



CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

Three Months Ended

March 27, 2021

December 26, 2020

March 28, 2020

(in thousands, except per share data)

Net revenues	\$ 665,029	\$ 628,288	\$ 561,916
Cost of goods sold	222,144	211,866	195,479
Gross margin	<u>442,885</u>	<u>416,422</u>	<u>366,437</u>
Operating expenses:			
Research and development	109,228	114,802	109,091
Selling, general and administrative	76,544	80,153	71,643
Intangible asset amortization	846	943	756
Severance and restructuring expenses	155	3,327	523
Other operating expenses (income), net	8,848	3,532	1,077
Total operating expenses	<u>195,621</u>	<u>202,757</u>	<u>183,090</u>
Operating income	<u>247,264</u>	<u>213,665</u>	<u>183,347</u>
Interest and other income (expense), net	(2)	(3,202)	(1,622)
Income before taxes	247,262	210,463	181,725
Provision for (benefit from) income taxes	27,199	26,518	20,535
Net income	<u>\$ 220,063</u>	<u>\$ 183,945</u>	<u>\$ 161,190</u>
Earnings per share:			
Basic	\$ 0.82	\$ 0.69	\$ 0.60
Diluted	<u>\$ 0.81</u>	<u>\$ 0.68</u>	<u>\$ 0.59</u>
Shares used in the calculation of earnings per share:			
Basic	<u>267,892</u>	<u>267,299</u>	<u>269,003</u>
Diluted	<u>271,396</u>	<u>270,792</u>	<u>271,579</u>
Dividends paid per share	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0.48</u>

SCHEDULE OF SPECIAL ITEMS

(Unaudited)

Three Months Ended

March 27, 2021

December 26, 2020

March 28, 2020

(in thousands)

Cost of goods sold:			
Intangible asset amortization	\$ 4,430	\$ 5,569	\$ 3,111
Merger-related expenses ⁽¹⁾	-	1,059	-
Cost of COVID-19 response programs	638	565	2,025
Total	<u>\$ 5,068</u>	<u>\$ 7,193</u>	<u>\$ 5,136</u>
Operating expenses:			
Merger-related expenses ⁽¹⁾	\$ 2,546	\$ 8,161	\$ -
Intangible asset amortization	846	943	756
Severance and restructuring	155	3,327	523
Other operating expenses (income), net	6,302	120	1,077
Total	<u>\$ 9,849</u>	<u>\$ 12,551</u>	<u>\$ 2,356</u>
Interest and other expense (income), net	\$ (7,359)	\$ (5,131)	\$ (587)
Total	<u>\$ (7,359)</u>	<u>\$ (5,131)</u>	<u>\$ (587)</u>

(1) Includes ADI merger related expenses such as accelerated stock-based compensation expense resulting from the acceleration of certain RSAs and RSUs for tax withholding purposes, as well as other legal and professional services.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

March 27, 2021
December 26, 2020
March 28, 2020

(in thousands)

ASSETS
Current assets:

Cash and cash equivalents	\$ 2,033,973	\$ 1,796,961	\$ 1,638,667
Short-term investments	-	8,879	47,109
Total cash, cash equivalents and short-term investments	2,033,973	1,805,840	1,685,776
Accounts receivable, net	571,042	485,773	378,273
Inventories	242,343	261,476	220,686
Other current assets	27,440	36,004	25,288
Total current assets	2,874,798	2,589,093	2,310,023
Property, plant and equipment, net	543,848	541,013	564,636
Intangible assets, net	70,891	76,166	44,642
Goodwill	562,541	562,540	532,251
Other assets	120,149	114,058	97,383
TOTAL ASSETS	\$ 4,172,227	\$ 3,882,870	\$ 3,548,935

LIABILITIES AND STOCKHOLDERS' EQUITY
Current liabilities:

Accounts payable	\$ 102,263	\$ 96,959	\$ 83,519
Price adjustment and other revenue reserves	214,366	180,215	111,235
Income taxes payable	53,694	35,197	39,809
Accrued salary and related expenses	128,553	99,057	122,220
Accrued expenses	35,627	44,969	31,143
Total current liabilities	534,503	456,397	387,926
Long-term debt	995,100	994,741	993,663
Income taxes payable	351,738	362,214	434,415
Other liabilities	141,721	143,457	112,988
Total liabilities	2,023,062	1,956,809	1,928,992

Stockholders' equity:

Common stock	268	268	267
Additional paid-in capital	47,801	42,963	-
Retained earnings	2,117,161	1,897,098	1,632,325
Accumulated other comprehensive loss	(16,065)	(14,268)	(12,649)
Total stockholders' equity	2,149,165	1,926,061	1,619,943
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 4,172,227	\$ 3,882,870	\$ 3,548,935

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Three Months Ended
March 27, 2021 December 26, 2020 March 28, 2020

(in thousands, except per share data)

Cash flows from operating activities:

Net income	\$	220,063	\$	183,945	\$	161,190
Adjustments to reconcile net income to net cash provided by operating activities:						
Stock-based compensation		20,878		31,209		23,403
Depreciation and amortization		24,552		24,141		24,141
Deferred taxes		1,601		(1,782)		(3,161)
Loss from disposal of property, plant and equipment		124		164		145
Fair value of contingent consideration		5,835		-		-
Other adjustments		2,413		(1,220)		3,265
Changes in assets and liabilities:						
Accounts receivable		(85,236)		(36,401)		(29,931)
Inventories		18,950		4,042		3,308
Other assets		(4,875)		(9,868)		(4,710)
Accounts payable		(719)		8,945		(2,655)
Price adjustment and other revenue reserves		34,118		35,964		5,998
Income taxes payable		8,021		(16,408)		2,174
All other accrued liabilities		25,715		(12,232)		26,624
Net cash provided by operating activities		<u>271,440</u>		<u>210,499</u>		<u>209,791</u>

Cash flows from investing activities:

Purchases of property, plant and equipment		(16,229)		(16,485)		(17,068)
Proceeds from sales of property, plant and equipment		16		63		97
Proceeds from sales of available-for-sale securities		-		1,500		-
Proceeds from maturity of available-for-sale securities		8,876		6,600		15,485
Purchases of investments in privately-held companies		(1,235)		(26)		(120)
Proceeds from sale of investments in privately-held companies		-		14		173
Other investing activities		-		-		(50)
Net cash provided by (used in) investing activities		<u>(8,572)</u>		<u>(8,334)</u>		<u>(1,483)</u>

Cash flows from financing activities:

Contingent consideration paid		(10,000)		-		-
Net issuance of restricted stock units and awards		(15,932)		(18,966)		(11,570)
Proceeds from stock options exercised		76		175		7,810
Issuance of common stock under employee stock purchase program		-		18,498		-
Repurchase of common stock		-		-		(157,003)
Dividends paid		-		-		(129,072)
Net cash used in financing activities		<u>(25,856)</u>		<u>(293)</u>		<u>(289,835)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash		237,012		201,872		(81,527)

Cash, cash equivalents and restricted cash

Beginning of period	\$	1,803,719	\$	1,601,847	\$	1,720,194
End of period	\$	<u>2,040,731</u>	\$	<u>1,803,719</u>	\$	<u>1,638,667</u>
Total cash, cash equivalents, and short-term investments	\$	<u>2,033,973</u>	\$	<u>1,805,840</u>	\$	<u>1,685,776</u>
Cash, cash equivalents and restricted cash:						
Cash and cash equivalents	\$	2,033,973	\$	1,796,961	\$	1,638,667
Restricted cash in Other assets		6,758		6,758		-
Total cash, cash equivalents and restricted cash	\$	<u>2,040,731</u>	\$	<u>1,803,719</u>	\$	<u>1,638,667</u>

ANALYSIS OF GAAP VERSUS GAAP EXCLUDING SPECIAL ITEMS DISCLOSURES

(Unaudited)

Three Months Ended

	March 27, 2021	December 26, 2020	March 28, 2020
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(in thousands, except per share data)

Reconciliation of GAAP gross profit to GAAP gross profit excluding special items:

GAAP gross profit	\$ 442,885	\$ 416,422	\$ 366,437
GAAP gross profit %	66.6%	66.3%	65.2%
Special items:			
Intangible asset amortization	4,430	5,569	3,111
Merger-related expenses ⁽¹⁾	-	1,059	-
Cost of COVID-19 response programs	638	565	2,025
Total special items	5,068	7,193	5,136
GAAP gross profit excluding special items	\$ 447,953	\$ 423,615	\$ 371,573
GAAP gross profit % excluding special items	67.4%	67.4%	66.1%

Reconciliation of GAAP operating expenses to GAAP operating expenses excluding special items:

GAAP operating expenses	\$ 195,621	\$ 202,757	\$ 183,090
Special items:			
Merger-related expenses ⁽¹⁾	2,546	8,161	-
Intangible asset amortization	846	943	756
Severance and restructuring	155	3,327	523
Other operating expenses (income), net	6,302	120	1,077
Total special items	9,849	12,551	2,356
GAAP operating expenses excluding special items	\$ 185,772	\$ 190,206	\$ 180,734

Reconciliation of GAAP net income to GAAP net income excluding special items:

GAAP net income	\$ 220,063	\$ 183,945	\$ 161,190
Special items:			
Intangible asset amortization	5,276	6,512	3,867
Merger-related expenses ⁽¹⁾	2,546	9,220	-
Cost of COVID-19 response programs	638	565	2,025
Severance and restructuring	155	3,327	523
Other operating expenses (income), net	6,302	120	1,077
Interest and other expense (income), net	(7,359)	(5,131)	(587)
Pre-tax total special items	7,558	14,613	6,905
Other income tax effects and adjustments ⁽²⁾	(5,928)	(1,616)	(2,101)
GAAP net income excluding special items	\$ 221,693	\$ 196,942	\$ 165,994
GAAP net income per share excluding special items:			
Basic	\$ 0.83	\$ 0.74	\$ 0.62
Diluted	\$ 0.82	\$ 0.73	\$ 0.61
Shares used in the calculation of earnings per share excluding special items:			
Basic	267,892	267,299	269,003
Diluted	271,396	270,792	271,579

(1) Includes ADI merger related expenses such as accelerated stock-based compensation expense resulting from the acceleration of certain RSAs and RSUs for tax withholding purposes, as well as other legal and professional services.

(2) Includes tax effect of pre-tax special items and miscellaneous tax adjustments.