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PRESENTATION

Chris Danely *- JPMorgan Chase & Co. - Analyst*

Thanks again, everybody. I'm Chris Danely, the friendly neighborhood semiconductor analyst here at JPMorgan. Next up is Maxim. Very interesting, very fun company to cover. Not only are they basically the Samsung proxy in the universe at 18% to 20% of revenue but also they are one of the best managed companies in semis. Have consistently sported a 100% payout ratio. They are not afraid of using debt nor are they afraid of M&A so a lot of fun to cover these guys, and I have a lot of respect for the management team and that's not just because of my associate -- my former associate -- excuse me, is head of M&A.

So here today we have Bruce Kiddoo, the CFO. And I guess it hasn't been that long since earnings. Maybe just talk about -- give a recap of what you guys said on your call, what's getting better, what you worry about so far this year. Just give us a bit of a perspective on the call and how things have gone so far?

Bruce Kiddoo *- Maxim Integrated Products, Inc. - CFO and EVP*

Sure. I think we had a good call. Basically, if you look at it from a topline point of view, life is going well for Maxim right now. Overall, our mobility business is doing well, our largest customer ramps their new flagship phone, they are being more prudent in how they ramp that so it's kind of a more measured rollout and so that's good.

At the same time, we continue to diversify our mobility business and we continue to show incremental revenue at new customers, new technologies around audio or sensors, and a new platform, whether that's e-readers or tablets or the beginning signs of a wearables market.

So I think mobility is doing well, but even more importantly, kind of our non-mobility business really started to show its strength. In the quarter for March, we showed that the industrial business was up 24% year-over-year, very strong growth, automotive, very strong right now and doing well and then even the general-purpose industrial is selling through the distributors to all those small customers, seem very strong resale numbers in the Europe, US, Japan, Korea, the industrial countries. So industrial is doing a calm 15% to 20% year-over-year again, kind of across.

We have a small base station business. So we are seeing the benefit of the China LTE deployments. But also fiber optics is doing well, cable infrastructure is doing well. So topline looks good. It's 7% guidance sequentially to [650]. If we achieve that, that would be record revenue. And then the nice thing of course is the ability to show leverage on top of that. We are seeing gross margin. We guided it from 60% in March to 62% in June with utilizations increasing, which would provide a tailwind going forward.

We're showing OpEx under control -- OpEx actually went down in the March quarter and is going to go up maybe 2 points.

And then there was a microphone. Going up only 2% in the June quarter versus 7% in the revenue. So again we will show that, so we'll probably take [up] margin from 22% in March to if you just kind of go down the midpoint of our guidance, you could get to 27%. So we're saying nice leverage.

Certainly with our model, that translates efficient balance sheet CapEx coming down into significant cash flow. And as you indicated in your opening remarks, I think we're a company that we look at M&A, we believe in tuck-in acquisitions but to the extent there aren't very high-quality assets, we are very comfortable returning that capital to shareholders. We are one of the Company's -- if you look at us over the last four years before it became fashionable to talk about it, we've been returning free cash to shareholders. And over that last four years we've returned probably in the mid-90s as a percent of free cash flow to shareholders.

So it's something we're committed to. We believe in kind of a cyclical business. That guaranteed return to shareholders is important, together with the investments in the topline to show growth in leverage.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

Great. So that pretty much gave me all my questions here.

Just to start out from a broad perspective and then I'll get to the other 25% that you led into, just talk about maybe how your business has trended and the linearity this year and in the feedback you're getting from your customers in the distribution channel as to why things have steadily improved. Is it content, is it economy, is it specific geographies? Any one of the above?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

I think when you think about semi-conductors today and especially analog, you really had to look at it by the end markets and what's happening in those end markets as opposed to sort of an overall semi cycle. I think it's much more driven by the end markets. If you look at the mobility market, we're doing well. Our content has increased at our largest customer. We are increasing content to other customers, whether it's the other large US OEM, whether it's in China, we're selling into different platforms. So from that point of view, we're seeing sort of an acceleration of our business there after last year.

The industrial -- as I indicated, automotive is growing very rapidly. When we looked at that 24% year-over-year growth for industrial in the March quarter, industrial is doing much better than that. So that's a part of our business that's doing well. If there's any area where we are -- one of the standard questions is how our leadtime is doing. Generally our leadtimes have been very stable for almost three years. Actually receiving a little bit of leadtime extension in automotive, just indicative of the very strong demand that we're having right now for our products.

We also saw sort of an acceleration of activity in the core industrial through distribution. And I'm not a big believer in restocking as a kind of investment thesis. I think yes, in the old days we ran at 60, 65 days of inventory in the channel but we've been running it low 50s for probably the past two to three years.

But in March, we actually dipped below 50 and were, actually, I think at 48, 49 days of inventory in the channel. And the industrial distis are even lower and so we are seeing some restocking happening there.

So again, I think in industrial we are seeing very strong -- if we compared to a year ago, I would say mobility is doing better, actually industrial is doing better, and even calm now with kind of the China LTE, some cable infrastructure going in place, fiber optics are doing well. So overall, I think we feel much better today than if I was sitting here a year ago.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

And can you give us sort of your disti revenue recognition breakdown? Is it globally sellthrough or is it anywhere selling out there?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

Yes, so distribution is about low 30s as a percent of revenue and I think last quarter was 32%. The US is on a sellthrough basis. It's about a third of our distribution revenue and the international is on a sell in basis and about two thirds. But when we give the -- kind of the channel inventory levels, we are able to get reports, whether it's on a sellthrough or sell in, we're able to see what our distis are holding in inventory and we are able to still report that as a total channel inventory.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

And when was the last time we saw distis increase inventory? Was it 2009 or 2010 or something like that? It's been a long time.

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

It's been a long time. They brought it down. Everybody was waiting for them to restock. That never happened. And I think they were very comfortable in the low 50s. I think what happened in March is resells in Europe, in North America, maybe also Korea, very strong double-digit sequential growth. And so I think they just got caught short of inventory. I think for the first time, they felt like -- I think they were comfortable in the low 50s. I think in the high 40s that got too low for them. So it's probably three years. I think we've probably been in the low 50s and this is the first time they've dipped down below that and have restocked.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

And how about you guys as far as your utilization rates go and do you think leadtimes could stretch out in the second half if business continues to improve? How do you feel like you are prepared for that?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

So utilization right now I think is 64%, 65% for our internal fabs. We've indicated that in the June quarter, it's probably going to be in the low to mid 70s and so we're seeing that increase.

I think we're very well-positioned. We are about 50% internal, 50% external, so to the extent that there is continued strong uptick in our business in the second half of the year, we certainly have that, in essence, huge variability with our external foundry partners to give us that growth capacity. And even our internal fabs -- we made a -- last year we made a technology transfer from -- don't get too crazy out there, 400 nanometer going to 180 nanometer.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

You buying that stuff on eBay or something? Where did you find those?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

Sorry, that's a joke only for people who really have been doing semi-conductors their whole life. But yes, we made that technology transfer and we now have that capacity available and now that's why we are being able to ramp that up and seeing this improvement in our utilizations. So we will be fine for the second half of the year.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

Yes, so don't expect leadtimes to stretch out. Everything looks well prepared for a nice second half.

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

Yes, I think we're looking good.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

Great. So just to dig into the end markets, maybe we will start with the big one on the mobility side, had a bit of an issue with the GS 4 last year, but it sounds like the GS 5 has been a much more -- like you said, measured ramp out there. Maybe just talk about that transition and also if you can, talk about your content in the previous generation and this generation.

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

Sure. I think it's well documented that, last year, the GS 3 was a very successful phone and so, going into the GS 4, there was -- expectations that this could be in almost 10 million to 12 million units a month. It turned out the 4 kind of sold around 5 million units a month and so when they look at the 5, it's similar expectations from that point of view. So I think we're in a much better place.

So we're not seeing that inventory build in the channel. If the phone does better than expected, that's just upside opportunity for us. We have the capacity to provide that on a short leadtime. So we actually feel good about how this ramp is being managed. We have indicated that our content in the 5 over the 4 has increased. We have two power management chips in the phone as we kind of continue to scoop up pretty much all of the power management except for the power for the apps processor, the baseband, which really the chipset guys -- they own that piece.

But everything else, we are continuing to collect -- and if you think about everything in a phone, you have a camera and you have connectivity and you have different sensors. All those require power management. And we're scooping that together along with all the other analog that goes in a phone. You have a fuel gauge, you have a battery charger, you have a USB port. So we've collected all that.

In the 5, we have the biosensor that can tell you what your heart rate is, it can do other functions when fully enabled. So it has legs to continue to provide additional functionality. We always have a building block or two in the phone which is great. It doesn't even show up on the teardown but it's just another $0.20, $0.25 that's been in every phone and you make some decent margin on that business.

So overall, I think we feel good about the ramp in our content and then how those same products that do well in the 5, then they show up in their wearables.

Last year, the Gear didn't sell a lot of units. Seems to be a little bit more traction this year. Compared to the phone, it's still very modest but I think you're starting to see some momentum in the wearable market.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

And has your margin profile changed in the new version versus the old version?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

I think it's consistent. I think every time we put out something new like where we can add a second power chip late in the game or we can provide a biosensor that's innovative, we're able to reset the margin profile. And so from that point of view, I think it's clear to people when -- you look at our consumer business at 38% of revenue or Samsung at around 20% revenue and we've been consistently in our gross margin target range of 61% to 64%, that it's a good relationship with our largest customer.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

And if you look at your business -- at your largest customer, I don't know if we can name them or are they like Lord Voldemort or something like that, but at any rate, how much goes into sort of the smartphones versus the bigger Note type of product line versus everything else? What would be the rough percentage there?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

Yes, it's hard to actually break down because it's in many cases the same chipsets that go in both and so we just -- we sell into their factories and whether it's going into the 5 or the Note 3 or the wearable, in many cases it's the same chip. So it's hard for us to break that down.

But just in general, it's still as you would think. You get -- majority of it is still on the phone side followed by the Note and the tablets and then last being the wearables.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

And what about any lower end phones besides the flagship line?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

Sure, we've been in their midrange phones and so, certainly, when they take a flagship, they will make a variant of that. They will make several variants which are our midrange phones. We usually have content in those. In addition, we are actually starting to see content just on a standalone basis in their midrange phones. An example is selling audio products into midrange phones that aren't just an extension of the flagship phone but no, we're just getting new content in different platforms.

So I think we're going -- we generally will go to the midrange. We generally don't go all the way down to a low-end phone just because of the functionality isn't -- functionality requirements aren't the same.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

Great. And then how about your efforts to broaden the exposure outside of your largest customer? How's things going on that front?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

I think things are going very well. I think there's been teardowns that show us gaining some business at the other large US OEM. I think our relationship there is improving and we look forward to continue working with them. I think our business in China has grown very nicely. It's off of a small base so there's a lot of work to be done there.

But it's interesting, too, when you look at how we're -- what we're doing well within China, in many cases it's our power SOC. It's that integrating all the system power together with all the small bits of analog that are in a phone because really the only competition there is somebody selling the discrete parts.

And even in a cost-sensitive environment, the benefits of integration, of putting it all together single packet, single manufacturing flow, the benefits of just making it easier for the customer, that's one of the areas that we are winning. So, I think we are doing well at both the other US OEM and China, which together with Samsung today are a large part of the market going forward.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

Okay. And when you guys look at your efforts outside of Samsung in the mobility market, do you just focus on the top three guys? Is it everybody? Has that changed over the last few years? How does that work?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

I think you have to always be looking around and working with the folks you think are the innovators. This is a business that has changed. You can look over the last 15 years, and you can kind of say there was always two people who are winning, but those two people have -- whether it's Motorola or Nokia or BlackBerry, whether you thought maybe LG or HTC -- you can still look at Google today. Amazon people talk about -- I think you have to always be aware that this is a business where there is innovation, market share has shifted. It's a large business and people are always competing.

So we try to allocate our R&D accordingly. That's always tough because we don't have the crystal ball to figure out the winners and the losers in the world and sometimes you make bets that don't pan out but many times you invest in some IP and maybe you didn't use that here but you are able to use it over there. So we continue to invest but I think on a -- appropriate for the opportunity size.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

Great. So switching gears a little bit, talk about another end market that's done well for you guys is industrial. Maybe just give us a sense of where the strength is coming from. Is it a particular Geo broad-base? And then also has it been a steady ramp this year continuing from last year? Did you see some sort of hockey stick curve? What's happening over there?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

Industrial is doing very well. So well that some people worry about sustainability, which is -- it's almost like an oxymoron if you think of industrial and sustainability.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

It just started getting better, geez. (multiple speakers) more sustainable than a quarter.

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

And this is a business which when you win business, you -- long product life cycles and so it was interesting. First started showing its strength a year ago in the June 2013 quarter when it was up 17% sequentially. Now obviously that's a huge number. That is not sustainable. We understand that.

But what drove that was one, automotive, and two, our other vertical markets like smart meters and medical. And at that point, we had just started seeing the general purpose come back.

Those are the same drivers today. Automotive continues to do very well. Infotainment throughout power management, video distribution, USB ports in a car, RF satellite tuners. We also do body electronics. A good business in lighting right now, and sort of an emerging market within the battery management systems for hybrids and electric vehicles. So automotive doing great -- and the nice thing about automotive, you get these design wins and it turns out March and June are sort of the seasonal uptick when you get the new design wins for the fall platforms; and then, you just sort of -- so you uptick and then you just kind of hold back for -- maybe grow a little bit as the cars ramp.

So you see this strong uptick in March and June, small uptick in September and December, but the old business doesn't go away, right? We have to sign -- you have to commit to provide product for 40 years. This isn't a business that the bottom layer falls off. And so that's doing well. So I think automotive, the verticals, and then general-purpose as we talked about, right? The resales, end market bookings, actually are looking very strong in the industrial geographies right now.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

And how is the margin profile there and does that have any impact on the overall margins of the Company from a mix perspective?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

Yes, I think when we look at this business, certainly half -- 31% of our business is industrial, half of that is the general purpose. That's very high margin as you know. So, that's well above corporate average. So, that's great for us.

In a high-volume industrial like automotive, currently that's actually just a little bit below the corporate average, primarily because we are still kind of ramping up on meeting all of the quality requirements; and so that's taking some extra testing. That's something we think can improve over time. So while we are seeing that strong growth, it's at good gross margin, but you shouldn't think of it as sort of the same margin as you think of general purpose industrial, which is well above the corporate average.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

Okay, so the overall mix is a little better but it's definitely stratified between the two. Great. Switching gears a little bit to the communications end market, what's happening there? And are you guys feeling the love from the China CapEx spend like some of your peers are?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

We are not the one to give you deep insights into the China LTE market. If someone wants to ask that question, I will save you. So our base station business -- it's about 4% to 5% of revenue, so it's not a huge market for us. It is certainly growing because of the China LTE. We're benefiting from that but it's not a big part of our business.

It's actually interesting. If you look at our comm business and our biggest part is fiber optics, and comm is about 17% of revenue, and the biggest component was fiber optics. That's lumpy but actually doing well right now both in the data center and the backhaul from the base station. So actually, fiber optics is doing well and then you have the base station business, that is doing well. We actually have a cable infrastructure business which says cable head ends, at the other end of the client in the neighborhoods where we are gaining share in extremely high-margin business.

So overall, we have these kind of all these markets are growing and it was interesting -- we highlighted in the call that comm has grown 15%, 20% year-over-year and you hadn't really noticed it. Because every quarter it was up 2%, 3%, 4%. It wasn't the key driver in any one quarter but it's just consistently grown -- we're expecting it to grow again in the June quarter.

So comm, profitable business, nice steady growth. It's a nice-to-have-in-your-portfolio.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

Great. And then the last end market is PC and maybe just talk about the Volterra acquisition and how that's going and it sounds like the PC business has done a little bit better than expected. The falloff is not going to be as -- what we were all fearing. Just touch on how the acquisition has gone so far.

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

Sure. We think Volterra has been an outstanding acquisition. We think the team, the technology are everything we had hoped for and more. We think the -- we've done our job on integration. We had targeted $15 million and we got $20 million plus of synergies. We kind of achieved the cost benefit. And then I think from a revenue point of view, near term from the marketplace, there has been some weakness in US OEM server businesses which was -- we had business there and Volterra had business. So that's impacted that but kind of the thesis behind the deal was that we would be able to take this technology and sell it both into the cloud where Volterra had no business and we had no business and into the communications power.

Both of those are going very well. Certainly to the extent that I will give the unabashed plug for our Investor Day on Wednesday but certainly we will provide more insight into the Volterra acquisition, how it's going then. But overall, we're very pleased.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

And you said that the synergies had been a little better than expected? Are those necessarily done? Can we see some more savings there? And also is Volterra at the point where fully integrated, it's on the right path, we don't really need to tweak anything else and maybe perhaps look at the next acquisition.

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

So I think in general, we've achieved the synergies. There's a little bit more to go. We have one final step that's going to happen in July which is sort of the -- integrating the manufacturing systems and once that's done, there will be one more round of savings. But that's not significant.

I think -- and when we look internally as a company, we think they are integrated. They are fully part of all our business processes and systems now. And we just -- it's fully integrated into our comm business. So not to say that where that says okay, let's go find a deal to do. But I would say it's not a preventer anymore. It's not something to say no, we need to hold off and wait.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

Okay. And as you look at the -- at your own products and the landscape out there, are there any products, areas, aspects that you would like to have? Feel free to be as general and as obtuse as possible, of course.

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

Well, we've always liked tuck-in acquisitions, of course. And if you are a believer in integration, which we are, you are always looking for what are the next technologies that you want to integrate into your system solution. In most cases, you first look internally and have we developed that already internally but to the extent that you haven't or there is somebody out there who is best-in-class and from a time-to-market point of view, you will look to do that. I think we will continue to do those tuck-in acquisitions and I think you can just think about -- I guess the challenging part is we're doing integration in all markets now so you can't even narrow that one down to say, well, it's going to be in mobility.

Integration is helping to drive automotive. It's helping to drive comm. It's helping to drive mobile payment systems. You kind of just go down the list and that's where integration is helping us and there's always Venk, your ex-analyst who (multiple speakers)

Chris Danely - *JPMorgan Chase & Co. - Analyst*

The Thomas Magnum of India.

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

Is leading our M&A effort now and certainly there's always a funnel of opportunities to look at. Of course, it's -- kind of the bar is to get over pretty rigorous to make sure that it's right from a technology and right financially.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

So, I guess if we take a step back and look at the overall M&A market, you guys have been pretty consistent there now versus year ago. Do you think that either your appetite for the overall semi market is more conducive to M&A now than it was a year ago or less? And maybe talk about the factors that you look at, whether it's rates, willing sellers, stock prices, the overall environment like what you sort of look at and how things have changed good or bad over the last 12 months.

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

I think you have -- if you just look out and read the news, there's been a number of those acquisitions within semiconductors certainly over the last 12 months. And I do think if you're a small cap company, it's getting harder with current growth rates to invest in R&D and invest in growth initiatives. So I think some of those folks are starting to look for help from a scale point of view.

And so I do think you'll see the small caps are being more active. Occasionally you'll see sort of the mid-cap company. I think for a company like Maxim, we absolutely have the scale and the profitability and the stability to -- we don't have to participate that at all. It is interesting to look out in the environment and certainly when an opportunity like Volterra comes up with a great team, great technology, have the opportunity to buy them at a reasonable price, I think those would the type of opportunities that we would look for.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

Before I get to my further questions, I just wanted to let you guys know -- does anybody in the audience have anything to ask? Going once, going twice.

Maybe I'll keep going. Maybe just talk about your -- what you are capital structure is now and if there is an ideal capital structure for Maxim.

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

Sure. We are a company that is -- believes in returning capital to shareholders and we generate a lot of cash. I think most people know that, we have a great model, 30% plus cash flow from Ops, CapEx at 5% to 7% and declining, such that free cash flow is at 25% plus of revenue. So, a very profitable, very stable business and as I said, from a use of cash, certainly kind of the tuck-in acquisitions is something we always look at, but then strongly committed to our dividend, opportunistic with the buyback. But if you look over the last four years, right, I think it's 94%, 95% of free cash flow has been returned to shareholders.

Whether that sustains itself long term depends on are there some acquisition opportunities. I think it was a perfect example last summer where, in the beginning of the summer, there was the issues with Samsung inventory correction, the stock was impacted, we had confidence in the long-term value of the Company, we bought back more of our stock. We then bought Volterra, pulled back to just our normal levels of buyback in order to replenish the balance sheet for the Volterra acquisition.

So I think that sort of the give-and-take that we'll look at as a company, but history would certainly say we are very committed to returning capital to shareholders.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

And what's your current level of cash and how much of that is foreign versus domestic and then how about the debt and then do you see that changing going forward?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

Yes. So we're at about $1.2 billion of cash on the balance sheet. We actually haven't disclosed the mix between onshore and offshore. Certainly we have more than ample cash to support our dividend and buyback programs. And so, that's not an issue at all for us. Debt is about $1 billion on the balance sheet, five- and 10-year tranches. The five years at 2.5% and the 10 years at 3 3/8%. So, you know --

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Chris Danely - *JPMorgan Chase & Co. - Analyst*

Pretty decent terms, yes.

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

Yes, it's amazing. And as a company, we are comfortable with a certain level of debt.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

Does that feel about right in terms of the current level of cash versus debt or --?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

Yes, I think so. I think certainly, we are a BBB+ rated company. We are right at about 1X EBITDA. You could easily go to 1.5 if you had to go more but I think we're -- some debt is okay. We are generally conservative as a company and as a board. So, from that point of view, this feels about right.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

Great. And then just to close on the final question, so maybe talk about your margin structure now and what the goals are eventually and what would be the drivers, especially on the margin side and maybe even on the operating side?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

Sure. I do think we can show leverage. I think leverage is important. Obviously it's how you accelerate profit growth. I do think there's some opportunity in gross margin. We've been sort of operating in the low end of our range, the 61% to 64%. When utilization gets at the higher end, we are generally able to operate at the higher end of our gross margin, so I think there's some leverage there and I do think we will be able to manage OpEx like we have to grow revenue faster in OpEx and drive some additional leverage.

Our goal is 30%. That's something -- we're an engineering company, we take metrics very seriously. And we are looking to achieve that number.

Chris Danely - *JPMorgan Chase & Co. - Analyst*

Great, thanks a lot. That's all I have time for.

Bruce Kiddoo - *Maxim Integrated Products, Inc. - CFO and EVP*

Thank you, everybody.