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EDITED TRANSCRIPT

MXIM - Maxim Integrated Products at Goldman Sachs Technology and Internet Conference

EVENT DATE/TIME: FEBRUARY 12, 2014 / 10:40PM GMT



CORPORATE PARTICIPANTS

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Chris Neil *Maxim Integrated Products Inc - SVP, Industrial and Medical Solutions Group*

QUESTIONS AND ANSWERS

Unidentified Participant

It's a pleasure to welcome Bruce and Chris today from Maxim. Guys, we've got a tough act to follow and we're going after rocket fuel. I'm not sure what --

Chris Neil - *Maxim Integrated Products Inc - SVP, Industrial and Medical Solutions Group*

What do they do?

Unidentified Participant

Yeah, we're working on figuring that out. Yeah, maybe that's part of the Q&A session.

Chris Neil - *Maxim Integrated Products Inc - SVP, Industrial and Medical Solutions Group*

We need to get in that business maybe.

Unidentified Participant

Yeah. Rename rocket fuel, or rocketfuel.com or maxim.com.

Chris Neil - *Maxim Integrated Products Inc - SVP, Industrial and Medical Solutions Group*

Maximintegrated.com.

Unidentified Company Representative

Yeah, that's it. That's it. Based on what I've seen attendance wise here this week, I think if you have a dot com in your name you're in good shape. Well guys listen, thanks a lot for being here. I appreciate it. You know lots to talk about, a lot going on in the industry as a whole and at Maxim.

Let me just start, Bruce, if there's one thing that you want to make sure you accomplish at Maxim in 2014, what is that?

Bruce Kiddoo - *Maxim Integrated Products Inc - SVP and CFO*

I think it's very clearly, we've been building this company over the years and we have this kind of portfolio of products, and we've been building up this kind of system level integration capability. And I think that -- and in 2014 we're starting to see this convergence, right.

We've done very well where we've had good system level integration for mobility, or in automotive, or in medical, or smart meters. What we're starting to see now is the coming together of that. If you think of medical wearables, there's an opportunity where you got kind of medical level products that are in a form factor what we're used to from a mobility side.



If you think of automotive, again an industrial business, but what's driving automotive growth? It's kind of the infotainment and on that mobility side. If you think of financial terminals, again sort of an industrial level product. What's driving it is kind of mobile payment systems.

So that ability to really leverage what we've invested, and all of the work we've done in driving integration and driving system level solutions, the world's now kind of coming to us and we're able to provide these system level solutions that almost no one else in our business can provide. And I think that's the opportunity for us to kind of differentiate in a business that's hard to differentiate and gain share, and to grow our business.

Unidentified Participant

If we were going to go through and you were going to give us the incremental drivers, whether you want to break it down by end market or, which is I know how the company's aligned, or by product, and start with the one that's going to give us the most absolute dollar growth down to the one that's going to be the least dollar growth, not necessarily percentages.

Bruce Kiddoo - Maxim Integrated Products Inc - SVP and CFO

Sure. I mean I think if you just look at it by kind of the four big end markets, certainly mobility is going to be the biggest driver. Industrial, including automotive, will be the second biggest driver. And I think those are the two markets that are really going to drive outsize growth, where I think we can grow faster than the industry in those two businesses.

I think communications is going to grow. It appears that it looks like it's kind of set up to grow in 2014, so I think that's a positive. And then I think computing is flat in 2014. We're not expecting growth out of computing in 2014. And so we can go into kind of a detailed underneath it, but that's clearly where the growth drivers are by end market.

Unidentified Participant

So let's start on mobility. Obviously it was a difficult year in 2013, really not having anything to do with Maxim. It was a customer dynamic. It seems like as we got toward the end of the year, the customer dynamic sort of worked itself out. There was a lot of consternation over the course of the year about how much of the issue was sort of a Maxim specific [socket] loss. And I think in the beginning stages of the weakness for the customer, that was sort of a narrative on Wall Street.

As we got to the end of the year and all the customers or suppliers into Samsung saw the same kinds of things that you did, I think people got a little more comfortable that it was a market issue, not a Samsung issue. But you know that lingering concern still exists of A, you know are the issues done. You know is the wind down of that inventory done. And then it heightened what was already a big concern about significant customer exposure. So if you just want to kind of start there and talk about how you see that playing out over 2014.

Bruce Kiddoo - Maxim Integrated Products Inc - SVP and CFO

Sure. I mean when you think about our mobility business, and you look at us where we are today, where we were a year ago today, I think we're in a much better position at Samsung, and I think we're at a much better position at all of the other OEMs. Certainly at Samsung, when we look at the S5 versus the S4, we think content grows. And so that's always a positive thing.

Unidentified Participant

Maxim specific content (inaudible).



Bruce Kiddoo - *Maxim Integrated Products Inc - SVP and CFO*

Maxim specific content grows. As you said before, we don't control how well that platform does. But certainly from what we can control, from a content point of view, we feel good about that.

One of our key focuses during, you know really for the last kind of two, three years, was to diversify our mobility business across different technologies, different customers, and different platforms. And I think we've done a good job of starting to show some proof points around that.

Certainly we've done well in different technologies. We used to be kind of known as a power management company. All right, we've done very well in sensors. We had good revenue actually in 2013 for sensors, for optical sensors. I think that's going to continue in 2014. I think we have an opportunity in MEMS, although I think that's going to be more delayed, and that may be a later 2014 or a 2015 story.

We have good traction in audio. A year ago our audio business was almost immaterial. I think there was evidence of wins at some large OEMs from some teardowns already, that kind of ramped in the December quarter. We've announced incremental design wins in some midrange phones. So I think audio has the opportunity to be a very large incremental growth driver year-over-year for us.

And even going back to power, we're now -- kind of the power management chip that we're selling, is independent of the [baseband] or the apps processor. We basically sell a system power [with] integrated all the other analogs that you get out there, right, whether it's the fuel gauge or the battery charger, your USB port protection. And we've won that out of our largest customers. That's actually the business that's winning for us in China.

So again, I think we've done very well, different technologies, audio, sensors, different platforms. We've done well in tablets, e-readers, and different customers, again from both the other large OEM to China where a lot of the future growth opportunities are. So I think we feel much better positioned this year vis-a-vis last year.

Unidentified Participant

Specific to the S5, I mean I think that's one of the things. The stock has this year done very well relative to the period after last year struggling. And I think one of the big issues that's driving that is you know we went from a situation where customers were concerned about content loss too, after the last earnings call where you were able to talk about incremental content on the S5, obviously that narrative has changed.

You know I'd asked on the last call, and it was certainly something understandably you can't provide too much detail on, but is there any way you can give some degree of magnitude of what that content gain looks like?

Bruce Kiddoo - *Maxim Integrated Products Inc - SVP and CFO*

Yeah, I think until -- (inaudible) two things. One, until the customer announces that phone, I don't think it's up to us to talk about functionality or that we may or may not have in that phone. So I think that's a little premature.

And from a competitive point of view, I think we've started -- you know we'll give kind of directional, as to whether kind of dollar content is up or down. But I think at the same time, from competitive, we don't really want to give that dollar content out. But then people start figuring out kind of the prices we're getting for this.

You know one of the things that I think we've done very well as a company is we've maintained, while having a very strong and growing mobility business, we've maintained very good margins. And obviously there's no reason to give up that advantage that we have as a company.



Unidentified Participant

Yeah. Is it fair to say, I mean I guess, would it need to be material in order for you to have made the comment, or it could just be an inflection relative to the markets concerned about the content going the other way.

Bruce Kiddoo - *Maxim Integrated Products Inc - SVP and CFO*

When you say does it need to be material for the market to care about it?

Unidentified Participant

No for you to have discussed it in terms of the increment and the difference, the delta.

Bruce Kiddoo - *Maxim Integrated Products Inc - SVP and CFO*

I mean I think we knew that the product is going to start -- that phone will start ramping in the March quarter. I think we knew people would act. We actually have something in our guidance for that, so I think it was a reasonable act for people to say what assumptions do you have. And so I think we felt it was kind of the reasonable thing to do give that. And I think whether it was up, or flat, or down, I think we would have to provide that guidance at this time given it was in our revenue [percent].

But you know again, I think we feel comfortable with the content that we have. I think we've been able to find some innovative solutions. There's a number of new opportunities. And so I think from that point of view it's always good when we can find new areas to grow our business.

Unidentified Participant

And then on the audio wins, how pervasive can they be? I think there's been one, as you mentioned, one kind of high profile design win that a lot of people have talked about after some teardowns. You know is that something that you can see being more pervasive across the handset landscape?

Bruce Kiddoo - *Maxim Integrated Products Inc - SVP and CFO*

Yeah I think across all of mobility, whether it's both the handsets or tablets or other kind of mobility devices, I mean so obviously there's the one that the teardown's on. We announced the second one in a midrange phone at our largest customer. So I think this is something where very clearly we have something that's different, and better, than what exists today out there in the marketplace. And so absolutely we think this is a good opportunity for our business that was literally immaterial to grow to a very material level.

Unidentified Participant

Maybe just two more questions on the handset space before we get into some of the auto and industrial and other segments. First, Bruce you and I have had this discussion before, you know the market likes to talk about the death of the high end handset, and the market going toward a midrange or lower end phone. So first of all would love your updated thoughts on that. I certainly know you and I have talked about that before and the view kind of has been that the death of the high end handset is a little bit exaggerated. So that's number one.

Number two, do some of the other design wins that you're getting, including in the audio segment, sort of mitigate, should it mitigate people's concerns about what happens if the handset market goes a little bit more towards the mid-end of the market, or the midrange of the market because there's a lot of good audio content in that segment?



Bruce Kiddoo - *Maxim Integrated Products Inc - SVP and CFO*

Yeah. I mean it's interesting. So this is a business that was growing at 30% and then 20%, and kind of pick your number for 2014, maybe 10%. Even at that level, how many markets of this size, you know 600 million or 700 million units that are growing at 10% a year. So from that point of view, this is still a great growth market to be in and to have a leadership position in. So we feel good about being in this business.

But to the extent that you know the growth is slowing down and moving towards the midrange, you know it's interesting the audio design win, the first one on the handset was in a midrange phone, right. The kind of this interface power management chip that we have that we've done very well at Samsung, that's the chip that's winning in China in midrange phones.

So I think we feel very comfortable that the technology we have will also be able to drive down into those midrange phones. Because as we all know, it starts in the high end, right, and then it moves its way down, and eventually everybody will want that technology. And to the extent that we have something that's hard for somebody else to do, right, I think, or which in like the power management, where we do integration, where no one else has all the different components and hasn't figured out how to integrate it together. You know there, I mean because we're sitting next to Mediatec, you know apps processor and baseband, so we're in that market where you're going to compete and we're able to do that successfully.

Unidentified Participant

In 2013 in a lot of ways you were a victim of your own success. You know you had tremendous content gain at Samsung, and Samsung had tremendous success in the market. That left you with over 30% of the revenue exposed to one customer, again, because of the success with the customer. If you go back on it, is there anything you would do differently, and or has that experience caused you to want to think a little bit about this business differently going forward?

Bruce Kiddoo - *Maxim Integrated Products Inc - SVP and CFO*

I mean I think, look it, we were in the fastest growing market, with the fastest growing customer, at good margins. We made a ton of money, right, and we returned that to shareholders. We have no regrets about what we did. I mean that was a great strategy. We absolutely knew we had to continue to diversify from our mobility.

It wasn't a surprise the high end smartphones started to slow down. No market that size is going to continue to grow at 20%, 30%. We had started to invest in sensors. We had investment in both the MEM, the optical. We had been investing in audio. So I think we knew we had to do that. We clearly identified we had to diversify our customer base. So to be clear, we sell to all these other OEMs, it's just not of the size or scale that we sell to our largest customer.

So we had very active plans to do that. I think we just got caught a year short. Which basically says Samsung had a bad year probably a year before we were ready for it. And so from that point of view, right, we had a tough year.

But let's also, let's make sure, for those who aren't as familiar with the analog space, so a tough year means flat revenue, you know 25% operating margin, 25% free cash flow as a percent of revenue, and we returned 127% of that free cash flow to shareholders. So from that point of view, still very profitable, good return to shareholders. And that was, quote-unquote, a tough year for our business.

Unidentified Participant

Sure. And then maybe finally in this segment, could you spend a minute on the sensor business? Because when I talk to clients about sensors, you know sensors come in different shapes, sizes, applications, and I think there's a fair amount of misunderstanding when we just talk about sensors exactly what opportunities you're talking about. And then obviously motion processing is one that's a little bit further down the road, if you could talk a little bit about that as well.

Bruce Kiddoo - *Maxim Integrated Products Inc - SVP and CFO*

Yeah. I mean I think if you think of sensors, and just in the kind of the simplest form, right, you know touch obviously is a capacitive sensor. You have optical, right, infrared, LED light sources. And then you have motion through MEMS. And yes, you can put those into a smartphone and they can provide certain capabilities that today other people are doing.

It's interesting, when you look at those kind of three types of sensors, and you look at who the competitors are, obviously it's a competitive space, there's folks -- it's different competitors in each one of those. The folks who are good in MEMS are not the people you think of for optical, are not the people you think of for touch, right. Maxim is the only company, or I mean there's very few companies that have sensor technology in all three of those areas.

And our view is the ability to take these sensors and put them into a system solution, which provides kind of unique functionality to our customers that no one else can provide. And a perfect example of that actually is in sort of these medical wearables. I don't know, it's probably a good idea (multiple speakers) let Chris talk about that a little bit more.

Unidentified Participant

That's a good segue. Sure. (Multiple speakers) a little bit of a break.

Chris Neil - *Maxim Integrated Products Inc - SVP, Industrial and Medical Solutions Group*

So in this, I mean people here are familiar with these fitness bands, I'm sure you've seen them. And that's kind of like the very first step into this wearable medical space. And from there they'll get more sophisticated. They'll begin to be able to monitor your blood oxygen levels optically, your activity levels with MEMS, your body temperature, electrocardiograph signals, your pulse rate, and even your hydration level. And those are fairly straightforward applications right now.

So we're going to see this progression of sophistication in these devices, and they're going to go from just being fitness things to being more medical things. They're going to go from something your trainer might recommend, or you might want to use out of curiosity, to something that your doctor is going to say, hey listen, you know you have a suspected condition, maybe this would be a good device for you to wear on a regular basis to monitor that condition. We can assess the progress of it, or the progress of the treatment of it.

And what you're seeing is a convergence of mobility technology, integration, small size, long battery life, connectivity to your phone, with the medical market and the medical type of products. And it's this convergence that I think is going to be very powerful for those who have prepared for that.

And by preparing for it, I mean do you have a portfolio of products that can span the range of MEMS technology, optical technology, measurement technology, power RF security interface, you know, and 15 other types of technologies. Do you have those? Maxim is in a good position that we're prepared and we have those.

Secondly, do you understand what those customers need? Do you have application knowledge? Do you have relationships with the customers in the medical space and the mobility space? Fortunately we do, very strong relationships with them.

And then are you organized in a way to take advantage of this? Do you look at your markets, your customers with a market point of view or a technology point of view? And if you look at it market point of view, you're prepared to present them with solutions that work, you know are holistic and that work together.

And so Maxim's in a very good position going forward as mobility converges with medical in these wearable medical. Or mobility converges with financial terminals into these mobile payment terminals that you're going to see. Or mobility merges with factory automation in terms of allowing



you to put smaller sensors in factories, make those factories more configurable and use less power, and so you can put more measurement devices in smaller spaces.

So there's definitely a convergence going on and Maxim is in a great position to take advantage of that.

Unidentified Participant

How big can that market be and over what timeframe? You know what percentage of revenue could it represent for Maxim at any point in time that you want to pick?

Bruce Kiddoo - *Maxim Integrated Products Inc - SVP and CFO*

Yeah, I think it's brand new, right. I think this whole idea of how this happens -- and so I think it's undefined. You know truly, yeah you can see people have estimates for different type of wearables, but if you think about is it something that at some point that every person decides whether, from a fitness point of view or from a doctor point of view, you know what's the adoption rate of that type of device. You could see that as kind of a very high usage rate from a consumer device.

And certainly from a content point of view, it's rich in analog. It has all of those high integration that we like. Because what's it doing, right? It's not really doing a lot of computational, right. You know if you think of the old devices we had, they were really about you know (inaudible) the value was the apps processor. So today the value is in the sensors and the power management and the interface of that device to whatever the host is, whether it's a phone or some access point.

Chris Neil - *Maxim Integrated Products Inc - SVP, Industrial and Medical Solutions Group*

Think about it this way. There's a billion people with phones. And I think most people are curious about their health, in one way or another. What's going on inside me?

Unidentified Participant

The less I know the better, man.

Chris Neil - *Maxim Integrated Products Inc - SVP, Industrial and Medical Solutions Group*

Okay. Well we can fix that too. But I think people are kind of curious about their health. And especially as the population ages, you know you're going to want to take advantage of technology to help monitor your health condition, should you have one. That's number one.

Number two, think about it this way. In most medical equipment, it's made up of a bunch of individual components. And some of them are very high value add, and Maxim competes for those. But a lot of the components are not high value add, they're just there to provide kind of standard typical functions. That's for medical equipment, it's true in a financial terminal. Maxim makes the main micro in about a third of the financial terminals sold today, the main secure micro. But you know we don't have a lot of content around that per se, because it doesn't add a lot of value to a typical point of sale system.

But, if you're going to go out there and you say, you know what, these things need to be smaller, they need to be more power efficient, they need to have better performance, then we try to sell those same key components, what you're integrating, now you have the opportunity to sell the key component and integrate in those kind of lesser differentiated products.



And now you can pick up that content that wasn't previously available because you've integrated a me too product with your highly differentiated product. And when we look at financial terminals, and we look at -- we've already seen it take place in utility meters, but we see it in financial terminals and you see it in medical devices. We're going to be able to substantially increase our content in these devices.

Unidentified Participant

And you're going to recognize this under the industrial segment or under the mobile segment, or where should we look for revenues in that segment coming to us?

Bruce Kiddoo - *Maxim Integrated Products Inc - SVP and CFO*

Yeah, to be determined.

Unidentified Participant

Okay. All right.

Chris Neil - *Maxim Integrated Products Inc - SVP, Industrial and Medical Solutions Group*

I'm voting for medical and industrial. Yeah.

Bruce Kiddoo - *Maxim Integrated Products Inc - SVP and CFO*

Sure, he's the industrial guy, he's voting for industrial.

Unidentified Participant

I can't imagine why. Yeah. Let's go to the rest of the --

Chris Neil - *Maxim Integrated Products Inc - SVP, Industrial and Medical Solutions Group*

But that's part of the blur, right. I mean and these same customers, some of these same customers who are making mobility products have strong medical branches under their umbrella companies. I don't know, where is it going to come from? Is it going to become another mobility group, or the medical group, or is it going to be shared across them?

Unidentified Participant

How about the rest of the auto and industrial segment? Obviously it's an end market that's doing very, very well, particularly in auto. Maxim doesn't have as much exposure in auto as some of the other traditional analog peers.

There's been a lot of growth in that segment over the last couple of years, but it was coming from a low base. Where can that market go as we continue to see content (inaudible) there? What products are going to be the key targets for you there? And then the rest of the industrial business is obviously a very good and robust business for Maxim.



Chris Neil - *Maxim Integrated Products Inc - SVP, Industrial and Medical Solutions Group*

Sure. So at a market level, the automotive business grows at a relatively low rate, but the electronic content of cars is really growing pretty dramatically. So that's where the opportunity is.

And yeah, we've seen great percentage growth, but we come from a low base. It's in the low -- no it's in the high single digits of our percent of our revenue that's in the automotive. I think it can go substantially higher. We have momentum. We have the wind at our back. We have good relationships with those companies. We have the right type of manufacturing environment with low defects, you know aiming towards zero defect kind of manufacturing.

And they are demanding integration in areas that we're good at, power management, and in sensors, and in the high speed communications. So we're well positioned for continued growth.

Unidentified Participant

Which product do you think, is it going to be sensors do you think that drives the majority of growth there going forward? I know there will be some contribution from all, but which one product in particular?

Chris Neil - *Maxim Integrated Products Inc - SVP, Industrial and Medical Solutions Group*

I don't know, what do you want to say about that?

Bruce Kiddoo - *Maxim Integrated Products Inc - SVP and CFO*

I think probably when we think about it, today what's driving the most growth is power management. I mean you think about it, there's just a tremendous amount of processors that are in a car today. And you need power management for that just like you need it in mobile devices, right.

And the challenge of that of course is it's got to be kind of automotive grade power management. You've got to have all the quality standards. So this is again one of those things where you have to have the capability from the mobility side, but you have to have been in the automotive business as well to be able to understand A, have the relationships with the Continentals and the Boss and the Benzos and people like that. And you have to have the quality to be able to sell them to them.

So I think today, when we look at where our growth is, power management is very strong. And then other just infotainment stuff, video distribution throughout the car, right. You know [SERTI] technology is extremely strong there. We have kind of an RF tuner business, you know both for satellite and for direct [to apps] technology in Europe. We do high brightness LED.

The great thing about automotive of course, which everybody knows, is you sort of win the design, all right that lasts five, seven years. And every year you're kind of layering on new design (inaudible). And for us, where this is still a business that's just starting to ramp, we have just a number of years of where we can see these design wins ramping on every year. There's no risk of the old ones falling off, so this is just going to be a nice steady growth business.

Clearly you know for us it's grown double digits the last four years. You know over the next at least couple years, good line of sight, at least sustain that same level of growth.

Unidentified Participant

You think we can get to a mid-teens percentage of revenue from auto at some point over the next few years?

Bruce Kiddoo - *Maxim Integrated Products Inc - SVP and CFO*

I mean it's always a little bit dependent on what the rest of the business does.

Unidentified Participant

Sure, yeah.

Bruce Kiddoo - *Maxim Integrated Products Inc - SVP and CFO*

But I absolutely think that when I think of the two growth drivers, I think, or actually three, you know one's mobility. I think we're going to do great there. Automotive, and then I think these other -- what Chris can talk about -- these other industrial vertical markets, whether it's medical, whether it's smart meters.

Unidentified Participant

Right.

Chris Neil - *Maxim Integrated Products Inc - SVP, Industrial and Medical Solutions Group*

Yeah, Bruce said, you know industrial vertical markets. If you look at our industrial business, it's comprised of two distinct categories of products. We have the general purpose products that we sell to literally thousands of different customers, in relatively small volumes, and that's served primarily through our distribution channel. And you make single function products by and large and you sell it to those customers and they fit it into their systems.

And that business is showing good growth. It's a dedicated business unit within Maxim. It's not an arm of our sales organization, but it's a dedicated business unit that's run like a business with again customer focus. And the customer in this case is the distribution partners that we have, as well as the customers. How do we make it easier for our customers to find the products that are right for them, and how to design them in, with little help from us. And some thought has to go into that. So that's one part of our business, and that's growing, and growing very well.

And then we have the vertical part of our industrial business. And that vertical part is comprised of the automotive, of the smart meter, and of the medical, and I guess you could argue financial terminals as well is industrial. And that's where we have the more integrated solutions that have great measurement, great communications, great security built in, all at low power. So a foundation of low power, that's our real strength in all those markets.

Unidentified Participant

Bruce, you mentioned you thought communication is going to be a good area of growth this year as well. And that's something that might be -- you know there's fits or starts in that market. For a little while though there's a number of companies that are commenting it looks a little more solid for 2014. Can you give us a little more color on that?

Bruce Kiddoo - *Maxim Integrated Products Inc - SVP and CFO*

Yeah. I mean I think it's going to be an area of growth. We'll have to decide if we put the adjective of good in front of it. But again, if you look at the markets over the last four years, clearly tremendous growth. I mean just from an industry point of view, tremendous growth in mobility, right. Industrial has been a good business, especially when you add in auto. Computing's been down. Everybody expected that.



I think the business that's been down that probably disappointed people was communications. I think expected that to do better than it has over time. And I do think we're starting to see -- you know our business was up in December, it's going to be up in the March quarter. And I think you're starting to see some activity obviously from the base station.

For those who don't know Maxim, we have small exposure to kind of macro base stations. (Inaudible) base stations are sort of mid-single digit as a percent of revenue, so we're not the guy to give you deep insights into what's happening on the China LTE deployment. That said, we have business. We are seeing that uptick, right, so that's a business that is growing for us.

The other area that's actually the biggest business for us within com is kind of what we call networking and data com, but think of it as fiber optics. Fiber to the home, back hall from the base station, in the data center. So these are areas that do well for us. I think it's a nice, it's a steady growth business. It's unfortunately lumpy and then it's a horrible supply chain, right. You're either expediting products in that business or you're pushing out products. So that's always just a challenge. But long-term, it's a good margin, steady business.

We do have a small cell business, which is if you're in a home or business where you don't get good reception, right, through local company, small business. We have 70% share in the RF side, so as that business continues to grow it grows for us.

So for us, com is more about we're sort of in a select number of a market, all of which look like they're going to probably grow in 2014. So we're not as much kind of just tied to, you know kind of highly leveraged to the CapEx for the year.

Unidentified Participant

You mentioned at the beginning, you know computing has been the one that's been weaker. You kind of listed that at the bottom of the four areas of potential growth for this year. There's moving parts in that business. I mean obviously the PC client business has been awful for several years running.

But you have an acquisition in that business and you're kind of winding down the client piece of that, but very focused on the Volterra server piece of that. So could you give us a little bit of an update on how that's going? You mentioned that the integration and cost cutting was kind of at a plan and kind of where you think that goes.

Bruce Kiddoo - Maxim Integrated Products Inc - SVP and CFO

Yeah. No, I think we're very happy with Volterra. This is a company where we know them really well. They have great technology. It's a great team. We think it's been a kind of under-utilized, under-sold technology. They were very focused in servers, selling to you know IBM and HP and companies like that. You know they weren't selling into the cloud. Their system, their capabilities are very applicable to the com power [bits] market.

So if you think about it, the enterprise computing is about a \$400 million market. They had about 25% share, without even addressing the cloud side. We can absolutely help them there. We have the relationships with the Googles and the Amazons and the Facebooks. And they had no relationship with the Taiwanese OEMs. So we can absolutely help them there.

They were trying to sell into the com guys, but again these are large customers. You have to have the VPA agreements in place, all those work preferred suppliers to the Ciscos and the Ericssons and the [Walways] of the world, so we can help fill that. All that takes a little bit of time.

And so that's why when we think of -- really for, you know as we said, really the first two years of this acquisition we think the revenue is going to be flat. Because we said, as you said, they're a kind of legacy notebook business, which last quarter was like \$6 or \$7 million, so it's not much, but that's going to fall off.

And we'll see some growth out of servers, but I think right now we're still even kind of high end servers and their largest customer has not done as well. And so obviously that business got sold to INOVO. We'll have to see. Obviously we have very good relationships there. So again, I think



that's a business we like but I think it's going to take a little bit of time to kind of restructure that business, get the synergies in the new market, get out of the old notebook business.

So very happy with the technology, the team. As you mentioned, as we've said, we're kind of ahead of schedule on the cost synergies. We've gotten them -- and they're out of all their buildings. All of that work has been done. It's been done really well so we feel good about that. And it's just going to take a little while from a revenue side.

Unidentified Participant

So probably 2015 at the earliest before we saw any kind of revenue traction. Is that fair?

Bruce Kiddoo - *Maxim Integrated Products Inc - SVP and CFO*

Yeah, I mean we bought this thing in the summer of 2013, so yeah, so mid-2015.

Unidentified Participant

Okay. We're unbelievably running short on time even though we got through only maybe a quarter of my questions. I mean the one thing I did want to touch on, on the balance sheet, the cash flow, you have one of the better dividend yields of any of the semiconductor companies.

As the stock has recently started to gain some momentum, which is nice, and hopefully we're going to continue to see that, how focused are you on preserving a certain dividend yield versus just returning a percentage of cash flow to investors via both buybacks and dividends?

Bruce Kiddoo - *Maxim Integrated Products Inc - SVP and CFO*

Yeah, I mean I think when we look at dividend, we actually look at it as a free cash flow payout. That's fundamentally how we view that. And so to the extent that we're able to continue to obviously grow the top line, get some operating leverage, right, reduce CapEx, we'll continue to grow free cash flow and that will allow us to continue to increase the dividend. And that's really how we think about the dividend. Certainly to the extent that there's -- and we generate a lot of cash -- so as we have additional available cash, we return that in the form of buyback.

2013 was a really good year to think about how we think about use of cash. We had a difficult year with our largest customer. So I think our stock price underperformed, therefore we were aggressive from a buyback point of view in that you saw we increased our buyback in the June and September quarters. We then bought Volterra.

And from a kind of a return, clearly the Volterra had a higher return than buying back our stock. So we kind of pulled back on the buyback, back to our normal level. So we had two very strong quarters of buyback, and then we kind of then started using our free cash to, in addition to the dividend, to fund the Volterra acquisition.

Unidentified Participant

Terrific. Literally we're clicking down to zero as we go through that. So guys, I really appreciate the time. Thanks a lot. Good luck and look forward to doing it again.

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