ANALOG DEVICES INC
Form 10-Q
May 31, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 29, 2017
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 þ 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 þ 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 þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨
	Emerging growth company ¨

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 þ

As of April 29, 2017 there were 367,011,463 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	
	April 29, 2017	April 30, 2016	April 29, 2017	April 30, 2016
Revenue	$1,147,982	$778,766	$2,132,431	$1,548,195
Cost of sales (1)	507,539	267,863	843,484	559,999
Gross margin	640,443	510,903	1,288,947	988,196
Operating expenses:				
Research and development (1)	235,232	160,235	419,186	317,663
Selling, marketing, general and administrative (1)	190,686	112,186	321,345	219,648
Amortization of intangibles	68,690	17,419	86,850	34,777
Special charges	—	13,684	49,463	13,684
	494,608	303,524	876,844	585,772
Operating income	145,835	207,379	412,103	402,424
Nonoperating expense (income):				
Interest expense	71,636	18,455	114,250	31,517
Interest income	(12,421)	(5,243)	(22,421)	(8,442)
Other, net	(94)	(743)	251	2,262
	59,121	12,469	92,080	25,337
Income before income taxes	86,714	194,910	320,023	377,087
(Benefit) provision for income taxes	(6,850)	24,337	9,330	42,010
Net income	$93,564	$170,573	$310,693	$335,077
Shares used to compute earnings per share – basic	341,316	308,790	325,051	309,978
Shares used to compute earnings per share – diluted	345,654	312,250	329,365	313,521
Basic earnings per share	$0.27	$0.55	$0.96	$1.08
Diluted earnings per share	$0.27	$0.55	$0.94	$1.07
Dividends declared and paid per share	$0.45	$0.42	$0.87	$0.82
(1) Includes stock-based compensation expense as follows:				
Cost of sales	$2,566	$1,986	$4,510	$4,078
Research and development	$11,910	$6,646	$18,931	$13,350
Selling, marketing, general and administrative	$8,010	$7,327	$15,574	$14,140

See accompanying notes.

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

	Three Months Ended		Six Months Ended	
	April 29, 2017	April 30, 2016	April 29, 2017	April 30, 2016
Net income	$93,564	$170,573	$310,693	$335,077
Foreign currency translation adjustments	6,140	8,050	1,178	(64)
Change in fair value of available-for-sale securities classified as short-term investments (net of taxes of $5, $42, $9 and $42, respectively)	(675)	605	(456)	530
Change in fair value of derivative instruments designated as cash flow hedges (net of taxes of $912, $1,495, $2,307 and $1,138, respectively)	4,481	7,880	6,566	6,300
Changes in pension plans including prior service cost, transition obligation, net actuarial loss and foreign currency translation adjustments (net of taxes of $103, $52, $205 and $102 respectively)	(359)	(453)	(180)	360
Other comprehensive income	9,587	16,082	7,108	7,126
Comprehensive income	$103,151	$186,655	$317,801	$342,203

See accompanying notes.

ANALOG DEVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(thousands, except share and per share amounts)

	April 29, 2017	October 29, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$5,697,743	$921,132
Short-term investments	490,629	3,134,661
Accounts receivable	630,353	477,609
Inventories (1)	647,858	376,555
Prepaid income tax	9,490	6,405
Prepaid expenses and other current assets	59,394	58,501
Total current assets	7,535,467	4,974,863
Property, Plant and Equipment, at Cost		
Land and buildings	784,394	564,329
Machinery and equipment	2,287,022	1,994,115
Office equipment	63,533	58,785
Leasehold improvements	66,266	59,649
	3,201,215	2,676,878
Less accumulated depreciation and amortization	2,111,896	2,040,762
Net property, plant and equipment	1,089,319	636,116
Other Assets		
Deferred compensation plan investments	27,323	26,152
Other investments	28,492	21,937
Goodwill	12,269,501	1,679,116
Intangible assets, net	5,587,862	549,368
Deferred tax assets	32,711	36,005
Other assets	52,008	46,721
Total other assets	17,997,897	2,359,299
	$26,622,683	$7,970,278
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current Liabilities		
Accounts payable	$190,245	$171,439
Deferred income on shipments to distributors, net	377,792	351,538
Income taxes payable	60,563	4,100
Debt, current	4,321,169	—
Accrued liabilities	499,513	255,857
Total current liabilities	5,449,282	782,934
Non-current liabilities		
Long-term debt	8,572,364	1,732,177
Deferred income taxes	2,431,410	109,931
Deferred compensation plan liability	27,323	26,152
Other non-current liabilities	175,709	153,466
Total non-current liabilities	11,206,806	2,021,726
Commitments and contingencies		
Shareholders’ Equity		
Preferred stock, $1.00 par value, 471,934 shares authorized, none outstanding	—	—

Common stock, $0.16 2/3 par value, 1,200,000,000 shares authorized, 367,011,463 shares outstanding (308,170,560 on October 29, 2016)	61,170	51,363
Capital in excess of par value	5,144,636	402,270
Retained earnings	4,827,495	4,785,799
Accumulated other comprehensive loss	(66,706)	(73,814)
Total shareholders' equity	9,966,595	5,165,618
	$26,622,683	$7,970,278

(1) Includes $3,007 and $2,486 related to stock-based compensation at April 29, 2017 and October 29, 2016, respectively.

See accompanying notes.

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ANALOG DEVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(thousands)

	Six Months Ended	
	April 29, 2017	April 30, 2016
Cash flows from operating activities:		
Net income	$310,693	$335,077
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	83,151	66,692
Amortization of intangibles	108,717	36,787
Cost of goods sold for inventory acquired	121,113	—
Stock-based compensation expense	39,015	31,568
Loss on extinguishment of debt	—	3,290
Excess tax benefit-stock options	(25,953)	(4,198)
Deferred income taxes	(87,035)	(7,178)
Other non-cash activity	24,149	1,244
Changes in operating assets and liabilities	262,106	76,626
Total adjustments	525,263	204,831
Net cash provided by operating activities	835,956	539,908
Cash flows from investing activities:		
Purchases of short-term available-for-sale investments	(705,448)	(3,571,764)
Maturities of short-term available-for-sale investments	3,091,873	2,932,226
Sales of short-term available-for-sale investments	357,388	150,266
Additions to property, plant and equipment	(75,266)	(48,645)
Payments for acquisitions, net of cash acquired	(9,687,533)	(2,203)
Changes in other assets	(12,063)	(9,457)
Net cash used for investing activities	(7,031,049)	(549,577)
Cash flows from financing activities:		
Early termination of debt	—	(378,156)
Payments of derivative instruments	—	(33,430)
Proceeds from debt	11,156,164	1,235,331
Payments of deferred financing fees	(5,625)	—
Proceeds from derivative instruments	3,904	—
Dividend payments to shareholders	(268,997)	(254,583)
Repurchase of common stock	(26,980)	(345,627)
Proceeds from employee stock plans	87,273	22,709
Changes in other financing activities	(16)	(5,330)
Excess tax benefit-stock options	25,953	4,198
Net cash provided by financing activities	10,971,676	245,112
Effect of exchange rate changes on cash	28	(134)
Net increase in cash and cash equivalents	4,776,611	235,309
Cash and cash equivalents at beginning of period	921,132	884,353
Cash and cash equivalents at end of period	$5,697,743	$1,119,662

See accompanying notes.

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ANALOG DEVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED APRIL 29, 2017
(all tabular amounts in thousands except per share amounts and percentages)

Note 1 – Basis of Presentation

In the opinion of management, the information furnished in the accompanying condensed consolidated financial statements reflects all normal recurring adjustments that are necessary to fairly state the results for these interim periods and should be read in conjunction with Analog Devices, Inc.'s (the Company) Annual Report on Form 10-K for the fiscal year ended October 29, 2016 (fiscal 2016) and related notes. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for the fiscal year ending October 28, 2017 (fiscal 2017) or any future period.

Certain amounts reported in previous periods have been reclassified to conform to the fiscal 2017 presentation. Such reclassified amounts are immaterial.

The Company has a 52-53 week fiscal year that ends on the Saturday closest to the last day in October. Fiscal 2017 and fiscal 2016 are 52-week fiscal years.

Acquisition of Linear Technology Corporation

On March 10, 2017 (Acquisition Date), the Company completed the acquisition of Linear Technology Corporation (Linear), a designer, manufacturer and marketer of high performance analog integrated circuits. The total consideration paid to acquire Linear was approximately $15.8 billion, consisting of $11.1 billion in cash financed through existing cash on hand, net proceeds from bridge and term loan facilities and proceeds received from the issuance of senior unsecured notes, $4.6 billion from the issuance of the Company's common stock and $0.1 billion of consideration related to the replacement of outstanding equity awards held by Linear employees. The acquisition of Linear is referred to as the Acquisition. The condensed consolidated financial statements included in this Quarterly Report on Form 10-Q include the financial results of Linear prospectively from the Acquisition Date. See Note 13, Debt and Note 15, Acquisitions, of these Notes to Condensed Consolidated Financial Statements for further information.

Note 2 – Revenue Recognition

Revenue from product sales to customers is generally recognized when title passes, which is upon shipment in the U.S. and in certain foreign countries. Revenue from product sales to customers in other foreign countries is recognized subsequent to product shipment. Title for shipments to these other foreign countries ordinarily passes within a week of shipment. Accordingly, the Company defers the revenue recognized relating to these other foreign countries until title has passed. For multiple element arrangements, the Company allocates arrangement consideration among the elements based on the relative fair values of those elements as determined using vendor-specific objective evidence or third-party evidence. The Company uses its best estimate of selling price to allocate arrangement consideration between the deliverables in cases where neither vendor-specific objective evidence nor third-party evidence is available. A reserve for sales returns and allowances for customers is recorded based on historical experience or specific identification of an event necessitating a reserve.

Revenue from contracts with the United States government, government prime contractors and some commercial customers is generally recorded on a percentage of completion basis using either units delivered or costs incurred as the measurement basis for progress towards completion. The output measure is used to measure results directly and is generally the best measure of progress toward completion in circumstances in which a reliable measure of output can be established. Estimated revenue in excess of amounts billed is reported as unbilled receivables. Contract accounting requires judgment in estimating costs and assumptions related to technical issues and delivery schedule. Contract costs include material, subcontractor costs, labor and an allocation of indirect costs. The estimation of costs at completion of a contract is subject to numerous variables involving contract costs and estimates as to the length of time to complete the contract. Changes in contract performance, estimated gross margin, including the impact of final contract settlements, and estimated losses are recognized in the period in which the changes or losses are determined.

Revenue from product sales to certain international distributors are made under agreements that permit limited stock return privileges but not sales price rebates. Revenue on these sales is recognized upon shipment at which time title passes.

The Company defers revenue and the related cost of sales on shipments to U.S. distributors and certain international distributors until the distributors resell the products to their customers. As a result, the Company's revenue fully reflects end customer purchases and is not impacted by distributor inventory levels. Sales to certain of these distributors are made under agreements that allow such distributors to receive price-adjustment credits, as discussed below, and to return qualifying products for credit, as determined by the Company, in order to reduce the amounts of slow-moving, discontinued or obsolete product from their inventory. These agreements limit such returns to a certain percentage of the value of the Company's shipments to that distributor during the prior quarter. In addition, such distributors are allowed to return unsold products if the Company terminates the relationship with the distributor.

Certain distributors are granted price-adjustment credits for sales to their customers when the distributor's standard cost (i.e., the Company's sales price to the distributor) does not provide the distributor with an appropriate margin on its sales to its customers. As distributors negotiate selling prices with their customers, the final sales price agreed upon with the customer will be influenced by many factors, including the particular product being sold, the quantity ordered, the particular customer, the geographic location of the distributor and the competitive landscape. As a result, the distributor may request and receive a price-adjustment credit from the Company to allow the distributor to earn an appropriate margin on the transaction.

Certain distributors are also granted price-adjustment credits in the event of a price decrease subsequent to the date the product was shipped and billed to the distributor. Generally, the Company will provide a credit equal to the difference between the price paid by the distributor (less any prior credits on such products) and the new price for the product multiplied by the quantity of the specific product in the distributor's inventory at the time of the price decrease.

Given the uncertainties associated with the levels of price-adjustment credits to be granted to certain distributors, the sales price to the distributor is not fixed or determinable until the distributor resells the products to their customers. Therefore, the Company defers revenue recognition from sales to certain distributors until the distributors have sold the products to their customers.

Generally, title to the inventory transfers to the distributor at the time of shipment or delivery to the distributor, and payment from the distributor is due in accordance with the Company's standard payment terms. These payment terms are not contingent upon the distributors' sale of the products to their customers. Upon title transfer to distributors, inventory is reduced for the cost of goods shipped, the margin (sales less cost of sales) is recorded as "deferred income on shipments to distributors, net" and an account receivable is recorded. Shipping costs are charged to cost of sales as incurred.

The deferred costs of sales to distributors have historically had very little risk of impairment due to the margins the Company earns on sales of its products and the relatively long life-cycle of the Company's products. Product returns from distributors that are ultimately scrapped have historically been immaterial. In addition, price protection and price-adjustment credits granted to distributors historically have not exceeded the margins the Company earns on sales of its products. The Company continuously monitors the level and nature of product returns and is in frequent contact with the distributors to ensure reserves are established for all known material issues.

As of April 29, 2017 and October 29, 2016, the Company had gross deferred revenue of $527.7 million and $432.3 million, respectively, and gross deferred cost of sales of $149.9 million and $80.8 million, respectively. As of April 29, 2017, approximately $64.8 million of the deferred revenue and deferred cost of sales related to the Acquisition.

The Company generally offers a twelve-month warranty for its products. The Company's warranty policy provides for replacement of defective products. Specific accruals are recorded for known product warranty issues. Product warranty expenses during each of the three- and six-month periods ended April 29, 2017 and April 30, 2016 were not material.

Note 3 – Stock-Based Compensation

Stock-based compensation is measured at the grant date based on the grant-date fair value of the awards ultimately expected to vest, and is recognized as an expense on a straight-line basis over the vesting period, which is generally five years for stock options and three years for restricted stock units/awards. In addition to restricted stock units with a service condition, the Company grants restricted stock units with both a market condition and a service condition (market-based restricted stock units). The number of shares of the Company's common stock to be issued upon vesting of market-based restricted stock units will range from 0% to 200% of the target amount, based on the comparison of the Company's total shareholder return (TSR) to the median TSR of a specified peer group over a three-year period. TSR is a measure of stock price appreciation plus any dividends paid during the performance period. Determining the amount of stock-based compensation to be recorded for stock options and market-based restricted stock units requires the Company to develop estimates to calculate the grant-date fair value of awards.

Linear Replacement Awards — In connection with the Acquisition, the Company issued equity awards, consisting of restricted stock awards and restricted stock units (replacement awards), to certain Linear employees in replacement of Linear equity awards. The replacement awards consisted of restricted stock awards and restricted stock units for approximately 2.8 million shares of the Company's common stock with a weighted average grant date fair value of $82.20. The terms and intrinsic value of these replacement awards are substantially the same as the converted Linear awards. The fair value of the replacement awards associated with services rendered through the Acquisition Date was recognized as a component of the total preliminary estimated acquisition consideration, and the remaining fair value of the replacement awards associated with post-Acquisition services will be recognized as an expense on a straight-line basis over the remaining vesting period.

Modification of Awards — The Company has from time to time modified the vesting terms of its equity awards to employees and directors. The modifications made to the Company's equity awards in the first six months of fiscal 2017 or fiscal 2016 did not result in significant incremental compensation costs, either individually or in the aggregate.

Grant-Date Fair Value — The Company uses the Black-Scholes valuation model to calculate the grant-date fair value of stock option awards and the Monte Carlo simulation model to calculate the grant-date fair value of market-based restricted stock units. The use of these valuation models requires the Company to make estimates and assumptions, such as expected volatility, expected term, risk-free interest rate, expected dividend yield and forfeiture rates. The grant-date fair value of restricted stock units with only a service condition represents the value of the Company's common stock on the date of grant, reduced by the present value of dividends expected to be paid on the Company's common stock prior to vesting.

Information pertaining to the Company's stock option awards and the related estimated weighted-average assumptions to calculate the fair value of stock options using the Black-Scholes valuation model granted during the three- and six-month periods ended April 29, 2017 and April 30, 2016 are as follows:

	Three Months Ended		Six Months Ended	
Stock Options	April 29, 2017	April 30, 2016	April 29, 2017	April 30, 2016
Options granted (in thousands)	1,362	1,679	1,376	1,715
Weighted-average exercise price	$83.35	$54.90	$83.19	$54.90
Weighted-average grant-date fair value	$17.27	$12.81	$17.21	$12.79
Assumptions:				
Weighted-average expected volatility	26.4%	34.3 %	26.4 %	34.3 %
Weighted-average expected term (in years)	5.1	5.1	5.1	5.1
Weighted-average risk-free interest rate	2.1 %	1.4 %	2.1 %	1.4 %
Weighted-average expected dividend yield	2.2 %	3.1 %	2.2 %	3.1 %

The Company utilizes the Monte Carlo simulation valuation model to value market-based restricted stock units. The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the performance conditions stipulated in the award grant and calculates the fair market value for the market-based restricted stock units granted. The Monte Carlo simulation model also uses stock price volatility and other variables to estimate the probability of satisfying the performance conditions, including the possibility that the market condition may not be satisfied, and the resulting fair value of the award. Information pertaining to the market-based restricted stock units and the related estimated assumptions used to calculate the fair value of the market-based restricted stock units granted during the three- and six-month periods ended April 29, 2017 and April 30, 2016 using the Monte Carlo simulation model are as follows:

	Three and Six Months Ended	Three and Six Months Ended
Market-based Restricted Stock Units	April 29, 2017	April 30, 2016

Units granted (in thousands)	59	102
Grant-date fair value	$94.25	$58.95
Assumptions:		
Historical stock price volatility	26.0 %	25.1 %
Risk-free interest rate	1.6 %	1.1 %
Expected dividend yield	2.2 %	3.0 %

Expected volatility — The Company is responsible for estimating volatility and has considered a number of factors, including third-party estimates. The Company currently believes that the exclusive use of implied volatility results in the best

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estimate of the grant-date fair value of employee stock options because it reflects the market's current expectations of future volatility. In evaluating the appropriateness of exclusively relying on implied volatility, the Company concluded that: (1) options in the Company's common stock are actively traded with sufficient volume on several exchanges; (2) the market prices of both the traded options and the underlying shares are measured at a similar point in time to each other and on a date close to the grant date of the employee share options; (3) the traded options have exercise prices that are both near-the-money and close to the exercise price of the employee share options; and (4) the remaining maturities of the traded options used to estimate volatility are at least one year. The Company utilizes historical volatility as an input variable of the Monte Carlo simulation to estimate the grant date fair value of market-based restricted stock units. The market performance measure of these awards is based upon the interaction of multiple peer companies. Given the Company is required to use consistent statistical properties in the Monte Carlo simulation and implied volatility is not available across the population, historical volatility must be used.

Expected term — The Company uses historical employee exercise and option expiration data to estimate the expected term assumption for the Black-Scholes grant-date valuation. The Company believes that this historical data is currently the best estimate of the expected term of a new option, and that generally its employees exhibit similar exercise behavior.

Risk-free interest rate — The yield on zero-coupon U.S. Treasury securities for a period that is commensurate with the expected term assumption is used as the risk-free interest rate.

Expected dividend yield — Expected dividend yield is calculated by annualizing the cash dividend declared by the Company's Board of Directors for the current quarter and dividing that result by the closing stock price on the date of grant. Until such time as the Company's Board of Directors declares a cash dividend for an amount that is different from the current quarter's cash dividend, the current dividend will be used in deriving this assumption. Cash dividends are not paid on options or restricted stock units.

Stock-Based Compensation Expense

The amount of stock-based compensation expense recognized during a period is based on the value of the awards that are ultimately expected to vest. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term "forfeitures" is distinct from "cancellations" or "expirations" and represents only the unvested portion of the surrendered stock-based award. Based on an analysis of its historical forfeitures, the Company has applied an annual forfeiture rate of 4.7% to all unvested stock-based awards as of April 29, 2017. This analysis will be re-evaluated quarterly and the forfeiture rate will be adjusted as necessary. Ultimately, the actual expense recognized over the vesting period will only be for those options that vest.

Additional paid-in-capital (APIC) Pool

The APIC pool represents the excess tax benefits related to share-based compensation that are available to absorb future tax deficiencies. If the amount of future tax deficiencies is greater than the available APIC pool, the Company records the excess as income tax expense in its condensed consolidated statements of income. During the three- and six-month periods ended April 29, 2017 and April 30, 2016, the Company had a sufficient APIC pool to cover any tax deficiencies recorded and as a result, these deficiencies did not affect its results of operations.

Stock-Based Compensation Activity

A summary of the Company's stock option activity as of April 29, 2017 and changes during the three- and six-month periods then ended is presented below:

Activity during the Three Months Ended April 29, 2017	Options Outstanding (in thousands)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Options outstanding at January 28, 2017	10,704	$45.22		
Options granted	1,362	$83.35		
Options exercised	(1,300)	$40.89		
Options forfeited	(236)	$53.93		
Options outstanding at April 29, 2017	10,530	$50.49	6.4	$280,415

Options exercisable at April 29, 2017	6,016	$41.21	4.9	$210,535
Options vested or expected to vest at April 29, 2017 (1)	10,101	$49.82	6.3	$274,918

(1) In addition to the vested options, the Company expects a portion of the unvested options to vest at some point in the future. The number of options expected to vest is calculated by applying an estimated forfeiture rate to the unvested options.

Activity during the Six Months Ended April 29, 2017	Options Outstanding (in thousands)	Weighted-Average Exercise Price Per Share
Options outstanding at October 29, 2016	11,704	$44.43
Options granted	1,377	$83.19
Options exercised	(2,268)	$38.69
Options forfeited	(277)	$53.65
Options expired	(6)	$33.19
Options outstanding at April 29, 2017	10,530	$50.49

During the three and six months ended April 29, 2017, the total intrinsic value of options exercised (i.e., the difference between the market price at exercise and the price paid by the employee to exercise the options) was $53.5 million and $89.1 million, respectively, and the total amount of proceeds received by the Company from the exercise of these options was $52.8 million and $87.3 million, respectively.

During the three and six months ended April 30, 2016, the total intrinsic value of options exercised (i.e., the difference between the market price at exercise and the price paid by the employee to exercise the options) was $9.7 million and $13.9 million, respectively, and the total amount of proceeds received by the Company from the exercise of these options was $16.5 million and $22.7 million, respectively.

A summary of the Company's restricted stock unit/award activity as of April 29, 2017 and changes during the three- and six-month periods then ended is presented below:

Activity during the Three Months Ended April 29, 2017	Restricted Stock Units Outstanding (in thousands)	Weighted-Average Grant-Date Fair Value Per Share
Restricted stock units/awards outstanding at January 28, 2017	2,570	$50.31
Units/Awards granted (a)	3,658	$80.28
Restrictions lapsed	(822)	$52.26
Forfeited	(93)	$53.13
Restricted stock units/awards outstanding at April 29, 2017	5,313	$70.59

(a) includes 2.8 million replacement awards granted to certain Linear employees to replace outstanding Linear equity awards.

Activity during the Six Months Ended April 29, 2017	Restricted Stock Units Outstanding (in thousands)	Weighted-Average Grant-Date Fair Value Per Share
Restricted stock units/awards outstanding at October 29, 2016	2,690	$50.11
Units/Awards granted (a)	3,663	$80.25
Restrictions lapsed	(930)	$51.55
Forfeited	(110)	