

LLTC F2Q Exceeds, Acquisition Pending

LLTC		Linear Technology	
Qtr:	F2Q	Grade:	<i>B</i>
Rev:	375.8	Rev:	+++
GM:	76.3%	EPS:	+
EPS:	\$0.54	Fcst:	<i>na</i>
		Growth(qtr-qtr)	
		Rev:	+0.5%
		Fcst:	na
		Div:	\$0.33

Linear Technology (LLTC, \$62.34 -0.03, Rated Not Compelling/Hold in my latest Chip Investment Ideas)

F2Q Exceeds: LLTC announced December-ended F2Q results late yesterday and raised its dividend by a penny. Revenue exceeded the high-end of the range due to strength from Communication and Industrial markets and earnings slightly beat expectations. No conference call or guidance due to the pending acquisition by Analog Devices (ADI) for \$46 per share of LLTC plus 0.2321 of ADI (\$62.78, or a 0.7% discount at current price levels).

Geographically, sales in North America decreased by -1% for 27% of sales, Europe down by -5% to 18%, Japan up +6% to 15%, and ROW up by +2% to 40%. Battery Management Systems and Micro-Module sales declined sequentially a bit but were up strongly on the year. ASPs edged up 3-cents to \$2.03.

The book-to-bill ratio was slightly greater than 1.0, with growth from Japan, Europe, Industrial and Military/Aerospace offsetting declines from North America, Asia/ROW, Communications, Transportation, Computer and Consumer. Industrial bookings were up on strength from Europe, Japan and North America and accounted for 46% of total bookings, up from 43%; Transportation was down to 22% from 24% on weakness from Japan and battery management systems in China; Communications was little changed at 18%; Computer was down slightly to 6% from 7% due to notebook weakness; Military/Space was up slightly but remained at 6%; and Consumer was down slightly and stayed at 2%.

Great company with outstanding margins, tons of cash and no debt. I agree with the strategic alignment acquisition by ADI, although the valuation isn't cheap and the arbitrage opportunity is pretty much non-existent.

—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	

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