	482,227	443,690
Finished goods	133,120	130,764
Total inventories	$ 657,520	$ 608,260

Note 11 – Revolving Credit Facility

On June 23, 2021, the Company entered into a Third Amended and Restated Credit Agreement (Revolving Credit Agreement) with Bank of America, N.A. as administrative agent and the other banks identified therein as lenders, which further amended and restated its existing Second Amended and Restated Credit Agreement dated as of June 28, 2019. The Revolving Credit Agreement provides for a five year unsecured revolving credit facility in an aggregate principal amount not to exceed (i) $1.25 billion or (ii) upon the completion of the acquisition by the Company of Maxim on or before January 12, 2022 (subject to certain terms and conditions), $2.5 billion. To date, the Company has not borrowed under this revolving credit facility but may borrow in the future and use the proceeds for repayment of existing indebtedness, stock repurchases, acquisitions, capital expenditures, working capital and other lawful corporate purposes.

Revolving loans under the Revolving Credit Agreement can be Eurocurrency Rate Loans or Base Rate Loans (each as defined in the Revolving Credit Agreement) at the Company's option. Each Eurocurrency Rate Loan will bear interest at a rate per annum equal to the applicable Eurocurrency Rate plus a margin based on the Company's Debt Ratings (as defined in the Revolving Credit Agreement) from time to time of between 0.690% and 1.175%. Each Base Rate Loan will bear interest at a rate per annum equal to the Base Rate plus a margin based on the Company's Debt Ratings from time to time of between 0.00% and 0.175%. In addition, the Company has agreed to pay a facility fee based on the Company's Debt Ratings from time to time of between 0.060% and 0.200% multiplied by the actual daily amount of the Commitments (as defined in the Revolving Credit Agreement) in effect. The Revolving Credit Agreement also contains a sustainability-linked pricing component which provides for interest rate and facility fee reductions or increases based on the Company meeting or missing targets related to environmental sustainability, specifically greenhouse gas emissions and renewable energy usage. The Revolving Credit Agreement includes a multicurrency borrowing feature for certain specified foreign currencies. The Company will guarantee the obligations of each subsidiary that is named a Designated Borrower under the Revolving Credit Agreement.

The Revolving Credit Agreement contains customary representations and warranties, and affirmative and negative covenants and events of default applicable to the Company and its subsidiaries. As of July 31, 2021, the Company was in compliance with these covenants.

Note 12 – Income Taxes

The Company's effective tax rates for the three- and nine-month periods ended July 31, 2021 and August 1, 2020 were below the U.S. statutory tax rate of 21.0%, due to lower statutory tax rates applicable to the Company's operations in the foreign jurisdictions in which it earns income.

The Company has numerous audits ongoing throughout the world including: an IRS income tax audit for the fiscal year ended November 3, 2018 (fiscal 2018) and fiscal 2019; various U.S. state and local tax audits; and international audits. The Company's U.S. federal tax returns prior to the fiscal year ended October 28, 2017 (fiscal 2017) are no longer subject to examination.

During the fourth quarter of fiscal 2018, the Company's Irish tax resident subsidiary received an assessment, excluding any penalties and interest, for the fiscal year ended November 2, 2013 (fiscal 2013) of approximately €43.0 million, or approximately $51.0 million (as of July 31, 2021), from the Irish Revenue Commissioners (Irish Revenue). The assessment claimed that the Company's Irish entity failed to conform to 2010 OECD Transfer Pricing Guidelines. During the third quarter of fiscal 2021, the Company settled the fiscal 2013 audit with Irish Revenue for an amount that was not material to the Company.

During fiscal 2019, Irish Revenue commenced transfer pricing audits of fiscal years ended November 1, 2014 (fiscal 2014) through fiscal 2017. The Company settled the audits relating to fiscal 2014 through fiscal 2017 with either no assessment or for additional tax payments that were not material to the Company.

Note 13 – New Accounting Pronouncements

Standards Implemented

Financial Instruments

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). ASU 2016-13 requires a financial asset (or group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. In 2019, the FASB issued ASU 2019-05, *Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief* (ASU 2019-05) and ASU 2019-11, *Codification Improvements to Topic 326* (ASU 2019-11). ASU 2019-05 allows an entity to irrevocably elect the fair value option for certain financial instruments. Once elected, an entity would recognize the difference between the carrying amount and the fair value of the financial instrument as part of the cumulative effect adjustments associated with the adoption of ASU 2016-13. ASU 2019-11 allows entities to exclude the accrued interest component of amortized cost from various disclosures required by ASC 326.

The Company is exposed to credit losses through sales of its products and certain financial instruments. The Company determines if there is an expected loss on its accounts receivables using historical collection experience, current and future economic and market conditions and a review of the current status of customers' trade accounts receivables. The Company adopted these standards effective November 1, 2020 using the modified retrospective approach, which did not have a material impact on the Company's financial position and results of operations. See Note 8, *Fair Value,* in these Notes to Condensed Consolidated Financial Statements for more information related to how the Company assesses credit losses on its available-for-sale debt securities.

Income taxes

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* (ASU-2019-12). ASU 2019-12 eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. The Company adopted ASU 2019-12 in the first quarter of fiscal 2021. Upon adoption, ASU 2019-12 did not have a material impact on the Company's financial position and results of operations.

Retirement Benefits

In August 2018, the FASB issued ASU 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General (Topic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans* (ASU 2018-14), which modifies the disclosure requirements for defined benefit pension plans and other post-retirement plans. ASU 2018-14 is effective for fiscal years ending after December 15, 2020, with early adoption permitted. The Company adopted ASU 2018-14 in the first quarter of fiscal 2021. Upon adoption, ASU 2018-14 did not have a material impact on the Company's financial position and results of operations.

Standards to Be Implemented

Reference Rate Reform

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional guidance for accounting for contracts, hedging relationships, and other transactions affected by reference rate reform, if certain criteria are met. The provisions of this standard are available for election through December 31, 2022. The Company is currently evaluating the impact of the reference rate reform on its contracts and the resulting impact of adopting this standard on our financial statements.

Note 14 – Acquisitions

Proposed Acquisition of Maxim Integrated Products, Inc.

On July 12, 2020, the Company entered into the Merger Agreement to acquire Maxim, an independent manufacturer of innovative analog and mixed-signal products and technologies. Under the terms of the Merger Agreement, Maxim stockholders will receive, for each outstanding share of Maxim common stock, 0.630 of a share of the Company's common stock at the closing. The estimated merger consideration is approximately $29.0 billion based on the closing price of the Company's common stock on August 13, 2021. The value of the merger consideration will fluctuate based upon changes in the price of the Company's common stock and the number of shares of Maxim common stock, restricted stock awards and restricted stock unit awards outstanding on the closing date.

The transaction is subject to customary closing conditions, including receipt of regulatory approvals. To date, required regulatory approvals have been obtained in all jurisdictions with the exception of China. The Merger Agreement includes termination rights for both the Company and Maxim. The Company may be required to pay Maxim a regulatory termination fee of $830.0 million in cash if the Merger Agreement is terminated in certain circumstances involving the failure to obtain required regulatory approvals. On October 8, 2020, the required shareholder approvals relating to the Merger Agreement were obtained from both the Company's shareholders and Maxim's shareholders.

In the three- and nine-month periods ended July 31, 2021, the Company incurred $18.3 million and $56.6 million of transaction-related costs related to the proposed acquisition of Maxim, respectively, recorded within Selling, marketing, general and administrative expenses in the Company's Condensed Consolidated Statements of Income.

Note 15 – Subsequent Events

On August 17, 2021, the Board of Directors of the Company declared a cash dividend of $0.69 per outstanding share of common stock. The dividend will be paid on September 8, 2021 to all shareholders of record at the close of business on August 27, 2021 and is expected to total approximately $254.1 million.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This information should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q and the audited consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended October 31, 2020 (fiscal 2020).

This Quarterly Report on Form 10-Q, including the following discussion, contains forward-looking statements regarding future events and our future results that are subject to the safe harbor created under the Private Securities Litigation Reform Act of 1995 and other safe harbors under the Securities Act of 1933 and the Securities Exchange Act of 1934. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," "continues," "may," "could" and "will," and variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections regarding our future financial performance; the proposed acquisition of Maxim Integrated Products, Inc.; our anticipated growth and trends in our businesses; our future liquidity, capital needs and capital expenditures; the impact of the COVID-19 pandemic on our business, financial condition and results of operations; our future market position and expected competitive changes in the marketplace for our products; our ability to pay dividends or repurchase stock; our ability to service our outstanding debt; our expected tax rate; the effect of changes in or the application of new or revised tax laws; expected cost savings; the effect of new accounting pronouncements; our ability to successfully integrate acquired businesses and technologies; and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified in Part II, Item 1A. "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements, including to reflect events or circumstances occurring after the date of the filing of this report, except to the extent required by law.

Impact of COVID-19 on our Business

The pandemic caused by the novel strain of the coronavirus (COVID-19) and the numerous measures implemented by government authorities in response, have impacted and likely will continue to impact our workforce and operations, the operations of our customers and those of our respective vendors and suppliers. We have significant operations worldwide, including in the United States, the Philippines, Ireland, Singapore, Malaysia, China and India. Each of these countries has been affected by the pandemic and taken measures to try to contain it, resulting in disruptions at some of our manufacturing operations and facilities. Since the beginning of the third quarter of fiscal 2020, our manufacturing operations and supply chain generally stabilized at normal levels, but that could change in the future given that the COVID-19 situation remains dynamic.

The spread of COVID-19 has caused us to modify our business practices (including restricting employee travel, modifying employee work locations and cancelling physical participation in meetings, events and conferences) and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers, partners, suppliers and shareholders.

While we are confident that our strategy and long-term contingency planning have positioned us well to weather the current uncertainty, we cannot at this time fully quantify or forecast the impact of COVID-19 on our business. The full extent of the impact of the COVID-19 pandemic on our business, financial condition and results of operations will depend on future developments, which are highly uncertain such as the continued duration and severity of the pandemic, the spread of more contagious variants of the virus, the adoption rate of vaccines, the actions to contain the virus or treat its impact, or how quickly and to what extent normal economic and operating conditions can resume.

Proposed Acquisition of Maxim Integrated Products, Inc.

On July 12, 2020, we entered into a definitive agreement (the Merger Agreement) to acquire Maxim Integrated Products, Inc. (Maxim), an independent manufacturer of innovative analog and mixed-signal products and technologies. Under the terms of the Merger Agreement, Maxim stockholders will receive, for each outstanding share of Maxim common stock, 0.630 of a share of our common stock at the closing. The estimated merger consideration is approximately $29.0 billion based on the closing price of our common stock on August 13, 2021. The value of the merger consideration will fluctuate based upon changes in the price of our common stock and the number of shares of Maxim common stock, restricted stock awards and restricted stock unit awards outstanding on the closing date.

The transaction is subject to customary closing conditions, including receipt of regulatory approvals. To date, required regulatory approvals have been obtained in all jurisdictions with the exception of China. The Merger Agreement includes termination rights for us and Maxim. We may be required to pay Maxim a regulatory termination fee of $830.0 million in cash if the Merger Agreement is terminated in certain circumstances involving the failure to obtain required regulatory approvals. On October 8, 2020, the required shareholder approvals relating to the Merger Agreement were obtained from both our shareholders and Maxim's shareholders.

See Note 14, *Acquisitions*, in the Notes to the Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information.

Results of Operations

Overview

(all tabular amounts in thousands except per share amounts and percentages)

	Three Months Ended			
	July 31, 2021	August 1, 2020	$ Change	% Change
Revenue	$ 1,758,853	$ 1,456,136	$ 302,717	21 %
Gross margin %	69.4 %	66.8 %		
Net income	$ 503,311	$ 362,665	$ 140,646	39 %
Net income as a % of revenue	28.6 %	24.9 %		
Diluted EPS	$ 1.35	$ 0.97	$ 0.38	39 %

	Nine Months Ended			
	July 31, 2021	August 1, 2020	$ Change	% Change
Revenue	$ 4,978,718	$ 4,076,761	$ 901,957	22 %
Gross margin %	68.4 %	65.4 %		
Net income	$ 1,314,735	$ 834,235	$ 480,500	58 %
Net income as a % of revenue	26.4 %	20.5 %		
Diluted EPS	$ 3.53	$ 2.24	$ 1.29	58 %

Revenue Trends by End Market

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

	Three Months Ended				
	July 31, 2021			August 1, 2020	
	Revenue	% of Revenue*	Y/Y%	Revenue	% of Revenue*
Industrial	$ 1,001,867	57 %	29 %	$ 778,361	53 %
Communications	288,743	16 %	(21)%	363,304	25 %
Automotive	290,077	16 %	80 %	161,489	11 %
Consumer	178,166	10 %	16 %	152,982	11 %
Total revenue	$ 1,758,853	100 %	21 %	$ 1,456,136	100 %

	Nine Months Ended				
	July 31, 2021			August 1, 2020	
	Revenue	% of Revenue*	Y/Y%	Revenue	% of Revenue*
Industrial	$ 2,829,648	57 %	30 %	$ 2,184,413	54 %
Communications	847,632	17 %	(4)%	880,633	22 %
Automotive	793,443	16 %	45 %	548,002	13 %
Consumer	507,995	10 %	10 %	463,713	11 %
Total revenue	$ 4,978,718	100 %	22 %	$ 4,076,761	100 %

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

Revenue increased in the three- and nine-month periods ended July 31, 2021, as compared to the same periods of the prior fiscal year, primarily as a result of higher broad-based demand for our products sold into the Industrial and Automotive end markets, and to a lesser extent, sold into the Consumer end market. In addition, the increased revenue in the Automotive end market in both periods were impacted by an arrangement to license our intellectual property resulting in $24.1 million of revenue immediately recognized in the third quarter of fiscal 2021. Revenue in the Communications end market decreased in the three- and nine-month periods ended July 31, 2021 due to the timing of infrastructure deployment cycles in certain regions.

Revenue by Sales Channel

The following table summarizes revenue by sales channel. We sell our products globally through a direct sales force, third party distributors, independent sales representatives and via our website. Distributors are customers that buy products with the intention of reselling them. Direct customers are non-distributor customers and consist primarily of original equipment manufacturers (OEMs). Other customers include the U.S. government, government prime contractors and certain commercial customers for which revenue is recorded over time.

	Three Months Ended			
	July 31, 2021		August 1, 2020	
	Revenue	% of Revenue*	Revenue	% of Revenue*
Channel				
Distributors	$ 1,123,301	64 %	$ 819,472	56 %
Direct customers	588,001	33 %	614,770	42 %
Other	47,551	3 %	21,894	2 %
Total revenue	$ 1,758,853	100 %	$ 1,456,136	100 %

	Nine Months Ended			
	July 31, 2021		August 1, 2020	
	Revenue	% of Revenue*	Revenue	% of Revenue*
Channel				
Distributors	$ 3,162,615	64 %	$ 2,317,421	57 %
Direct customers	1,724,012	35 %	1,692,152	42 %
Other	92,091	2 %	67,188	2 %
Total revenue	$ 4,978,718	100 %	$ 4,076,761	100 %

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

The percentage of total revenue sold via each channel can fluctuate from time to time based on end customer demand. In the three- and nine-month periods ended July 31, 2021, higher demand within our Industrial end market resulted in increased revenue through our distributor channel. In addition, an arrangement to license our intellectual property resulting in $24.1 million of revenue immediately recognized in the third quarter of fiscal 2021 contributed to an increase in the percent of total revenue from other channels.

Gross Margin

	Three Months Ended				Nine Months Ended			
	July 31, 2021	August 1, 2020	$ Change	% Change	July 31, 2021	August 1, 2020	$ Change	% Change
Gross margin	$1,221,184	$ 972,578	$ 248,606	26 %	3,403,192	2,667,394	$ 735,798	28 %
Gross margin %	69.4 %	66.8 %			68.4%	65.4 %		

Gross margin percentage increased by 260 and 300 basis points in the three- and nine-month periods ended July 31, 2021, respectively, as compared to the same periods of the prior fiscal year, primarily as a result of higher utilization of our factories due to increased customer demand as well as from the arrangement to license our intellectual property noted above.

Research and Development (R&D)

	Three Months Ended				Nine Months Ended			
	July 31, 2021	August 1, 2020	$ Change	% Change	July 31, 2021	August 1, 2020	$ Change	% Change
R&D expenses	$306,617	$ 260,794	$ 45,823	18 %	$897,005	$ 770,280	$ 126,725	16 %
R&D expenses as a % of revenue	17 %	18 %			18 %	19 %		

R&D expenses increased in the three- and nine-month periods ended July 31, 2021, as compared to the same periods of the prior fiscal year, primarily as a result of higher R&D employee-related variable compensation expense and salary and benefit expenses. In the nine-month period ended July 31, 2021, those increases were partially offset by lower discretionary spending.

R&D expenses as a percentage of revenue will fluctuate from year-to-year depending on the amount of revenue and the success of new product development efforts, which we view as critical to our future growth. We expect to continue the development of innovative technologies and processes for new products. We believe that a continued commitment to R&D is essential to maintain product leadership with our existing products as well as to provide innovative new product offerings. Therefore, we expect to continue to make significant R&D investments in the future.

Selling, Marketing, General and Administrative (SMG&A)

	Three Months Ended				Nine Months Ended			
	July 31, 2021	August 1, 2020	$ Change	% Change	July 31, 2021	August 1, 2020	$ Change	% Change
SMG&A expenses	$206,076	$ 153,753	$ 52,323	34 %	$597,963	$ 494,808	$ 103,155	21 %
SMG&A expenses as a % of revenue	12 %	11 %			12 %	12 %		

SMG&A expenses increased in the three-month period ended July 31, 2021, as compared to the same period of the prior fiscal year, primarily as a result of higher variable compensation expense, salary and benefit expenses and acquisition-related transaction costs in connection with the proposed acquisition of Maxim.

SMG&A expenses increased in the nine-month period ended July 31, 2021, as compared to the same period of the prior fiscal year, primarily as a result of higher acquisition-related transaction costs in connection with the proposed acquisition of Maxim, variable compensation expense and salary and benefit expenses, partially offset by a $40.0 million charitable contribution to the Analog Devices Foundation made in the first quarter of fiscal 2020.

Operating Income

	Three Months Ended				Nine Months Ended			
	July 31, 2021	August 1, 2020	$ Change	% Change	July 31, 2021	August 1, 2020	$ Change	% Change
Operating income	$609,646	$ 419,124	$190,522	45 %	$1,593,196	$1,036,572	$556,624	54 %
Operating income as a % of revenue	34.7 %	28.8 %			32.0 %	25.4 %		

The year-over-year increase in operating income in the three-month period ended July 31, 2021 was primarily the result of an increase in revenue of $302.7 million, which contributed to an increase in gross margin of $248.6 million, and a decrease in special charges of $40.8 million, partially offset by increases of $52.3 million in SMG&A expenses and $45.8 million in R&D expenses, as described above under the headings *Revenue Trends by End Market, Gross Margin, Selling, Marketing, General and Administrative (SMG&A)* and *Research and Development (R&D).*

The year-over-year increase in operating income in the nine-month period ended July 31, 2021 was primarily the result of an increase in revenue of $902.0 million, which contributed to an increase in gross margin of $735.8 million, and a decrease in special charges of $52.5 million, partially offset by a $126.7 million increase in R&D expenses and a $103.2 million increase in SMG&A expenses, as described above under the headings *Revenue Trends by End Market, Gross Margin, Research and Development (R&D)* and *Selling, Marketing, General and Administrative (SMG&A).*

Nonoperating Expense (Income)

	Three Months Ended			Nine Months Ended		
	July 31, 2021	August 1, 2020	$ Change	July 31, 2021	August 1, 2020	$ Change
Total nonoperating expense (income)	$ 37,368	$ 46,095	$ (8,727)	$ 108,315	$ 142,265	$ (33,950)

The year-over-year decrease in nonoperating expense (income) in the three- and nine-month periods ended July 31, 2021 was primarily the result of gains recorded on other investments. The nine-month period was also impacted by a decrease in interest expense related to our debt obligations.

Provision for Income Taxes

	Three Months Ended			Nine Months Ended		
	July 31, 2021	August 1, 2020	$ Change	July 31, 2021	August 1, 2020	$ Change
Provision for income taxes	$ 68,967	$ 10,364	$ 58,603	$ 170,146	$ 60,072	$ 110,074
Effective income tax rate	12.1 %	2.8 %		11.5 %	6.7 %	

The effective tax rates for the three- and nine-month periods ended July 31, 2021 and August 1, 2020 were below the U.S. statutory tax rate of 21% due to lower statutory tax rates applicable to our operations in the foreign jurisdictions in which we earn income. Our pretax income for the three- and nine-month periods ended July 31, 2021 and August 1, 2020 was primarily generated in Ireland at a tax rate of 12.5%.

The tax rates for the three- and nine-month periods ended August 1, 2020 were also impacted by discrete income tax benefits of $33.7 million recorded in the third quarter of fiscal 2020, comprised primarily of $25.9 million of income tax benefits resulting from the resolution of the Internal Revenue Service (IRS) audit of Linear's pre-acquisition federal income tax returns for fiscal 2015 through fiscal 2017 and other income tax benefits recorded upon filing of our federal income tax return for fiscal 2019.

See Note 12, *Income Taxes*, in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion.

Net Income

	Three Months Ended				Nine Months Ended			
	July 31, 2021	August 1, 2020	$ Change	% Change	July 31, 2021	August 1, 2020	$ Change	% Change
Net Income	$ 503,311	$ 362,665	$140,646	39 %	$1,314,735	$ 834,235	$480,500	58 %
Net Income as a % of revenue	28.6 %	24.9 %			26.4 %	20.5 %		
Diluted EPS	$ 1.35	$ 0.97			$ 3.53	$ 2.24		

Net income increased in the three-month period ended July 31, 2021, as compared to the same period of the prior fiscal year, as a result of a $190.5 million increase in operating income and an $8.7 million decrease in nonoperating expense (income), partially offset by a $58.6 million increase in provision for income taxes.

Net income increased in the nine-month period ended July 31, 2021, as compared to the same period of the prior fiscal year, as a result of a $556.6 million increase in operating income and a $34.0 million decrease in nonoperating expense (income), partially offset by a $110.1 million increase in provision for income taxes.

Liquidity and Capital Resources

At July 31, 2021, our principal source of liquidity was $1,480.7 million of cash and cash equivalents, of which approximately $701.4 million was held in the United States and the balance of our cash and cash equivalents was held outside the United States in various foreign subsidiaries. We manage our worldwide cash requirements by, among other things, reviewing available funds held by our foreign subsidiaries and the cost effectiveness by which those funds can be accessed in the United States. We do not expect current regulatory restrictions or taxes on repatriation to have a material adverse effect on our overall liquidity, financial condition or the results of operations. Our cash and cash equivalents consist of highly liquid investments with maturities of three months or less, including money market funds. We maintain these balances with high credit quality counterparties, continually monitor the amount of credit exposure to any one issuer and diversify our investments in order to minimize our credit risk.

We believe that our existing sources of liquidity and cash expected to be generated from future operations, together with existing and anticipated available long-term financing, will be sufficient to fund operations, capital expenditures, research and development efforts, transaction costs associated with our proposed merger with Maxim and dividend payments (if any) in the immediate future and for at least the next twelve months.

	Nine Months Ended	
	July 31, 2021	August 1, 2020
Net cash provided by operating activities	$ 1,794,345	$ 1,335,889
Net cash provided by operations as a % of revenue	36 %	33 %
Net cash used for investing activities	$ (183,280)	$ (149,781)
Net cash used for financing activities	$ (1,189,966)	$ (744,442)

The following changes contributed to the net change in cash and cash equivalents in the nine-month period ended July 31, 2021 as compared to the same period in fiscal 2020.

Operating Activities

Cash provided by operating activities is net income adjusted for certain non-cash items and changes in operating assets and liabilities. The increase in cash provided by operating activities during the nine-month period ended July 31, 2021, as compared to the same period of the prior fiscal year, was primarily the result of higher net income adjusted for non-cash items and changes in working capital.

Investing Activities

Investing cash flows generally consist of capital expenditures and cash used for acquisitions. The increase in cash used for investing activities during the nine-month period ended July 31, 2021, as compared to the same period of the prior fiscal year, was primarily the result of an increase in cash used for capital expenditures and cash payments for acquisitions, partially offset by proceeds from the sale of our Singapore facility and other investments.

Financing Activities

Financing cash flows generally consist of payments of dividends to stockholders, repurchases of common stock, issuance and repayment of debt and proceeds from the sale of shares of common stock pursuant to employee equity incentive plans. The increase in cash used for financing activities during the nine-month period ended July 31, 2021, as compared to the same period of the prior fiscal year, was primarily the result of increases in common stock repurchases and dividend payments to shareholders. The comparable period of fiscal 2020 also included proceeds from our bond issuance as well as debt repayments, which did not repeat in fiscal 2021.

Working Capital

	July 31, 2021	October 31, 2020	$ Change	% Change
Accounts receivable	$ 823,163	$ 737,536	$ 85,627	12 %
Days sales outstanding*	42	45		
Inventory	$ 657,520	$ 608,260	$ 49,260	8 %
Days cost of sales in inventory*	110	116		

* We use the average of the current quarter and prior quarter ending accounts receivable and ending inventory balances in our calculation of days sales outstanding and days cost of sales in inventory, respectively.

The increase in accounts receivable in dollars was primarily the result of variations in the timing of collections and billings and increased revenue levels.

Inventory increased, primarily as a result of our efforts to balance manufacturing production, demand and inventory levels. Our inventory levels are impacted by our need to support forecasted sales demand and variations between those forecasts and actual demand.

Current liabilities increased to approximately $2,793.3 million at July 31, 2021 from approximately $1,365.0 million at the end of fiscal 2020. The increase was primarily due to increases in the current portion of our debt of $1,324.7 million.

Debt

As of July 31, 2021, our debt obligations consisted of the following:

		Principal Amount Outstanding
3-Year term loan, due March 2022	$	925,000
2.50% Senior unsecured notes, due December 2021		400,000
2.875% Senior unsecured notes, due June 2023		500,000
3.125% Senior unsecured notes, due December 2023		550,000
2.95% Senior unsecured notes, due April 2025		400,000
3.90% Senior unsecured notes, due December 2025		850,000
3.50% Senior unsecured notes, due December 2026		900,000
4.50% Senior unsecured notes, due December 2036		250,000
5.30% Senior unsecured notes, due December 2045		400,000
Total debt	$	5,175,000

The indentures governing our outstanding notes contain covenants that may limit our ability to: incur, create, assume or guarantee any debt for borrowed money secured by a lien upon a principal property; enter into sale and lease-back transactions with respect to a principal property; and consolidate with or merge into, or transfer or lease all or substantially all of our assets to, any other party. As of July 31, 2021, we were in compliance with these covenants.

Revolving Credit Facility

Our Third Amended and Restated Revolving Credit Agreement, dated as of June 23, 2021, with Bank of America N.A. as administrative agent and the other banks identified therein as lenders (Revolving Credit Agreement) amends and restates our existing Second Amended and Restated Credit Agreement dated as of June 28, 2019 and provides for a five year unsecured revolving credit facility in an aggregate principal amount not to exceed (i) $1.25 billion or (ii) upon the completion of the acquisition by the Company of Maxim on or before January 12, 2022 (subject to certain terms and conditions), $2.5 billion.

We may borrow under this revolving credit facility in the future and use the proceeds for repayment of existing indebtedness, stock repurchases, acquisitions, capital expenditures, working capital and other lawful corporate purposes. The terms of the Revolving Credit Agreement impose restrictions on our ability to undertake certain transactions, to create certain liens on assets and to incur certain subsidiary indebtedness. In addition, the Revolving Credit Agreement contains a consolidated leverage ratio covenant of total consolidated funded debt to consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) of not greater than 3.5 to 1.0. As of July 31, 2021, we were in compliance with these covenants.

Stock Repurchase Program

In the aggregate, our Board of Directors has authorized us to repurchase $8.2 billion of our common stock under our common stock repurchase program. Unless terminated earlier by resolution of our Board of Directors, the repurchase program will expire when we have repurchased all shares authorized under the program. As of July 31, 2021, an additional $1.4 billion remains available for repurchase under the current authorized program. The repurchased shares are held as authorized but unissued shares of common stock. We also repurchase shares in settlement of employee tax withholding obligations due upon the vesting of restricted stock units/awards or the exercise of stock options. Future repurchases of common stock will be dependent upon our financial position, results of operations, outlook, liquidity, and other factors we deem relevant.

Capital Expenditures

Net additions to property, plant and equipment were $212.9 million in the first nine months of fiscal 2021 and were funded with a combination of cash on hand and cash generated from operations. We expect capital expenditures for fiscal 2021 to be between 4% and 5% of fiscal 2021 revenue. We expect these capital expenditures will be funded with a combination of cash on hand and cash generated from operations.

Dividends

On August 17, 2021, our Board of Directors declared a cash dividend of $0.69 per outstanding share of common stock. The dividend will be paid on September 8, 2021 to all shareholders of record at the close of business on August 27, 2021 and is expected to total approximately $254.1 million. We currently expect quarterly dividends to continue in future periods. The payment of any future quarterly dividends, or a future increase in the quarterly dividend amount, will be at the discretion of the

Board and will be dependent upon our financial position, results of operations, outlook, liquidity, and other factors deemed relevant by the Board.

Contractual Obligations

There have not been any material changes during the nine-month period ended July 31, 2021 to the amounts presented in the table summarizing our contractual obligations included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2020.

New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board that are adopted by us as of the specified effective date. Unless otherwise discussed, management believes that the impact of recently issued standards will not have a material impact on our future financial condition and results of operations. See Note 13, *New Accounting Pronouncements,* in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for a description of recently issued and adopted accounting pronouncements, including the dates of adoption and impact on our historical financial condition and results of operations.

Critical Accounting Policies and Estimates

Except for the accounting policies for credit losses and income taxes that were updated as a result of adopting ASU 2016-13 and ASU 2019-12, respectively, there were no other changes in the nine-month period ended July 31, 2021 to the information provided under the heading “Critical Accounting Policies and Estimates” in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended October 31, 2020.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes in the nine-month period ended July 31, 2021 to the information provided under Item 7A. "Quantitative and Qualitative Disclosures about Market Risk," set forth in our Annual Report on Form 10-K for the fiscal year ended October 31, 2020.

ITEM 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures*. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of July 31, 2021. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of July 31, 2021, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

(b) *Changes in Internal Control over Financial Reporting.* No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended July 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1A. Risk Factors

Set forth below and elsewhere in this report and in other documents we file with the Securities and Exchange Commission (SEC) are descriptions of certain risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements in this report. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also adversely affect our business. The description below includes any material changes to and supersedes the description of the risk factors affecting our business previously discussed in "Risk Factors" set forth in Item 1A of our Annual Report on Form 10-K for the fiscal year ended October 31, 2020.

Risks Related to the Proposed Acquisition of Maxim Integrated Products, Inc.

Our ability to complete the acquisition of Maxim Integrated Products, Inc. (Maxim) is subject to various closing conditions, including the receipt of consents and approvals from governmental authorities, which may impose conditions that could adversely affect us or cause the acquisition not to be completed.

On July 12, 2020, we entered into a definitive agreement (the Merger Agreement) to acquire Maxim, an independent manufacturer of innovative analog and mixed-signal products and technologies. The merger is subject to a number of conditions to closing as specified in the Merger Agreement. These closing conditions include, among others, the receipt of required approvals under certain foreign competition laws, and the absence of governmental restraints or prohibitions preventing the consummation of the merger. To date, required regulatory approvals have been obtained in all jurisdictions with the exception of China. No assurance can be given that the required governmental and regulatory consents and approvals will be obtained or that the required conditions to closing will be satisfied, and, if all required consents and approvals are obtained and the required conditions are satisfied, no assurance can be given as to the terms, conditions and timing of such consents and approvals. Any delay in completing the merger could cause the combined company not to realize, or to be delayed in realizing, some or all of the benefits that we and Maxim expect to achieve if the merger is successfully completed within its expected time frame.

Additionally, either we or Maxim may terminate the Merger Agreement under certain circumstances, including, among other reasons, if the merger is not completed by October 12, 2021 (which date may be extended to January 12, 2022 under certain circumstances relating to outstanding regulatory approvals). Under certain circumstances, including if the proposed merger is terminated due to a failure to obtain the required regulatory clearances, we may be required to pay Maxim a termination fee of $830.0 million.

We can provide no assurance that the various closing conditions will be satisfied and that the necessary approvals will be obtained, or that any required conditions will not materially adversely affect the combined company following the acquisition. In addition, we can provide no assurance that these conditions will not result in the abandonment or delay of the acquisition. The occurrence of any of these events individually or in combination could have a material adverse effect on our results of operations and the trading price of our common stock.

The termination of the Merger Agreement could negatively impact our business.

If the merger is not completed for any reason, our ongoing business may be adversely affected and, without realizing any of the expected benefits of having completed the merger, we would be subject to a number of risks, including the following:

- we may experience negative reactions from the financial markets, including negative impacts on our stock price;
- we may experience negative reactions from our customers, suppliers, distributors and employees;
- we will be required to pay our costs relating to the merger, such as financial advisory, legal, financing and accounting costs and associated fees and expenses, whether or not the merger is completed;
- we could be subject to time-consuming and costly litigation related to the merger; and
- matters relating to the merger (including integration planning) require substantial commitments of time and resources by our management, which could otherwise have been devoted to day-to-day operations or to other opportunities that may have been beneficial to our business.

From and after the date of the Merger Agreement and prior to completion of the merger, the Merger Agreement restricts us from taking specified actions without Maxim's consent and requires that our business be conducted in the ordinary course in all material respects. These restrictions may prevent us from making appropriate changes to our business or organizational structure or from pursuing attractive business opportunities that may arise prior to the completion of the merger, and could have the effect of delaying or preventing other strategic transactions. Adverse effects arising from these restrictions during the pendency of the merger could be exacerbated by any delays in consummation of the merger or termination of the Merger Agreement.

Whether or not the merger is completed, the announcement and pendency of the merger could cause disruptions in our business, which could have an adverse effect on our business and financial results.

Whether or not the merger is completed, the announcement and pendency of the merger could cause disruptions in our business. Specifically:

- our and Maxim's current and prospective employees will experience uncertainty about their future roles with the combined company, which might adversely affect the two companies' abilities to retain key managers and other employees;
- uncertainty regarding the completion of the merger may cause our and Maxim's customers, suppliers, distributors, vendors, strategic partners or others that deal with us or Maxim to delay or defer entering into contracts with us or Maxim, make other decisions concerning us or Maxim, or seek to change or cancel existing business relationships with us or Maxim, which could negatively affect our respective businesses;
- the Merger Agreement restricts us and our subsidiaries from taking specified actions during the pendency of the merger without Maxim's consent, which may prevent us from pursuing attractive business opportunities or strategic transactions that may arise prior to the completion of the merger; and
- the attention of our and Maxim's management may be directed toward the completion of the merger.

We have diverted significant management resources in an effort to complete the merger and are subject to restrictions contained in the Merger Agreement on the conduct of our business. If the merger is not completed, we will have incurred significant costs, including the diversion of management resources, for which we will have received little or no benefit.

We will incur significant acquisition-related costs in connection with the Maxim acquisition, and the combined company could incur substantial expenses related to the integration of Maxim.

We have incurred and expect to incur a number of non-recurring costs associated with combining the operations of the two companies, as well as transaction fees and other costs related to the merger. These costs and expenses include fees paid to financial, legal and accounting advisors, facilities and systems consolidation costs, severance and other potential employment-related costs, including severance payments that may be made to certain Maxim employees, filing fees, printing expenses and other related charges. We will need to pay some of these costs regardless of whether the merger is completed.

The combined company will also incur restructuring and integration costs in connection with the merger. The costs related to restructuring will be expensed as a cost of the ongoing results of operations of either us or the combined company. There are a large number of processes, policies, procedures, operations, technologies and systems that must be integrated in connection with the merger and the integration of Maxim's business. Although we expect that the elimination of duplicative costs, strategic benefits, and additional income, as well as the realization of other efficiencies related to the integration of the businesses, may offset incremental transaction, merger-related and restructuring costs over time, any net benefit may not be achieved in the near term or at all. We will bear many of these costs even if the merger is not completed. While we have assumed that certain expenses would be incurred in connection with the merger and the other transactions contemplated by the Merger Agreement, there are many factors beyond our control that could affect the total amount or the timing of the integration and implementation expenses.

Combining our business with Maxim's may be more difficult, costly or time-consuming than expected and the combined company may fail to realize the anticipated benefits of the merger, which may adversely affect the combined company's business results and negatively affect the value of the combined company's common stock.

The success of the merger will depend on, among other things, the ability of the two companies to combine their businesses in a manner that facilitates growth opportunities and realizes expected cost savings. The combined company may encounter difficulties in integrating our and Maxim's businesses and realizing the anticipated benefits of the merger. The combined company must achieve the anticipated growth and cost savings without adversely affecting current revenues and investments in future growth. If the combined company is not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully, or at all, or may take longer to realize than expected.

The merger involves the combination of two companies which currently operate, and until the completion of the merger will continue to operate, as independent public companies. There can be no assurances that our respective businesses can be integrated successfully. It is possible that the integration process could result in the loss of key employees from both companies, the loss of customers, the disruption of our, Maxim's or both companies' ongoing businesses, inconsistencies in standards, controls, procedures and policies, unexpected integration issues, higher than expected integration costs and an overall post-completion integration process that takes longer than originally anticipated. The combined company will be required to devote management attention and resources to integrating its business practices and operations, and prior to the merger, management attention and resources will be required to plan for such integration. Potential difficulties the combined company may encounter in the integration process include the following:

- lost sales and customers as a result of certain of our and/or Maxim's customers deciding not to do business with the combined company, or deciding to decrease their amount of business in order to reduce their reliance on a single company;
- integrating personnel from the two companies while maintaining focus on providing consistent, high-quality products and services, especially in the COVID-19 environment which has required employees to work remotely in some locations;
- potential unknown liabilities and unforeseen increased expenses, delays or regulatory conditions associated with the merger; and
- our and/or Maxim's performance shortfalls as a result of the diversion of management's attention caused by completing the merger and integrating the companies' operations.

Any of these factors could result in the combined company failing to realize the anticipated benefits of the acquisition, on the expected timeline or at all. An inability to realize the full extent of the anticipated benefits of the merger and the other transactions contemplated by the Merger Agreement, as well as any delays encountered in the integration process, could have an adverse effect upon the revenues, level of expenses and operating results of the combined company, which may adversely affect the value of the common stock of the combined company.

In addition, the actual integration may result in additional and unforeseen expenses, and the anticipated benefits of the integration plan may not be realized. Actual growth and cost savings, if achieved, may be lower than what we and Maxim expect and may take longer to achieve than anticipated. If we and Maxim are not able to adequately address integration challenges, we may be unable to successfully integrate their operations or realize the anticipated benefits of the integration of the two companies.

The market value of our common stock could decline if large amounts of our common stock are sold following the Maxim acquisition.

If the merger is consummated, it is expected that we will issue a significant number of shares of our common stock to former Maxim stockholders. Former Maxim stockholders may decide not to hold the shares of our common stock that they will receive in the merger, and our shareholders may decide to reduce their investment in us as a result of the changes to our investment profile as a result of the merger. Other Maxim stockholders, such as funds with limitations on their permitted holdings of stock in individual issuers, may be required to sell the shares of our common stock that they receive in the merger. Such sales of our common stock could have the effect of depressing the market price for our common stock.

Risks Related to our Global Operations

The extent to which the novel strain of the coronavirus (COVID-19) pandemic will adversely affect our business, financial condition and results of operations is uncertain.

The COVID-19 pandemic, and the numerous measures implemented by government authorities in respond, have adversely impacted and are expected to continue to adversely impact our workforce and operations, the operations of our customers, and those of our respective vendors and suppliers. We have significant operations worldwide, including in the United States, the Philippines, Ireland, Singapore, Malaysia, China, and India. Each of these countries has been affected by the pandemic and taken measures to try to contain it, resulting in disruptions at some of our manufacturing operations and facilities, including restrictions on our access to facilities. It is uncertain what the full extent of the impact, and duration, of such measures and potential future measures may be and how such measures will affect our vendors and suppliers. Increased restrictions on or disruptions of transportation, such as reduced availability of air transport, port closures, and increased border controls or closures, could limit our capacity to meet customer demand and have a material adverse effect on our business, financial condition and results of operations.

The spread of COVID-19 has caused us to modify our business practices by, among other things, restricting employee travel, modifying employee work locations, and canceling physical participation in meetings, events and conferences. As a result of our changed workplace practices, many of our employees are temporarily working remotely. Any of these changes may adversely impact our business operations or customer relationships and result in further disruptions to our supply chain, manufacturing operations and facilities, and workplace. We may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers, partners, and suppliers, which may cause even further disruption. Although these alterations to our business practices are intended to minimize the spread of COVID-19, we cannot provide assurance that such measures will be sufficient to mitigate the risks posed by COVID-19, and if a significant number of our employees or members of our board of directors become ill, our ability to perform critical functions could be harmed.

The COVID-19 pandemic has significantly increased economic and demand uncertainty and has caused an economic slowdown that is likely to continue and could result in a global recession. The COVID-19 pandemic has led to disruption and volatility in the global capital markets, which may adversely affect our and our customers' and suppliers' liquidity, cost of capital and ability to access the capital markets. As a result, the continued spread of COVID-19 could cause further disruption in our supply chain and customer demand, and could adversely affect the ability of our customers to perform, including in making timely payments to us, which could further adversely impact our business, financial condition and results of operations.

We cannot at this time fully quantify or forecast the impact of the COVID-19 pandemic on our business. The full extent of the impact of the pandemic on our business, financial condition and results of operations will depend on future developments, which are highly uncertain, including the continued duration and severity of the pandemic, the spread of more contagious variants of the virus, the adoption rate of vaccines, the actions to contain the virus or treat its impact, or how quickly and to what extent normal economic and operating conditions can resume.

Political and economic uncertainty as well as disruptions in global credit and financial markets could materially and adversely affect our business and results of operations.

Continuing political and global macroeconomic uncertainty, including related to the COVID-19 pandemic, trade and political disputes between the United States and China, and the United Kingdom's withdrawal from the European Union, and uncertainty regarding the stability of global credit and financial markets may lead consumers and businesses to postpone or reduce spending, which may cause our customers to cancel, decrease or delay their existing and future orders for our products and make it difficult for us to accurately forecast and plan our future business activities. Financial difficulties experienced by our customers could result in nonpayment or payment delays for previously purchased products, thereby increasing our credit risk exposure. Uncertainty regarding the macroeconomic conditions as well as the future stability of the global credit and financial markets could cause the value of the currency in the affected markets to deteriorate, thus reducing the purchasing power of those customers. Significant disruption to global credit and financial markets may also adversely affect our ability to access external financing sources on acceptable terms. In addition, financial difficulties experienced by our suppliers, distributors or customers could result in product delays, increased accounts receivable defaults and inventory challenges. If economic conditions deteriorate, we may record additional charges relating to restructuring costs or the impairment of assets and our business and results of operations could be materially and adversely affected.

We are exposed to business, economic, political, legal, regulatory and other risks through our significant worldwide operations, which could adversely affect our business, financial condition and results of operations.

We have significant operations and manufacturing facilities outside the United States, including in Ireland, the Philippines, Singapore and Malaysia. A significant portion of our revenue is derived from customers in international markets, and we expect that international sales will continue to account for a significant portion of our revenue in the future. Risks associated with our international business operations include the following:

- political, legal and economic changes, crises or instability and civil unrest in markets in which we do business, including potential macroeconomic weakness related to trade and political disputes between the United States and China, the United Kingdom's withdrawal from the European Union and the implementation of the United States-Mexico-Canada Agreement;
- compliance requirements of U.S. customs and export regulations, including the Export Administration Regulations and the International Traffic and Arms Regulations;
- currency conversion risks and exchange rate and interest rate fluctuations, including the potential impact of the transition from LIBOR;
- trade policy, commercial, travel, export or taxation disputes or restrictions, government sanctions, import or export tariffs, changes to export classifications or other restrictions imposed by the U.S. government or by the governments of the countries in which we do business, particularly in China;
- complex, varying and changing government regulations and legal standards and requirements, particularly with respect to tax regulations, price protection, competition practices, export control regulations and restrictions, customs and tax requirements, immigration, anti-boycott regulations, data privacy, intellectual property, anti-corruption and environmental compliance, including the Foreign Corrupt Practices Act;
- economic disruption from terrorism and threats of terrorism and the response to them by the U.S. and its allies;
- increased managerial complexities, including different employment practices and labor issues;

- changes in immigration laws, regulations and procedures and enforcement practices of various government agencies;
- greater difficulty enforcing intellectual property rights and weaker laws protecting such rights;
- natural disasters or public health emergencies, such as the current COVID-19 pandemic;
- transportation disruptions and delays and increases in labor and transportation costs;
- changes to foreign taxes, tariffs and freight rates;
- fluctuations in raw material costs and energy costs;
- greater difficulty in accounts receivable collections and longer collection periods; and
- costs associated with our foreign defined benefit pension plans.

Any of these risks, or any other risks related to international business operations, could materially adversely affect our business, financial condition and results of operations.

Many of these risks are present within our business operations in China. For example, changes in U.S.-China relations, the political environment or international trade policies and relations could result in further revisions to laws or regulations or their interpretation and enforcement, increased taxation, trade sanctions, the imposition of import or export duties and tariffs, restrictions on imports or exports, currency revaluations, or retaliatory actions, which have had and may continue to have an adverse effect on our business plans and operating results. For example, the U.S. government has recently expanded export restrictions that limit our ability to sell to certain Chinese companies and to third parties that do business with those companies. These restrictions may negatively impact demand for our products, including by causing our current or potential customers to amass large inventories of our products, replace our products with products from another supplier that is not subject to the export restrictions, or focus on building indigenous semiconductor capacity to reduce reliance on U.S. suppliers. Furthermore, if these export restrictions cause our current or potential customers to view U.S. companies as unreliable, we could suffer reputational damage or lose business to foreign competitors who are not subject to such export restrictions, and our business could be materially harmed. We are continuing to evaluate the impact of these restrictions on our business, but these actions may have direct and indirect adverse impacts on our revenues and results of operations in China and elsewhere.

In addition, our success in the Chinese markets may be adversely affected by China's continuously evolving policies, laws and regulations, including those relating to antitrust, cybersecurity and data protection, the environment, indigenous innovation and the promotion of a domestic semiconductor industry, and intellectual property rights and enforcement and protection of those rights.

If we are unable to address our U.S. cash requirements, it may be necessary for us to consider repatriation of foreign earnings, which could have a material adverse effect on our results of operations and financial condition.

We carry outside basis differences in certain of our subsidiaries, primarily arising from acquisition accounting adjustments and undistributed earnings that are considered indefinitely reinvested. We intend to reinvest these funds in our international operations, and our current plans do not demonstrate a need to repatriate these earnings to fund our U.S. cash requirements. We require a substantial amount of cash in the United States for operating requirements, stock repurchases, cash dividends and acquisitions. If we are unable to address our U.S. cash requirements through operations, borrowings under our current revolving credit facility, future debt or equity offerings or other sources of cash obtained at an acceptable cost, it may be necessary for us to consider repatriation of earnings that are indefinitely reinvested, and we may be required to pay additional taxes under current tax laws, which could have a material adverse effect on our results of operations and financial condition.

Risks Related to our Business, Industry and Partners

Our future revenue, gross margins, operating results, net income and earnings per share are difficult to predict and may materially fluctuate.

Our future revenue, gross margins, operating results, net income and earnings per share are difficult to predict and may be materially affected by a number of factors, including:

- the extent of the impact and the duration of the COVID-19 pandemic;
- the effects of adverse economic conditions in the markets in which we sell our products;
- changes in customer demand or order patterns for our products and/or for end products that incorporate our products;
- the timing, delay, reduction or cancellation of significant customer orders and our ability to manage inventory;
- our ability to accurately forecast distributor demand for our products;
- our ability to accurately estimate future distributor pricing credits and/or stock rotation rights;
- our ability to effectively manage our cost structure in both the short term and over a longer duration;

- changes in geographic, product or customer mix;
- changes in our effective tax rates or new or revised tax legislation in the United States, Ireland or worldwide;
- the effects of issued, threatened or retaliatory government sanctions, trade barriers or economic restrictions; changes in law, regulations or other restrictions, including executive orders; and changes in import and export regulations, including restrictions on exports to certain companies or to third parties that do business with such companies, export classifications, or duties and tariffs, particularly with respect to China;
- the timing of new product announcements or introductions by us, our customers or our competitors and the market acceptance of such products;
- pricing decisions and competitive pricing pressures;
- fluctuations in manufacturing yields, adequate availability of wafers and other raw materials, and manufacturing, assembly and test capacity;
- the ability of our third-party suppliers, subcontractors and manufacturers to supply us with sufficient quantities of raw materials, products and/or components;
- a decline in infrastructure spending by foreign governments, including China;
- a decline in the U.S. government defense budget, changes in spending or budgetary priorities, a prolonged U.S. government shutdown or delays in contract awards;
- any significant decline in our backlog;
- our ability to recruit, hire, retain and motivate adequate numbers of engineers and other qualified employees to meet the demands of our customers;
- our ability to generate new design opportunities and win competitive bid selection processes;
- the increasing costs of providing employee benefits worldwide, including health insurance, retirement plan and pension plan contributions and retirement benefits;
- our ability to utilize our manufacturing facilities at efficient levels;
- potential significant litigation-related costs or product liability, warranty and/or indemnity claims, including those not covered by our suppliers or insurers;
- the difficulties inherent in forecasting future operating expense levels, including with respect to costs associated with labor, utilities, transportation and raw materials;
- the costs related to compliance with increasing worldwide government, environmental and social responsibility standards;
- new accounting pronouncements or changes in existing accounting standards and practices; and
- the effects of public health emergencies, civil unrest, natural disasters, widespread travel disruptions, security risks, terrorist activities, international conflicts and other events beyond our control.

In addition, the semiconductor market has historically been cyclical and subject to significant economic upturns and downturns. Our business and certain of the end markets we serve are also subject to rapid technological changes and material fluctuations in demand based on end-user preferences. There can be no assurance (i) that products stocked in our inventory will not be rendered obsolete before we ship them, or (ii) that we will be able to design, develop and produce products in a timely fashion to accommodate changing customer demand. As a result of these and other factors, we may experience material fluctuations in future revenue, gross margins, operating results, net income and earnings per share on a quarterly or annual basis. Our historical financial performance and results of operations should not be relied upon as indicators of future performance or results. In addition, if our revenue, gross margins, operating results, net income and earnings per share results or expectations do not meet the expectations of securities analysts or investors, the market price of our common stock may decline.

Increases in our effective tax rate and exposure to additional tax liabilities may adversely impact our results of operations.

Our effective tax rate reflects the applicable tax rate in effect in the various tax jurisdictions around the world where our income is earned. Our effective tax rate for the first three and nine months of the fiscal year ending October 30, 2021 was below our U.S. federal statutory rate of 21%. This is primarily due to lower statutory tax rates applicable to our operations in the foreign jurisdictions in which we earn income. A number of factors may increase our future effective tax rate, including: new or revised tax laws or legislation or the interpretation of such laws or legislation by governmental authorities; increases in tax rates in various jurisdictions; variation in the mix of jurisdictions in which our profits are earned and taxed; deferred taxes arising from basis differences in investments in foreign subsidiaries; any adverse resolution of ongoing tax audits or adverse rulings from taxing authorities worldwide; changes in the valuation of our deferred tax assets and liabilities; adjustments to income taxes upon finalization of various tax returns; increases in expenses not deductible for tax purposes, including executive compensation subject to the limitations of Section 162(m) of the Internal Revenue Code and amortization of assets acquired in connection with strategic transactions; decreased availability of tax deductions for stock-based compensation awards worldwide; and changes in available tax credits. In addition, we have a partial tax holiday through July 2025 in Malaysia. The ability to extend such tax holiday beyond its expiration date cannot be assured. In addition, if we fail to meet certain conditions of the tax holiday, we may lose the benefit of the tax holiday and/or be subject to additional taxes and/or penalties. Any significant increase in our future effective tax rate could adversely impact our net income during future periods.

Compliance with tax legislation may require the collection of information not regularly produced within the Company, and therefore necessitate the use of estimates in our Consolidated Financial Statements and the exercise of significant judgment in accounting for its provisions. As regulations and guidance evolve with respect to tax legislation, and as more information is gathered and analyzed, our results may differ from previous estimates and may materially affect our Consolidated Financial Statements.

We are also subject to laws and regulations in various jurisdictions that determine how much profit has been earned and when it is subject to taxation in that jurisdiction. Changes in these laws and regulations, including those that align to or are associated with the Organization for Economic Cooperation and Development's Base Erosion and Profit Shifting (BEPS) Actions Plans, could impact the jurisdictions where we are deemed to earn income, which could in turn adversely affect our tax liability and results of operations.

Our customers typically do not make long-term product purchase commitments and incorrect forecasts or reductions, cancellations or delays in orders for our products could adversely affect our operating results.

We typically do not have sales contracts with our customers that include long-term product purchase commitments. In certain markets where end-user demand may be particularly volatile and difficult to predict, some customers place orders that require us to manufacture product and have it available for shipment, even though the customer is unwilling to make a binding commitment to purchase all, or even any, of the product. In other instances, we manufacture product based on non-binding forecasts of customer demands, which may fluctuate significantly on a quarterly or annual basis and at times may prove to be inaccurate. Additionally, our U.S. government contracts and subcontracts may be funded in increments over a number of government budget periods and typically can be terminated by the government for its convenience. As a result, we may incur inventory and manufacturing costs in advance of anticipated sales, and we are subject to the risk of lower than expected orders or cancellations of orders, leading to a sharp reduction of sales and backlog. Further, if orders or forecasts for products that meet a customer's unique requirements are canceled or unrealized we may be left with an inventory of unsaleable products, causing potential inventory write-offs, and hindering our ability to recover our costs. As a result of lengthy manufacturing cycles for certain of the products that are subject to these uncertainties, the amount of unsaleable product could be substantial. Incorrect forecasts, or reductions, cancellations or delays in orders for our products could adversely affect our operating results.

Our future success depends upon our ability to execute our business strategy, continue to innovate, improve our existing products, design, develop, produce and market new products, and identify and enter new markets.

Our future success significantly depends on our ability to execute our business strategy, continue to innovate, improve our existing products, and design, develop, produce and market innovative new products and system-level solutions. Product design, development, innovation and enhancement is often a complex, time-consuming and costly process involving significant investment in research and development, with no assurance of return on investment. There can be no assurance that we will be able to develop and introduce new and improved products in a timely or efficient manner or that new and improved products, if developed, will achieve market acceptance. Our products generally must conform to various evolving and sometimes competing industry standards, which may adversely affect our ability to compete in certain markets or require us to incur significant costs. In addition, our customers generally impose very high quality and reliability standards on our products, which often change and may be difficult or costly to satisfy. Any inability to satisfy customer quality and reliability standards or comply with industry standards and technical requirements may adversely affect demand for our products and our results of operations.

Our growth is also dependent on our ability to identify and penetrate new markets where we have limited experience yet require significant investments, resources and technological advancements in order to compete effectively, and there can be no assurance that we will achieve success in these markets. There can be no assurance that the markets we serve and/or target based on our business strategy will grow in the future, that our existing and new products will meet the requirements of these markets, that our products, or the end-products in which our products are used, will achieve customer acceptance in these markets, that competitors will not force price reductions or take market share from us, or that we can achieve or maintain adequate gross margins or profits in these markets.

We may not be able to compete successfully in markets within the semiconductor industry in the future.

We face intense competition in the semiconductor industry, and we expect this competition to increase in the future, including from companies located outside of the United States. Competition is generally based on innovation, design, quality and reliability of products, product performance, features and functionality, product pricing, availability and capacity, technological service and support, and the availability of integrated system solutions, with the relative importance of these factors varying among products, markets and customers. Many companies have sufficient financial, manufacturing, technical, sales and marketing resources to develop and market products that compete with our products. Some of our competitors may have more advantageous supply or development relationships with our current and potential customers or suppliers. Our competitors also include both emerging companies selling specialized products in markets we serve and companies outside of the U.S., including entities associated with well-funded efforts by foreign governments to create indigenous semiconductor industries. Existing or new competitors may develop products or technologies that more effectively address the demands of our customers and markets with enhanced performance, features and functionality, lower power requirements, greater levels of integration or lower cost. In addition, as we seek to expand our business, including the design and production of products and services for developing and emerging markets, we may encounter increased competition from our current competitors and/or new competitors. Increased competition in certain markets has resulted in and may continue to result in declining average selling prices, reduced gross margins and loss of market share in those markets. There can be no assurance that we will be able to compete successfully in the future against existing or new competitors, or that our operating results will not be adversely affected by increased competition. In addition, the semiconductor industry has experienced significant consolidation over the past several years. Consolidation among our competitors could lead to a changing competitive landscape, which could negatively impact our competitive position and market share and harm our results of operations.

We rely on third parties for supply of raw materials and parts, semiconductor wafer foundry services, assembly and test services, and transportation, among other things, and we generally cannot control their availability or conditions of supply or services.

We rely, and plan to continue to rely, on third-party suppliers and service providers, including raw material and components suppliers, semiconductor wafer foundries, assembly and test contractors, and freight carriers (collectively, vendors) in manufacturing our products. This reliance involves several risks, including reduced control over availability, capacity utilization, delivery schedules, manufacturing yields, and costs. We currently source approximately half of our wafer requirements annually from third-party wafer foundries, including Taiwan Semiconductor Manufacturing Company (TSMC) and others. These foundries often provide wafer foundry services to our competitors and therefore periods of increased industry demand may result in capacity constraints. In addition, our manufacturing processes require availability of certain raw materials and supplies. Limited or delayed access to these items could adversely affect our results of operations. In certain instances, one of our vendors may be the sole source of highly specialized processing services or materials. If such vendor is unable or unwilling to manufacture and deliver components to us on the time schedule and of the quality or quantity that we require, we may be forced to seek to engage an additional or replacement vendor, which could result in additional expenses and delays in product development or shipment of product to our customers. If additional or replacement vendors are not available, we may also experience delays in product development or shipment which could, in turn, result in the temporary or permanent loss of customers.

A prolonged disruption of our internal manufacturing operations could have a material adverse effect on our business, financial condition and results of operations.

In addition to leveraging an outsourcing model for manufacturing operations, we also rely on our internal manufacturing operations located in the United States, Ireland, the Philippines, Singapore and Malaysia. A prolonged disruption at, or inability to utilize, one or more of our manufacturing facilities, loss of raw materials or damage to our manufacturing equipment for any reason, including due to the COVID-19 pandemic, natural or man-made disasters, civil unrest or other events outside of our control, such as widespread outbreaks of illness, or the failure to maintain our labor force at one or more of these facilities, may disrupt our operations, delay production, shipments and revenue and result in us being unable to timely satisfy customer demand. As a result, we could forgo revenue opportunities, potentially lose market share and damage our customer relationships, all of which could materially and adversely affect our business, financial condition and results of operations.

The markets for semiconductor products are cyclical, and increased production may lead to overcapacity and lower prices, and conversely, we may not be able to satisfy unexpected demand for our products.

The cyclical nature of the semiconductor industry has resulted in periods when demand for our products has increased or decreased rapidly. The demand for our products is subject to the strength of our four major end markets of Industrial, Communications, Automotive and Consumer. If we expand our operations and workforce too rapidly or procure excessive resources in anticipation of increased demand for our products, and that demand does not materialize at the pace at which we expect, or declines, or if we overbuild inventory in a period of decreased demand, our operating results may be adversely affected as a result of increased operating expenses, reduced margins, underutilization of capacity or asset impairment charges. These capacity expansions by us and other semiconductor manufacturers could also lead to overcapacity in our target markets which could lead to price erosion that would adversely impact our operating results. Conversely, during periods of rapid increases in demand, our available capacity may not be sufficient to satisfy the demand. In addition, we may not be able to expand our workforce and operations in a sufficiently timely manner, procure adequate resources and raw materials, locate suitable third-party suppliers, or respond effectively to changes in demand for our existing products or to demand for new products requested by our customers, and our current or future business could be materially and adversely affected.

Our semiconductor products are complex and we may be subject to warranty, indemnity and/or product liability claims, which could result in significant costs and damage to our reputation and adversely affect customer relationships, the market acceptance of our products and our operating results.

Semiconductor products are highly complex and may contain defects that affect their quality or performance. Failures in our products and services or in the products of our customers could result in damage to our reputation for reliability and increase our legal or financial exposure to third parties. Certain of our products and services could also contain security vulnerabilities, defects, bugs and errors, which could also result in significant data losses, security breaches and theft of intellectual property. We generally warrant that our products will meet their published specifications, and that we will repair or replace defective products, for one year from the date title passes from us to the customer. We invest significant resources in the testing of our products; however, if any of our products contain defects, we may be required to incur additional development and remediation costs pursuant to warranty and indemnification provisions in our customer contracts and purchase orders. These problems may divert our technical and other resources from other product development efforts and could result in claims against us by our customers or others, including liability for costs and expenses associated with product defects, including recalls, which may adversely impact our operating results. We may also be subject to customer intellectual property indemnity claims. Our customers have on occasion been sued, and may be sued in the future, by third parties alleging infringement of intellectual property rights, or damages resulting from use of our products. Those customers may seek indemnification from us under the terms and conditions of our sales contracts with them. In certain cases, our potential indemnification liability may be significant.

Further, we sell to customers in industries such as automotive (including autonomous vehicles), aerospace, defense, and healthcare, where failure of the systems in which our products are integrated could cause damage to property or persons. We may be subject to product liability claims if our products, or the integration of our products, cause system failures. Any product liability claim, whether or not determined in our favor, could result in significant expense, divert the efforts of our technical and management personnel, and harm our business. In addition, if any of our products contain defects, or have reliability, quality or compatibility problems not capable of being resolved, our reputation may be damaged, which could make it more difficult for us to sell our products to customers and which could also adversely affect our operating results. Furthermore, we market and sell our products through authorized third-party distributors, and from time to time our products may be diverted from our authorized distribution channels and sold on the “gray market.” There is a risk that customers purchasing our products on the gray market may use our products for purposes for which they were not intended, or may purchase counterfeit or substandard products, including products that have been altered, mishandled or damaged, or used products presented as new, which could result in damage to property or persons and cause serious reputational harm.

The fabrication of integrated circuits is highly complex and precise, and our manufacturing processes utilize a substantial amount of technology. Minute impurities, contaminants in the manufacturing environment, difficulties in the fabrication process, defects in the masks used in the wafer manufacturing process, manufacturing equipment failures, wafer breakage or other factors can cause a substantial percentage of wafers to be rejected or numerous dice on each wafer to be nonfunctional. While we have significant expertise in semiconductor manufacturing, it is possible that some processes could become unstable. This instability could result in manufacturing delays and product shortages, which could have a material adverse effect on our operating results.

If we are unable to recruit or retain our key personnel, our ability to execute our business strategy will be adversely affected.

Our continued success depends to a significant extent upon the recruitment, retention and effective succession of our key personnel, including our leadership team, management and technical personnel, particularly our experienced engineers. The competition for these employees is intense. The loss of key personnel or the inability to attract, hire and retain key employees with critical technical skills to achieve our strategy, including as a result of changes to immigration policies, could also have a material adverse effect on our business. We do not maintain any key person life insurance policy on any of our officers or other employees.

To remain competitive, we may need to invest in or acquire other companies, purchase or license technology from third parties, or enter into other strategic transactions in order to introduce new products or enhance our existing products.

An element of our business strategy involves expansion through the acquisitions of businesses, assets, products or technologies that allow us to complement our existing product offerings, diversify our product portfolio, expand our market coverage, increase our engineering workforce, expand our technical skill sets or enhance our technological capabilities. We may not be able to find businesses that have the technology or resources we need and, if we find such businesses, we may not be able to invest in, purchase or license the technology or resources on commercially favorable terms or at all. Acquisitions, investments and technology licenses are challenging to complete for a number of reasons, including difficulties in identifying potential targets, the cost of potential transactions, competition among prospective buyers and licensees, the need for regulatory approvals, and difficulties related to integration efforts. In addition, investments in companies are subject to a risk of a partial or total loss of our investment. Both in the U.S. and abroad, governmental regulation of acquisitions, including antitrust and other regulatory reviews and approvals, has become more complex, increasing the costs and risks of undertaking and consummating significant acquisitions. In order to finance a potential transaction, we may need to raise additional funds by issuing securities or borrowing money. We may not be able to obtain financing on favorable terms, and the sale of our stock may result in the dilution of our existing shareholders or the issuance of securities with rights that are superior to the rights of our common shareholders.

Acquisitions also involve a number of challenges and risks, including:

- diversion of management's attention in connection with both negotiating the transaction and integrating the acquired assets and businesses;
- difficulty or delay integrating acquired technologies, operations, systems and infrastructure, and personnel with our existing businesses;
- strain on managerial and operational resources as management tries to oversee larger or more complex operations;
- the future funding requirements for acquired companies, including research and development costs, employee compensation and benefits, and operating expenses, which may be significant;
- servicing significant debt that may be incurred in connection with acquisitions;
- potential loss of key employees;
- exposure to unforeseen liabilities or regulatory compliance issues of acquired companies;
- higher than expected or unexpected costs relating to or associated with an acquisition and integration of assets and businesses;
- difficulty realizing expected cost savings, operating synergies and growth prospects of an acquisition in a timely manner or at all; and
- increased risk of costly and time-consuming legal proceedings.

If we are unable to successfully address these risks, we may not realize some or all of the expected benefits of our acquisitions, which may have an adverse effect on our business strategy, plans and operating results.

We rely on supplies, services and manufacturing capacity located in geologically unstable areas, which could affect our ability to produce products.

We, like many companies in the semiconductor industry, rely on supplies, services, internal manufacturing capacity, wafer fabrication foundries and other subcontractors in geologically unstable locations around the world. Earthquakes, tsunamis, flooding or other natural disasters may disrupt local semiconductor-related businesses and adversely affect manufacturing capacity, availability and cost of key raw materials, utilities and equipment, and availability of key services, including transport of our products worldwide. Our insurance may not adequately cover losses resulting from such disruptions. Any prolonged inability to utilize one of our manufacturing facilities, or those of our subcontractors or third-party wafer fabrication foundries, as a result of fire, flood, natural disaster, unavailability of utilities or otherwise, could result in a temporary or permanent loss of customers for affected products, which could have a material adverse effect on our results of operations and financial condition.

Our operating results are dependent on the performance of independent distributors.

A significant portion of our sales are through independent global and regional distributors that are not under our control. These independent distributors generally represent product lines offered by several companies and thus could reduce their sales efforts for our products or they could terminate their representation of us. We generally do not require letters of credit from our distributors, including our largest distributor, and are not protected against accounts receivable default or declarations of bankruptcy by these distributors. Our inability to collect open accounts receivable could adversely affect our operating results. Termination of a significant distributor or a group of distributors, whether at our initiative or the distributor's initiative or through consolidation in the distribution industry, could disrupt our current business, and if we are unable to find suitable replacements with the appropriate scale and resources, our operating results could be adversely affected.

We are required to estimate the effects of returns and allowances provided to distributors and record revenue at the time of sale to the distributor. If our estimates of such credits and rights are materially understated, it could cause subsequent adjustments that negatively impact our revenues and gross profits in a future period.

Our stock price may be volatile.

The market price of our common stock has been volatile in the past and may be volatile in the future, as it may be significantly affected by factors including:

- the extent of the impact and the duration of the COVID-19 pandemic;
- global economic conditions generally;
- crises in global credit, debt and financial markets;
- actual or anticipated fluctuations in our revenue and operating results;
- changes in financial estimates or other statements made by securities analysts or others in analyst reports or other publications, or our failure to perform in line with those estimates or statements or our published guidance;
- financial results and prospects of our customers;
- U.S. and foreign government actions, including with respect to trade, travel, export and taxation;
- changes in market valuations of other semiconductor companies;
- rumors and speculation in the press, investment community or on social media about us, our customers or other companies in our industry;
- announcements by us, our customers or our competitors of significant new products, technical innovations, material transactions, acquisitions or dispositions, litigation, capital commitments, including share repurchases and dividend policies, or revised earnings estimates;
- departures of key personnel;
- alleged noncompliance with laws, regulations or ethics standards by us or any of our employees, officers or directors; and
- negative media publicity targeting us or our suppliers, customers or competitors.

The stock market has historically experienced volatility, especially within the semiconductor industry, that often has been unrelated to the performance of particular companies. These market fluctuations may cause our stock price to fall regardless of our operating results.

Our directors and executive officers periodically buy or sell shares of our common stock in the market, including pursuant to Rule 10b5-1 trading plans. Regardless of the individual's reasons for such purchases or sales, securities analysts and investors could view such transactions as positive or negative indicators and our stock price could be adversely affected as a result.

Risks Related to our Indebtedness

If we are unable to generate sufficient cash flow, we may not be able to service our debt obligations, including making payments on our outstanding indebtedness.

Our ability to make payments of principal and interest on our indebtedness when due depends upon our future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our consolidated operations, many of which are beyond our control. For example, the disruption to economic activity resulting from the COVID-19 pandemic has had, and is likely to continue to have, adverse effects on our supply chain, manufacturing operations and facilities, and workforce. If we are unable to generate sufficient cash flow from operations in the future to service our outstanding debt, we may be required to, among other things:

- seek additional financing in the debt or equity markets;
- refinance or restructure all or a portion of our indebtedness;
- borrow under our revolving credit facility;
- divert funds that would otherwise be invested in growing our business operations;
- repatriate earnings as dividends from foreign locations with potential for negative tax consequences; or
- sell selected assets.

Such measures might not be sufficient to enable us to service our debt, which could negatively impact our financial results. In addition, we may not be able to obtain any such financing, refinancing or complete a sale of assets on economically favorable terms. In the case of financing or refinancing, favorable interest rates will depend on the health of the debt capital markets.

Restrictions in our revolving credit facility, term loan and outstanding debt instruments may limit our activities.

Our current revolving credit facility, term loan and outstanding debt instruments impose, and future debt instruments to which we may become subject may impose, restrictions that limit our ability to engage in activities that could otherwise benefit our Company, including to undertake certain transactions, to create certain liens on our assets and to incur certain subsidiary indebtedness. Our ability to comply with these financial restrictions and covenants is dependent on our future performance, which is subject to prevailing economic conditions and other factors, including factors that are beyond our control such as changes in technology, government regulations and the level of competition in our markets. In addition, our revolving credit facility and term loan require us to maintain compliance with specified financial ratios. If we breach any of the covenants under our revolving credit facility, the indentures governing our outstanding senior unsecured notes, the term loan facility or any future debt instruments to which we may become subject and do not obtain appropriate waivers, then, subject to applicable cure periods, our outstanding indebtedness thereunder could be declared immediately due and payable and/or we may be restricted from further borrowing under our revolving credit facility.

Risks Related to Legal, Regulatory and Compliance Matters

We may be unable to adequately protect our proprietary intellectual property rights, which may limit our ability to compete effectively.

Our future success depends, in part, on our ability to protect our intellectual property. We primarily rely on patent, mask work, copyright, trademark and trade secret laws, as well as nondisclosure agreements, information security practices, and other methods, to protect our proprietary information, technologies and processes. Despite our efforts to protect our intellectual property, it is possible that competitors or other unauthorized third parties may obtain or disclose our confidential information, reverse engineer or copy our technologies, products or processes, or otherwise misappropriate our intellectual property. Moreover, the laws of foreign countries in which we design, manufacture, market and sell our products may afford little or no effective protection of our intellectual property.

There can be no assurance that the claims allowed in our issued patents will be sufficiently broad to protect our technology. In addition, any of our existing or future patents may be challenged, invalidated or circumvented. As such, any rights granted under these patents may not prevent others from exploiting our proprietary technology. We may not be able to obtain foreign patents or pending applications corresponding to our U.S. patents and applications. Even if patents are granted, we may not be able to effectively enforce our rights. If our patents and mask works do not adequately protect our technology, or if our registrations expire prior to end of life of our products, our competitors may be able to offer products similar to ours. Our competitors may also be able to develop similar technology independently or design around our patents.

We generally enter into confidentiality agreements with our employees, consultants and strategic partners. We also try to control access to and distribution of our technologies, documentation and other proprietary information. Despite these efforts, internal or external parties may attempt to copy, disclose, obtain or use our products or technology without our authorization. Also, former employees may seek employment with our business partners, customers or competitors, and there can be no assurance that the confidential nature of our proprietary information will be maintained in the course of such future employment.

A significant disruption in, or breach in security of, our information technology systems or certain of our products could materially and adversely affect our business or reputation.

We rely on information technology systems throughout our company to keep financial records and customer data, process orders, manage inventory, coordinate shipments to customers, maintain confidential and proprietary information, assist in semiconductor engineering and other technical activities and operate other critical functions such as Internet connectivity, network communications and email. Our information technology systems may be susceptible to damage, disruptions or shutdowns due to power outages, hardware failures, telecommunication failures, employee malfeasance, user errors, catastrophes or other unforeseen events. Due to the COVID-19 pandemic, many of our employees and directors are temporarily working remotely, which may pose additional data security risks. We also rely upon external cloud providers for certain infrastructure activities. If we were to experience a prolonged disruption in the information technology systems that involve our internal communications or our interactions with customers or suppliers, it could result in the loss of sales and customers and significant incremental costs, which could adversely affect our business. We may also be subject to security breaches of our information technology systems and certain of our products caused by viruses, illegal break-ins or hacking, sabotage, or acts of vandalism by third parties or our employees or contractors. Our security measures or those of our third-party service providers may not detect or prevent security breaches, defects, bugs or errors. In addition, we provide our confidential and proprietary information to our strategic partners in certain cases where doing so is necessary to conduct our business. Those third parties may be subject to security breaches or otherwise compromise the protection of such information. Security breaches of our information technology systems or those of our partners could result in the misappropriation or unauthorized disclosure of confidential and proprietary information belonging to us or to our employees, partners, customers, suppliers, or other third parties which could result in our suffering significant financial or reputational damage.

We are occasionally involved in litigation, including claims regarding intellectual property rights, which could be costly to litigate and could require us to redesign products or pay significant royalties.

The semiconductor industry is characterized by frequent claims and litigation involving patent and other intellectual property rights. Other companies or individuals have obtained patents covering a variety of semiconductor designs and processes, and we might be required to obtain licenses under some of these patents or be precluded from making and selling infringing products, if those patents are found to be valid and infringed by us. In the event a third party makes a valid intellectual property claim against us and a license is not available to us on commercially reasonable terms, or at all, we could be forced either to redesign or to stop production of products incorporating that intellectual property, and our operating results could be materially and adversely affected. Litigation may be necessary to enforce our patents or other of our intellectual property rights or to defend us against claims of infringement, and this litigation could be costly and divert the attention of our key personnel. We could also be subject to litigation or arbitration disputes arising under our contractual obligations, as well as customer indemnity, warranty or product liability claims that could lead to significant costs and expenses as we defend those claims or pay damage awards. There can be no assurance that we are adequately insured to protect against all claims and potential liabilities, and we may elect to self-insure with respect to certain matters. An adverse outcome in litigation or arbitration could have a material adverse effect on our financial position or on our operating results or cash flows in the period in which the dispute is resolved.

We are subject to environmental, health and safety (EHS) regulations, which could increase our expenses and affect our operating results.

Our industry is subject to EHS requirements, particularly those that control and restrict the sourcing, use, transportation, emission, discharge, storage and disposal of certain substances, and materials used or produced in the semiconductor manufacturing process. Public attention to environmental sustainability and social responsibility concerns continues to increase, and our customers routinely include stringent environmental and other standards in their contracts with us. Changes in EHS laws or regulations may require us to invest in costly equipment or make manufacturing process changes and may adversely affect the sourcing, supply and pricing of materials used in our products. In addition, we use hazardous and other regulated materials that subject us to risks of strict liability for damages caused by potential or actual releases of such materials. Any failure to control such materials adequately or to comply with existing or future EHS statutory or regulatory standards, requirements or contractual obligations could result in any of the following, each of which could have a material adverse effect on our business and operating results:

- liability for damages and remediation;
- the imposition of regulatory penalties and civil and criminal fines;
- the suspension or termination of the development, manufacture, sale or use of certain of our products;
- changes to our manufacturing processes or a need to substitute materials that may cost more or be less available;
- damage to our reputation; and/or

- increased expenses associated with compliance.

If we fail to comply with government contracting regulations, we could suffer a loss of revenue or incur price adjustments or other penalties.

Some of our revenue is derived from contracts with agencies of the United States government and subcontracts with its prime contractors. As a United States government contractor or subcontractor, we are subject to federal contracting regulations, including the Federal Acquisition Regulations, which govern the allowability of costs incurred by us in the performance of United States government contracts. Certain contract pricing is based on estimated direct and indirect costs, which are subject to change. Additionally, the United States government is entitled after final payment on certain negotiated contracts to examine all of our cost records with respect to such contracts and to seek a downward adjustment to the price of the contract if it determines that we failed to furnish complete, accurate and current cost or pricing data in connection with the negotiation of the price of the contract.

In connection with our United States government business, we are also subject to government audits and to review and approval of our policies, procedures, and internal controls for compliance with procurement regulations and applicable laws, such as the Cybersecurity Maturity Model Certification. In certain circumstances, if we do not comply with the terms of a government contract or with regulations or statutes, we could be subject to downward contract price adjustments or refund obligations or could in extreme circumstances be assessed civil and criminal penalties or be debarred or suspended from obtaining future contracts for a specified period of time. Any such suspension or debarment or other sanction could have an adverse effect on our business.

Under some of our government subcontracts, we are required to maintain secure facilities and to obtain security clearances for personnel involved in performance of the contract, in compliance with applicable federal standards. If we were unable to comply with these requirements, or if personnel critical to our performance of these contracts were unable to obtain or maintain their security clearances, we might be unable to perform these contracts or compete for other projects of this nature, which could adversely affect our revenue.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (a)		Average Price Paid Per Share (b)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (c)		Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
May 2, 2021 through May 29, 2021	324,916	$	154.69	322,889	$	1,545,508,127
May 30, 2021 through June 26, 2021	284,261	$	165.49	273,307	$	1,500,298,998
June 27, 2021 through July 31, 2021	399,473	$	165.16	345,067	$	1,443,189,210
Total	1,008,650	$	161.88	941,263	$	1,443,189,210

(a) Includes 67,387 shares withheld by us from employees to satisfy minimum employee tax obligations upon vesting of restricted stock units/awards granted to our employees under our equity compensation plans.

(b) The average price paid for shares in connection with vesting of restricted stock units/awards are averages of the closing stock price at the vesting date which is used to calculate the number of shares to be withheld.

(c) Shares repurchased pursuant to the stock repurchase program publicly announced on August 12, 2004. Under the repurchase program, we may repurchase outstanding shares of our common stock from time to time in the open market and through privately negotiated transactions in an aggregate amount of up to $8.2 billion. Unless terminated earlier by resolution of our Board of Directors, the repurchase program will expire when we have repurchased all shares authorized for repurchase under the repurchase program.

ITEM 6. Exhibits

Exhibit No.	Description
10.1†	Fifth Amendment to the Analog Devices, Inc. Amended and Restated Deferred Compensation Plan.
10.2	Third Amended and Restated Credit Agreement, dated as of June 23, 2021,among Analog Devices, Inc., as Borrower, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and each lender from time to time party thereto, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on June 23, 2021 (File No. 1-7819) and incorporated herein by reference
31.1†	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).
31.2†	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).
32.1†*	Certification Pursuant to 18 U.S.C. Section 1350 (Chief Executive Officer).
32.2†*	Certification Pursuant to 18 U.S.C. Section 1350 (Chief Financial Officer).
101.INS	The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document.**
101.SCH	Inline XBRL Schema Document.**
101.CAL	Inline XBRL Calculation Linkbase Document.**
101.LAB	Inline XBRL Labels Linkbase Document.**
101.PRE	Inline XBRL Presentation Linkbase Document.**
101.DEF	Inline XBRL Definition Linkbase Document.**
104	Cover page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101).
†	Filed or furnished herewith.
#	Indicates management contract or compensatory plan, contract or agreement.
*	The certification furnished in each of Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates each by reference. Such certification will not be deemed to be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference.
**	Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Condensed Consolidated Statements of Income for the three and nine months ended July 31, 2021 and August 1, 2020, (ii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended July 31, 2021 and August 1, 2020, (iii) Condensed Consolidated Balance Sheets at July 31, 2021 and October 31, 2020, (iv) Condensed Consolidated Statements of Shareholders' Equity for the three and nine months ended July 31, 2021 and August 1, 2020, (v) Condensed Consolidated Statements of Cash Flows for the nine months ended July 31, 2021 and August 1, 2020 and (vi) Notes to Condensed Consolidated Financial Statements for the three and nine months ended July 31, 2021.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ANALOG DEVICES, INC.

Date: August 18, 2021	By:	/s/ Vincent Roche
		Vincent Roche
		President and Chief Executive Officer
		(Principal Executive Officer)
Date: August 18, 2021	By:	/s/ Prashanth Mahendra-Rajah
		Prashanth Mahendra-Rajah
		Senior Vice President, Finance and Chief Financial Officer
		(Principal Financial Officer)