

ANALOG DEVICES INC
Form 10-Q
May 30, 2018

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 May 5, 2018

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 Technology Way, Norwood, MA 02062-9106
(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)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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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 May 5, 2018 there were 370,897,292 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)

(thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	May 5, 2018	April 29, 2017	May 5, 2018	April 29, 2017
Revenue	\$1,513,053	\$1,147,982	\$3,031,677	\$2,132,431
Cost of sales (1)	479,241	507,539	962,675	843,484
Gross margin	1,033,812	640,443	2,069,002	1,288,947
Operating expenses:				
Research and development (1)	289,472	235,232	578,069	419,186
Selling, marketing, general and administrative (1)	172,146	190,686	349,054	321,345
Amortization of intangibles	107,129	68,690	214,148	86,850
Special charges	1,089	—	58,407	49,463
	569,836	494,608	1,199,678	876,844
Operating income	463,976	145,835	869,324	412,103
Nonoperating expense (income):				
Interest expense	64,792	71,636	132,822	114,250
Interest income	(1,912)	(12,421)	(4,004)	(22,421)
Other, net	(451)	(94)	105	251
	62,429	59,121	128,923	92,080
Income before income taxes	401,547	86,714	740,401	320,023
Provision (benefit) for income taxes	21,716	(6,850)	92,398	9,330
Net income	\$379,831	\$93,564	\$648,003	\$310,693
Shares used to compute earnings per common share – basic	370,384	341,316	369,685	325,051
Shares used to compute earnings per common share – diluted	374,778	345,654	374,430	329,365
Basic earnings per common share	\$1.02	\$0.27	\$1.75	\$0.96
Diluted earnings per common share	\$1.01	\$0.27	\$1.72	\$0.94
Dividends declared and paid per share	\$0.48	\$0.45	\$0.93	\$0.87
(1) Includes stock-based compensation expense as follows:				
Cost of sales	\$3,820	\$2,566	\$8,041	\$4,510
Research and development	\$22,018	\$11,910	\$41,746	\$18,931
Selling, marketing, general and administrative	\$13,076	\$8,010	\$27,029	\$15,574

See accompanying notes.

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

	Three Months Ended		Six Months Ended	
	May 5, 2018	April 29, 2017	May 5, 2018	April 29, 2017
Net income	\$379,831	\$93,564	\$648,003	\$310,693
Foreign currency translation adjustments	(3,419)	6,140	6,752	1,178
Change in fair value of available-for-sale securities (net of taxes of \$0, \$5, \$0 and \$9, respectively)	5	(675)	3	(456)
Change in fair value of derivative instruments designated as cash flow hedges (net of taxes of \$771, \$912, \$1,323 and \$2,307, respectively)	(6,613)	4,481	1,737	6,566
Changes in pension plans including prior service cost, transition obligation, net actuarial loss and foreign currency translation ad				