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Analog Devices, Inc. F2Q09 (Qtr End 01/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Ross Seymore - Deutsche Bank Securities.

Ross Seymore - Deutsche Bank Securities

Just a question on the inventory commentary, you mentioned that you expect to bring down your own inventory in the next quarter. You did see inventory drop substantially. What are your plans in that and what should we imply about your utilization going into the next quarter?

Jerald G. Fishman

I think in general, it's always hard to say what the distis are going to do with their inventory in advance, but I think our utilization is going to probably be very similar to what it was this quarter. We still have pretty healthy inventories and we are going to try to get them down to give us the maximum upside leverage when business gets better.

Ross Seymore - Deutsche Bank Securities

On the opex side of things, how long should we think about you being able to keep the opex at roughly under \$200.0 million or if you wanted to add that \$20.0 million that was temporary to the number, how should we think about opex growing versus revenues?

David A. Zinsner

First, I think it's important to note that that 20% that is temporary, a lot of that is highly contingent on actually profits increasing, so there is a sustainability to it that is pretty good if the business doesn't improve. Having said that, our goal is really, as we look at different revenue levels, take for example \$550.0 million in revenue, as we get to that level, the last time we were at that revenue level our operating margins were kind of in the 20% range. Our goal is to get meaningfully about that and that's kind of how we're looking at opex.

So opex, to some extent, is dependent on kind of timing and where we are making our investments and where the revenue is being generated, but I think it's safe to assume that our goal is really to expand operating margins, much beyond where we were the last time revenue was going up.

Ross Seymore - Deutsche Bank Securities

The \$48.0 million you said you cut in opex, was the percent, 20% of that was temporary or was \$20.0 million out of the \$48.0 million?

David A. Zinsner

About 40% of the \$48.0 million was temporary. I think I said 20%, I meant 40%. And that roughly equates to the \$20.0 million of temporary. But most of it is variable comp, which is highly dependent on how our operating margins do over time.

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