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PRESENTATION

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

Good morning, everyone. Let's get this session started. I'm Vivek Arya, semiconductor analyst here at Bank of America Merrill Lynch. Delighted to have Bruce Kiddoo, CFO of Maxim join us this morning to present on the Company. What we will do is we will start with some questions that I have prepared and then perhaps leave the last 10 minutes or so for any Q&A from the audience. But in between if you want to ask a question, please feel free to raise your hand. So with that, welcome Bruce, so nice to see you again. And maybe as a start, I know you guys had your Analyst Day recently, but as we have heard almost all semiconductor companies [have been] positive this time around in the cycle. As you compare your visibility, your growth prospects; how would you contrast them from say three months ago or six months ago? Is visibility getting better or are they about the same? In general, how is the demand visibility right now?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

When you look at Maxim, I think we've been doing very well and especially if you kind of look at some of the numbers year-over-year in our businesses. We feel good about our business and if you kind of go through the end markets. At our Investor Day, Automotive we broke that out, that's 9% of revenue today. That's been up 45%, 50% year-over-year and you get good line of sight in that business so we feel good about that. Industrial, which is about 25% of our business, that was up 14% year-over-year. And we look at sort of the channel inventory, very low below 50 days, which is kind of historical low levels for us. We're seeing very strong resales, end market bookings so we feel good about kind of the core industrial business. Our Comm and Datacenter business, I think it's around 22%, 23% of revenue, again up from around 20% year-over-year.

So, all of those businesses are doing well. In addition, our mobility business, our largest customer ramping its newest phone. They are doing that in a more prudent way so I think from not getting ahead of themselves, I feel much better this year than I did last year. And as we talked about in our Investor Day, we actually feel very good within mobility about sort of the broadening customer base, broadening platform base such that we feel our exposure is much more balanced. So, I think the short answer is we feel good. Most of the markets if you look at our guidance, two of the four were up strongly and the other two were up, and so that's been kind of rare for us to see that broad-based strength.

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

You think this is more a cycle pickup or are they company specific drivers that these are things that you have invested in over a number of years and they are now coming to fruition?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

I think it's a combination, I think it's mainly market driven. I've been doing this for a long time, I'm not a big believer in the semi cycle anymore. I think that's sort of that that day has come and gone. But I think you have market cycles in certainly automotive and infotainment and driver assistance, that market is doing very well. I think certainly the core industrial is doing well. That one's more I think just kind of macro driven. Comm, kind of long-awaited comeback in comm and we're seeing that and for us we have low exposure to base stations, but we are seeing some of the China business from that point of view. We have a cable infrastructure business that's doing well. And then in the mobility side, again that's more usually kind of product cycle specific and we're in a cycle right now where our largest customer normally does well.

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

One thing that differentiated Maxim is in your focus on building integrated products, which is somewhat different than a lot of your other analog industrial peers and that they have always spoken more about general purpose and more catalog products. How would you contrast the two strategies? Why did you pick the integrated strategy versus building just a general purpose catalog set of products?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

Ultimately we went this way because this is what our customers were asking for. It was they're looking for the benefits of integration and every one of the digital guys of the world have been doing -- I was at Broadcom before Maxim and so certainly the digital guys have been doing SoCs since the late 1990s. Those benefits of lower cost, lower space, lower power; they play out in analog as well, it's just much harder to do in analog. So, we went down that path where it first made the most sense within mobility and did very, very well. Obviously, we've been very successful in that business, but what we've seen now is the same benefits people now care about. Like automotive, there's a lot of electronics in (inaudible), there's a lot of electronics throughout the car; they are looking for those same benefits of integration.

If you look at mobile payment systems, you want that now to be kind of the size of a phone, integration is required for that. If you look at it portable medical devices, you want to be able to take that medical device and now make it a handheld device to be able to do an ultrasound so again that's integration. So I think it's what the market wants, it's what the customer wants. Let's be clear, we are about 50/50 so we still have half of our business is in the component building block business. We like that business, we need that to still kind of build the IP, that's still good business. We haven't abandoned that in any way, shape, or form; we've just kind of layered on top of that an integration business.

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

You mentioned one of the companies you worked at prior. They announced some restructuring yesterday and one of the takeaways was that mobile is a very tough market and especially when one is so exposed to any one of the large OEMs. So, Maxim is also exposed to a large OEM. Can you give us a sense for how that relationship has actually grown stronger over time? What has helped it grow stronger? And as you look out in the next number of years, what are you doing to diversify and what are you doing to also at the same time build a stronger relationship with that large customer?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

I mean I think if you look at mobility to the extent that you're driving innovation, it's a wonderful place to be. If you get in an area that's potentially more commoditized, that's going to be those large customers have a tremendous amount of pricing leverage on you. If you look at what Maxim does and if you look at what's happening in a phone or any type of mobile device, what's interesting about it is how it interfaces with the user and the world around it. That is analog, that is what we do. And so from that point of view, there's a tremendous amount of innovation that's occurring within mobility and I think that's an area and it's going to extend beyond that because now that same interaction with the real world, that's what's happening in your car and that's what's going to happen with portable medical devices.

Our relationship at that largest customer continues to be very strong. It's strategic, we have a deep understanding of their road maps, we come to them with innovations, they ask us to drive certain innovations, that's been very successful over very many years. But more importantly to your question, I think people have seen that we have done well growing our business. At the other large OEM, I think that relationship has kind of moved from being just a component supplier to it's evolving to a more strategic level so I think that's positive for us. And then we continue to sell into let's say kind of the third leg of mobility, which is China and I think that's a small business for us, but one that is growing off of a small base and I think we continue to make good progress there.

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

Now you mentioned China so that is obviously a very big opportunity for the entire mobile industry, but there are also concerns of perhaps an overbid that there's a lot of excitement around TD-LTE. Do you see any such overbid happening right now or is it too early to say that?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

I think for better or for worse at this point in time, the fact that China's still a small business. Obviously, we want to grow that to be larger of the three legs, but today it's still a small business. So I think from that point of view, I think our insight's we're not seeing that, but we're probably not big enough to get that visibility.

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

And if you look at the growth in the industry as is acknowledged is perhaps going to be at the low and mid range and that's going to be a gain more and more that could benefit the digital chipset guys whether it's a Qualcomm or a Mediatech and they also have very capable power management capabilities. So, how do you see Maxim's role in the low and mid range of the market that could drive a lot of growth in the overall mobile industry?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

I mean I think today to the extent that we're focused more on the mid range and we haven't really moved to that very low end and that's really what functionality do they want in a mobile device. To the extent that we're in that mid range, it's interesting certainly the digital chipset guys can do power management, you're exactly right. The one socket within power management that there's power for all the system power excluding the apps processor and excluding the baseband so you let the Qualcomms and the Mediatechs of the world power their chips. But there's a whole bunch of other functions within a phone that require power management. That chip which we call power SoC or interface power management chip that does system power plus an integrated fuel gauge, an integrated battery charger, the USB port controller.

That classic chip that we've been doing for a number years, that's the one we've held at Samsung every generation, that's the chip that's selling into China because it's one that it's not a chip that the digital guys do, it does get all the benefits of integration as far as low cost and space. So I think we'll continue to win there plus if you look at the technology we have around audio, the technology we have around sensors, and then once you get that relationship in, you can always get one or two building block chips in there as well. I mean to sort of build a classic analog model, you build up total content off of $0.20 chip and a $0.50 chip and ultimately you build up your content.

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

So as you look at your mobile business and I know that you have been making a lot of investment in the sensor areas, but is it mostly power today and how do you see that business evolve in terms of the different kinds of content to a mobile device?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

Still the majority of it is power. We actually believe our long-term goal is probably to have it kind of 50/50 between power and sensors and audio and other building block chips to get that balance. We have been growing our sensor business as you know kind of the optical sensors and the new S5 and the biosensor audio chips in mid-range Samsung phones and platforms at the other large OEM.

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

Sensors has been an area we have heard a number of players talk about. So, what does differentiate Maxim in that area?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

I think the key thing is going to be the system approach. There's absolutely guys who can think of who are the two guys who do MEMS, who are the one or two guys that do optical, another two guys that do touch. But if you look at those lists of players, no one has it all except for Maxim. And our view of the world is it's going to be a combination of sensors, power management, high performance analog, and embedded microprocessors, microcontrollers that when you put all that together, you're going to create solutions for very specific functionalities. And so we can go off and say here's a solution that can do these five functions for you, these five features that someone wants.

And we'll provide that full solution as opposed to someone else having to say I'm going to buy the MEMS device from this person, the optical sensor from this, a microcontroller, I'm going to write my own software algorithms and pull it all together. Very few people have the capability of doing that. So, our view of this is we're going to provide that total system solution. And I think it's very powerful because I think people are going to want to move very fast in this market. Everybody's going to try to out-innovate as you sort of get to kind of this connected world and we take every device and connect it.

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

Moving away from (inaudible), which I know is your favorite area to discuss; but moving into the datacenter, Maxim had acquired Volterra. Where are you in the integration process? The bigger question really is when we think of the datacenter, Intel has said that they think that datacenter business for them, whether it's servers or storage or networking, can grow at a 10%, 15% pace over the next few years. How do you think about the Volterra business? Do you think it's positioned similarly to grow at an attractive growth rate or do you need to add more investments there?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

So, we like the Volterra business very much. As you know, from an integration we got $20 million plus cost savings versus the $15 million target. We're pretty much done with it. We just have one final piece on an integration point of view and that's the manufacturing systems and that will be done in a couple of months so we're very pleased with that. We do believe the datacenter market is a great opportunity. Where we are seeing the growth opportunities is more on the cloud side, kind of the Googles or Amazons or Facebooks who are in essence building all of the hardware for their own datacenters and they're really driving innovation. They're also driving, they are the ones who actually operate the datacenter, so things like total cost of ownership. So to the extent that maybe our chip is a little bit more expensive than the lowest cost denominator coming out of Taiwan or something like that, but we have significantly better power efficiency so that running that datacenter, you're going to save millions of dollars in energy costs.

So, those are the type of advantages that Volterra brings. I think we're seeing very good traction. I think that's where that growth opportunity that is one to two years out because of that. Volterra was focused really on selling into the kind of the large US server OEMs. I think it's kind of well documented that at least in the near term that business has been a little bit challenged. They're also doing well kind of picking up sort of some of the international server OEMs in China specifically and so from that point of view, I think that business is doing real well. So long term, I think those growth rates I don't know if I'd go all the way up to 15%, but I think it's certainly above average growth rates for that business and I think it's going to be cloud driven. And I think the other piece is going to be in the whole not necessarily the comm power doing the power management for kind of Cisco or Ericsson related products.

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

Then moving to Industrials, which is your second largest area, extremely profitable for Maxim. Very strong pick up we have seen across the board from the semiconductor vendors and it's obviously corroborated by the strong PMI that we are seeing. At what point do you start to get concerned that perhaps that it's overheating? What do you keep on your dashboard to tell you that I have lived through the cycles before and when it starts getting to be so good, I need to take the step back? So how do you assure yourself that there is no double ordering, that lead times are not stretching out, and how do you assure yourself that there is sustainable growth there?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

So I do think it's actually one of the areas where we probably get our best information in that because when we sell to an OEM, we don't really know how much inventory that OEM has. We might not know how much that OEM is actually selling through. I mean we can buy third-party data like everybody else can. If you look at channel, we know exactly how much inventory our distributors are holding. Today, they're holding 49 days of inventory. Historically, in the last couple of years they've been in kind of 50 days to 55 days range; go back four years and they were about 60 days. So, we know that their inventory levels are low and we watch that very closely. The other even kind of going out further we see their resale information and that point of sale information, are they selling that through? We saw in the month of March the industrial countries; US, Europe; very strong resale numbers.

And then finally, we can look out at the end market bookings, what are the bookings of the distributor's customers on the distributor. That's our best leading edge and again in the industrial regions, we saw very strong end market bookings. So, I think we have pretty good indicators. Like you say, a big part of this is driven at the macro and so PMI has turned out to be a reasonable leading indicator. It's a little bit less leading over the last couple of quarters than it has been. Normally it was kind of a one quarter leading and now more within the quarter it reflects what's happening so it hasn't been quite as a good leading indicator for us, but it is correlated obviously the core industrial to kind of macro global growth.

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

So as you have discussions with customers as you develop that nice dashboard, what does that crystal ball tell you about the rest of the year in terms of industrial demand? Maybe not Maxim specific, but overall do you think that this demand is sustainable or is it peaking? How should we think of the rest of the year?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

I think from a resales point of view, it continues to look strong. We do know Europe slows down in the September quarter and that's a large industrial marketplace. So from that point of view and I think you have your normal seasonal trends in the core industrial, it's generally stronger in the first half of the year than it is in the second half of the year. And so, we haven't seen anything that says those seasonal trends aren't going to take place. So, it feels like kind of the seasonal patterns are holding and then it's just elevated right now because of kind of the overall market is doing well, overall economies are doing well.

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

Then automotive I think has been a real success story for Maxim, you mentioned it's about 9% or so of sales right now. And it's interesting because we have always heard that it's very hard to build a position in automotive, it takes a lot of years to get that kind of traction. So walk us through what led to your success, your traction? And you mentioned very strong year-on-year growth, how are you building out that portfolio of products for automotive? Can you do it organically, will you need to think about making acquisitions there? How important is this for you?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

So, it's very important. Interesting, I think we created our automotive business unit in 2004 and so from that point of view, we have been investing in this market for almost 10 years and when I joined the Company back in 2007, it was sort of 2% of revenue. So absolutely this isn't something you can't just say hey automotive looks good, let me get involved. So from that point of view, we've been investing. We started off in the infotainment area power management, kind of mobile power management, it's kind of one of our franchise businesses what we do very well and so that continues to be a large growth driver for us. We've always actually had a nice kind of RF tuner business in automotive so for satellite or for (inaudible) we do very well.

We've done well on video distribution throughout the car so if you think of it started off with just sort of the kind of the rear camera, but now you have blind spot and you have cameras pretty much all around the car. We do the distribution of that throughout the car through our SerDes technology. That can be $30, $40 a car right there. We do have a business in lighting; exterior lighting, high brightness LED. And then finally, we have a business small but growing in doing battery management systems for lithium-ion whether it's in a hybrid or an EV and that one's not as big, but that's a business that has been growing as well.

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

And then finally computing, which I know has been in the doldrums for a number of years. But it seems like the market is sort of leveling with some growth in enterprise perhaps, we'll see how sustainable the cycle is. But how do you think about the computing business and more importantly when you think of that business, how do you think resource allocation within Maxim?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

I guess given that we just sort of reorganized and we took kind of servers and storage and the infrastructure products that really go with the datacenter and we put that into comm and datacenter so now our computing is 5% of revenue and what's left there is a little bit of the notebook business. I think that yes, it's going to be up this quarter off of a very weak March so I wouldn't read too much into that. We do have some authentication business in there for like printers and stuff, but I think it was interesting when we kind of restated our end markets; computing was at kind of 5% of the business and it was kind of 0% growth year-over-year and from my point of view, that's fine just to kind of manage that business. From a resource allocation, it's only in very select markets and that's primarily a harvest business for us.

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

So to just finish the discussion on segments, how is the resource allocation today? Like if you would look at your R&D spend as a percentage of these different end markets, can you give us a sense for what is getting like an abnormally high part of your R&D allocation today like the top two or three areas that you're investing the bulk your R&D dollars?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

We truly believe in our balanced portfolio so we actually try very hard to kind of equally distribute the R&D dollars across the three groups; the mobility, industrial, and comm and auto; and so from that point of view, it is pretty evenly spread. Within those groups as you might expect, sensors is getting a good amount of investment. In the mobility side, I would say in the comm and datacenter certainly the Volterra acquisition although they came with very good technology so there's not as much investment required there. Automotive of course we're investing in. And then on the industrial side, we're looking at medical and that whole movement to mobile and ultimately wearable medical and factory automation I would say is the other. There's a tremendous amount happening in the factories today; they are moving to microcells, it's all becoming distributed kind of factory automation, fully connected.

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

Maybe let me pause there for floor questions? One second, someone's going to run with the mic.

QUESTIONS AND ANSWERS

Unidentified Audience Member

Just wanted to shift a little bit to the manufacturing strategy. Over the years you've been doing I think a bit more outsourcing, maybe elaborate on where you are in your outsourcing in manufacturing and where you want to be? Thanks.

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

For the front end or wafer fab, we're about 50/50 insourced versus outsourced. We have indicated our next generation so today and this is analog, we're at [180]. That next generation process will probably be done externally and so you'll probably see that 50/50 increase more to the outsource, but that will come over time and so as a result of that, we actually lowered our CapEx target from 5% to 7% of revenue down to 3% to 5% of revenue, which will obviously be helpful for cash flow and return of capital. The other thing just to remind folks who might not know when we talk about outsource, primarily that's kind of exclusive foundry partners so it's somebody who was a digital IDM, they have an old mine, they're willing to allow us to run our proprietary process on their mine. And so from that point of view, we still get the benefit of a proprietary process, prevents people from second sourcing, but it's on somebody else's CapEx. So that model has worked, we have three kind of those partners today and going forward we'll add partners.

Unidentified Audience Member

And I wanted to follow up on that because it seems as though with growth in mobile and power management and sensors and MEMS, these legacy fabs are looking pretty full. I'm wondering to increase your outsourcing in the future, how worried are you about availability of capacity? I mean can any of your products be done on 12-inch for instance because 8-inch looks like it's going to be full indefinitely? So I wonder if you have any more opportunities for that kind of proprietary strategy?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

So, currently one of those three foundry partners is 12-inch and so we have that today and as you would expect, that's where a lot of our mobile business is run in order to kind of help from a market point of view. There's lots of old fab capacity out there. When you're talking 180 nanometer, 90 nanometer, those old mines that people have available off there.

Unidentified Audience Member

(inaudible - microphone inaccessible)

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

It's a combination. Usually old IDMS, but there could be some foundries out there as well that are willing to run our proprietary process technology so a combination, but there's capacity out there. Again, we're five generations behind the rest of the world.

Unidentified Audience Member

Are the economics a lot better on 12-inch? I mean if there's kind of this old 8-inch fab running there, do you envision I guess that 12-inch is still going to be more economical even though there's these old mines kicking around? I just wondered if you'd want to move to 12-inch if that's something that's better?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

I think 12-inch only makes sense on your mobility, potentially high volume industrial, maybe like automotive. But normal kind of core industrial or comm, one 12-inch wafer lot out of 25 wafers and you've just done three years worth of demand. So yes, it doesn't always make sense.

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

Maybe in the final, let's talk about balance sheet, uses of cash. So Maxim has maintained I think one of the strongest dividend buybacks in the industry, I don't think we're talking about 100%, but I think it will be close to that [95%] or so in the last number of years. But now the net cash has fallen below $300 million so should we be worried that perhaps it could drive good moderate pace of share repurchases or how do you think about the balance sheet and uses of cash?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

We continue to generate significant cash; our EBITDA margin's over 30%, cash flow from ops over 30% as you would expect. We just took down our CapEx model from 5% to 7% to 3% to 5%. So at our Investor Day, we committed to a free cash flow margin as a percent of revenue at 25% to 30%, which over the last five years we've been at 25% so we actually see free cash flow increasing over time. Obviously we've been very committed to returning that. As you said over the last five years, I think it's the numbers like 94%, 95% of free cash flow we've returned to shareholders. So, we were probably one of the first to make that commitment and actually execute on it. I absolutely think we'll continue to be committed to maximizing that. We have committed that we'll return at least 80% and to the extent that we have opportunities to return more, we will. And I think our history says both from consistent increasing dividends to buying our shares back when we see it's a good value.

I think we try to be a little bit opportunistic from that point of view. I think the other thing that's really important is people like to talk about return of capital, I think what's important is obviously increasing return of capital and in the end you have to have growth to do that. Yes, you can drive leverage, you can get the balance sheet more efficient; eventually those tools of CFOs run out. Ultimately you have to grow the topline and I think that's one of the areas if you look at Maxim and our commitment to invest whether it's in the automotive space, it's in medical, it's in mobility; these growth markets, I think that's what's critical. If you're looking at long-term return of capital, we've shown the commitment to do it, but we're kind of managing a business model that will allow us to increase that over time consistently.

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

And maybe just -- you have a question?

Unidentified Audience Member

Just a quick question on your power management for AP and baseband. At one of the biggest customers where you don't have a footprint and a company in Europe seems to have 100% share, how do you [see] changes for growth? How hard is it to get a foothold into that customer and gain share and which part of this (inaudible) do you see of changes in that customer?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

So actually today doing power management for the apps processor and the baseband, we're not in that business today. It (inaudible) some very kind of niche opportunities. But as far as any of the large flagship phones, we don't have that business. For the most part, the digital chipset guys provide their own power management. I think overall when we look at the large OEMs, whoever they are; whether it's Samsung or Apple or China, we look to kind of sell a whole platform to them. Our whole goal is not just to be focused on just one opportunity. We believe we're probably the most diversified mobile chip provider; whether it's power, whether it's audio, whether it's sensors, whether it's kind of building block parts; and so to all those customers, we try to sell our full portfolio and I think we're doing a pretty good job at that.

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

Just maybe finally, Bruce, what's your view of consolidation in the industry? I know people talk about that every year, but we saw for example Avago LSI get together and there was a very positive reaction because of that. Within analog industry, there are a lot of companies and most of them are run efficiently, but quite a few or not. So how do you think just conceptually about more consolidation in this large analog and industrial base of companies?

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

So I think consolidation has started, it's going to continue. I think growth isn't 10% or 20% a year for the industry, it's something in sort of mid-single digits. I think the small companies are finding it very difficult to invest in R&D efficiently and being able to drive growth. And so I think from that point of view, those small companies are now starting to look for partners for consolidation and so I think you're going to start there and I think you're going to see it move up to the mid-cap guys, the $500 million to $2 billion sort of range. I do think a company like Maxim, which has the scale, the stability, the profitability; there's nothing that's going to push us to consolidation. We can be independent as long as we want. The nice thing is we can kind of look out at the environment and look for the very high quality assets at a reasonable price and take advantage of those opportunities.

Volterra being a perfect example; great technology, great team, ran into some trouble as they exited the notebook business and stock price went from $36 to $15, and we were able to get them at a very reasonable price. That opened up a $900 million market opportunity for us. So from that point of view, that's how we'll participate. I think consolidation is going to happen. I think it's going to be an interesting time to be in this business and I think you're going to want to look for the guys. In any period of a business there is something going on and you can pick out who are the winners and losers. I think Maxim is clearly going to be a winner in an age of consolidation.

Vivek Arya - *Bank of America Merrill Lynch - Analyst*

Thank you very much, Bruce. Really appreciates your time and sharing your views. Thank you, everyone, for participating.

Bruce Kiddoo - *Maxim Integrated Products, Inc. - SVP & CFO*

Thank you.