

## ADI F4Q Earnings

ADI		Analog Devices	
<b>Qtr:</b>	F4Q	<b>Grade:</b>	D
<b>Rev:</b>	814.2	<b>Rev:</b>	+++
<b>GM:</b>	66.4%	<b>EPS:</b>	+
<b>EPS:</b>	\$0.69	<b>Fcst:</b>	-
		<b>Growth(qtr-qtr)</b>	
		<b>Rev:</b>	+11.9%
		<b>Fcst:</b>	-9-5%
		<b>Div:</b>	\$0.37

**Analog Devices (ADI, \$51.71 -0.09, Rated Hold/Not Compelling in my latest Chip Investment Ideas)**

**Solid F4Q, Seasonal Decline:** ADI exceeded October-ended F4Q revenue and earnings expectations, although fell slightly short of consensus in terms of F1Q guidance. Reported revenue exceeded the high-end of the range of expectations on communications infrastructure strength, although was just below the high-end of guidance. This was the first full quarter of results following the acquisition of Hittite Microwave, and sequential growth excluding HITT was +2%. Soft bookings and guidance for the sequential decline was characterized as typical seasonality.

Comm infrastructure grew by +31% sequentially and accounted for 27% of revenue, although increased by only +5% excluding HITT—both better than expected. Industrial markets grew by +6% to 45% of sales, although declined by -4% excluding HITT due to expected weakness from automation and instrumentation, while energy, health care, defense and security were flat in the aggregate. Automotive grew by +3% to 17% of sales and has now grown by over 20% annually for each of the last five years. Consumer grew by +14% to 11% of sales, about half of which is high-end prosumer/audio-video with the profitability and long life-cycles typical of industrial products, while the balance is more conventional applications including smartphones, tablets, wearables and DSLR cameras.

Business is good, profitability is robust, and shareholder returns between the dividend and share repurchases is impressive—although you will have to pay for it at 5.7x sales and 21.5x earnings on a trailing basis. The shares are pretty much flat year-to-date, and I remain on the sidelines solely due to valuation.

—Dan K. Scovel  
Semiconductor Analyst

### LEGEND

	Grade
+++ exceeded the high-end of the range	A all +++
++ above consensus, within the high-end of the range	B all +
+ slightly above consensus	C all o/+
o met consensus	D mixed -/o/+
- slightly below consensus	E all o/-
-- missed consensus, within the low-end of the range	F all -
--- missed the low-end of the range	

**Tokeneke Research LLC**

**Rowayton, CT 06853**

[dscovel@tokenekeresearch.com](mailto:dscovel@tokenekeresearch.com)

[www.tokenekeresearch.com](http://www.tokenekeresearch.com)

203-554-4621

Copyright © 2014 Tokeneke Research LLC. All rights reserved. This report is for information purposes only and does not constitute a solicitation or an offer to buy or sell any security or to participate in any investment or trading strategy. Opinions expressed in this report reflect the judgment of Tokeneke Research LLC on the topics addressed as of the date of the report, and are subject to change without notice. Tokeneke Research LLC makes every effort to use reliable and comprehensive information but makes no representation that the information in this report is accurate or complete, nor does it undertake to update or revise this report at any time or for any reason. This report contains forward-looking statements that involve risks and uncertainties, both known and unknown, as well as assumptions that, if they do not fully materialize or prove incorrect, could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Actual results and trends may differ materially from historical results or those projected in any such forward-looking statements depending on a variety of factors. This report does not provide individually tailored investment advice and has been prepared without regard to the specific individual financial situation, objectives and needs of those who receive it. Securities discussed in this report may not be suitable for the reader. Tokeneke Research LLC and/or Dan Scovel may have a long or short position in the securities of a company or companies mentioned in this report and, at any time, may change that position. Tokeneke Research LLC accepts no liability whatsoever for any loss or damage of any kind arising out of the use of any part, or all, of this report. All company and product names mentioned in this report may be trademarks or registered trademarks of their respective holders and are used for identification purposes only. Reproduction or distribution of this report, even for internal distribution, is strictly prohibited unless specifically authorized by Tokeneke Research LLC.