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EDITED TRANSCRIPT

MXIM - Maxim Integrated Products Inc at JPMorgan Global Technology, Media and Telecom Conference

EVENT DATE/TIME: MAY 18, 2015 / 2:40PM GMT

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Harlan Sur *J.P. Morgan - Analyst*

PRESENTATION

Harlan Sur *- J.P. Morgan - Analyst*

Greetings. My name is Harlan Sur. I'm the semiconductor and semiconductor capital equipment analyst here at J.P. Morgan. Welcome to the first day of our TMT Conference.

We're very pleased to have the team from Maxim Integrated with us here today. We have Matt Murphy, Executive Vice President of Maxim's business units, as well as sales and marketing. And we also have Bruce Kiddoo, Chief Financial Officer, here with us as well.

Before we get started I wanted actually Matt to provide a brief background of himself and his new responsibilities at Maxim, now that he heads up all of the business units for the team, and maybe some rationale as to the recent move to consolidate all of the business units under his leadership. And then, what I'm going to do is I'm going to get Bruce to also provide some opening comments. And then I'll kick it off with a few questions and then we'll turn it over to the audience.

So, Matt, Bruce, thanks for joining us today. Let me turn it over to you.

Matt Murphy *- Maxim Integrated Products, Inc. - EVP, Business Units, Sales, and Marketing*

Great. Thanks, Harlan, and thanks for having Bruce and I here today. It's a pleasure.

So, just quickly, I've been with Maxim for about 20 years. My first 12 years I ran a variety of different business units and product lines. I spent five years running worldwide sales and marketing for the Company. And then for the last three years I've been running the automotive business for Maxim, as well as our communications infrastructure business.

And so, just a couple months ago we announced a reorganization, where I took responsibility for all the business units across the Company, as well as back in the sales and marketing gig again, had that responsibility as well.

And so, the rationale for making the change, really, was to, one, more tightly align our R&D efforts with our sales and marketing efforts. I think in the kind of business we're in, especially the progress we've made, those two things are just critical to have really working well. I think that's an advantage we can bring.

And then the second really is the ability to look across everything we're doing at this point and actually reallocate resources where needed to make sure that we're putting our R&D dollars on the best, highest growth investments. And so where we've seen things like automotive grow really strongly, as an example, just gives a little more flexibility for the Company to actually move engineering resources onto the businesses we're excited about.

So those are some of the reasons why we made the change. And I'm really looking forward to it. It's a unique time in our history. I've got kind of a 20-year view, but I'm actually incredibly excited and positive about what could come of all the changes that we could make.

Harlan Sur - *J.P. Morgan - Analyst*

Great. Good to hear. Bruce?

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

Sure. I think just as a quick update, when you look at Maxim and really what our strategy is over the near term, this has been about just stabilizing the consumer business, getting that business more diversified, continuing to grow the rest of our businesses and show that margin leverage, both from a P&L and from a cash flow point of view.

And so, certainly, when we look at the diversification across our consumer business, across multiple customers, whether it's the two large OEMs, whether it's in China, whether it's selling not only power but sensors and audio, I think we've done a very good job of stabilizing that business.

And that's important because we know the rest of our businesses have been doing very, very well. Obviously, the automotive business, a large business at about $300 million a year now, and still growing over 30% a year. So that's been a very strong business. And then, we have our good franchises in industrial and communications.

So stable consumer business, continued growth in all the rest of the businesses. And then, the leverage that we're seeing, we increased on a 2% revenue growth in the March quarter we saw a 300 bp increase in operating margin, from 22% to 25%. We're clearly focused. We've taken $80 million out of the OpEx line over the last six months on an annualized basis.

We have another $40 million to go on the COGS line as we shut down our San Jose fab. We're actually -- in our earnings call we had talked about we would see that full benefit exiting calendar 2015. We actually think we'll be able to achieve the majority of that benefit, actually, exiting the September quarter. So we actually think we'll be able to get that point-, point-and-a-half benefit in the December quarter, whereas before we were really talking about the March quarter.

So we continue to see significant leverage on the op margin side and really pushing towards that 30% op margin goal, which we will get to. And we've now kind of lowered the revenue at which we will achieve that. In the past we were talking about sort of the mid-600s. We think we're now $20 million, $30 million lower than that in order to achieve that 30% op margin target.

And on the balance sheet side, CapEx we used to run in the 5% to 7% of revenue. This year we're probably on a net basis going to be in this 2% to 3% range. And we think we're going to be able to achieve that certainly in our next fiscal year, in FY16.

So, as a result, going to free cash flow margin, which has -- like this last quarter on a trailing 12 month was 27% -- we'll get that over 30% for FY16. And with our history of returning capital to shareholders, our commitment of 80% -- if you look over a five-year period we've actually done better than that.

So, stable consumer, the rest of the business growing, significant margin leverage, both from an op margin and from a free cash flow margin point of view, return it to shareholders, I think we feel very good that we're on track with the operating strategy that we've been executing on.

And then, I just want to say I think also the reorganization and Matt in his new responsibilities, it provides a tremendous opportunity, both to be more efficient with our R&D, but actually to make sure we're investing very rapidly in those growth areas. And so, like, the ability to invest in automotive very quickly, or invest in the cloud, and move resources around, I think that's a great opportunity for the Company.

Harlan Sur - *J.P. Morgan - Analyst*

Great. Thanks for that.

QUESTIONS AND ANSWERS

Harlan Sur - *J.P. Morgan - Analyst*

So, I was actually going to start with a different line of questioning, but you gave us an update on the San Jose facility and some of the COGS savings there. So just to recap, you have sort of under-promised and over-delivered on the OpEx initiatives. I think if you look at you taking out $16 million of OpEx, if you look at the OpEx run rate December versus what you're guiding to for the June quarter, it's $20 million of OpEx takeout relative to the September quarter. And you now expect to achieve your 30% operating targets at a run rate that's below your prior view of the kind of mid-$600-million type of range.

And so, on this $10 million of COGS savings, which you said is about a point, point-and-a-half of gross margin improvement relative to where you were before, you previously said exiting this year, now you're saying entering calendar Q4. These types of technology, manufacturing transitions typically do take a long time. So, what is it that the team has done, executed on, pulled in, that has enabled you to achieve these one quarter in advance of what you were anticipating?

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

Sure. And you're right, the biggest challenge has always been getting our products that are done in our fab qualified in another fab and getting our customers to accept that. This has clearly been a goal for us, to work very aggressively, (A), to do the work on our side as far as getting these products qualified in additional fabs, whether it's up at one of our other fabs, whether it be San Antonio or up in Oregon, or at one of our foundry partners, say, Epson or at Powerchip in Taiwan. So I think that part we've executed on.

And then, additionally, and Matt can comment, the biggest area with some of our customers and even some of our automotive customers, working very closely with them, getting them to agree with this transfer. To the extent that there's a manageable build ahead, to make sure that they have that comfort that the product will be available to the extent that it takes them a little bit longer to complete their qualification. I think that combination of us getting our quals done ahead of time and then getting them comfortable that there will be product available for them is really what's allowing us to pull that in.

But in the end, it's just a matter of focus and commitment. And I think that focus and commitment to getting to that 30% op margin, which I don't think everybody has given us that full credit for -- which is fair enough, right? We have to prove it. And I think that's -- internally, this is just one more bit of evidence. Just like we got down to $200 million in OpEx faster than people thought, driving the COGS faster than people think just shows that commitment.

Harlan Sur - *J.P. Morgan - Analyst*

So, I guess on that front, and sticking with the financials, you're driving a $200-million-per-quarter OpEx run rate now. Your [focal] and employee-related step-up typically occurs in the September quarter, but I think you mentioned on the last call you'd be able to hold OpEx at this $200 million level at least through the end of this calendar year.

Can you hold your OpEx run rate at a $200 million run rate as we move into next calendar year as well, do you think?

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

Yes. Well, certainly, as you said, Harlan, I think for the rest of this calendar year we can hold that $200 million. And you're right, the focal happens in the September quarter. We usually have one month of focal in September and then a full quarter worth in December.

We had previously announced the exit from our touch business. We're in the process of selling that business. As we said on our earnings conference call, that sale should be completed this quarter, so we'll get that full benefit in the September quarter. And that savings should offset the focal increase, and even some of the profit sharing. I would say the one thing that will take us above the $200 million in calendar 2016 is, to the extent that revenue and profits continue to grow, there's going to be some natural increase from a profit sharing point of view.

The flip side of that is as we continue to look at our operating expenses, both R&D and SG&A and continue to look for opportunities to find efficiencies, in some case we're reinvesting those efficiencies in our growth markets. But in other areas, as we've demonstrated very clearly, the ability to kind of take those to the bottom line and take them to the P&L.

Harlan Sur - *J.P. Morgan - Analyst*

Okay, great. I've just a couple more questions on the near term and then we can focus on the long term. When you reported a few weeks back, you guided your industrial business flat sequentially here in the June quarter. At the same time, though, you did talk about seeing a pickup in bookings thus far in the month of April, which was trending above sort of your flattish outlook. So the question for you is, have those positive order trends continued here in May? Any commentary around verticals or geographies where you're seeing things getting better, things getting slightly worse?

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

So, I think certainly we're not updating guidance. And so what we said at the earnings call is still our official guidance. We did say in our earnings call that we had seen in the industrial area where I think -- which was kind of the below-seasonal guidance -- with our core industrial, our catalog business, being flat when normally it's up. And this was really because of the low bookings that we saw in the March quarter.

We did indicate that we've seen stronger bookings in April and that has continued. And so we continued to see nice bookings in April, which is surprising. Normally you have really strong bookings in the March quarter and they kind of fall off in the June quarter as you kind of set up for the slowdown in summer, which is typical for industrial businesses.

We're seeing the exact opposite this time. We had lower bookings in March. We're seeing stronger bookings in the June quarter. So that will either translate into maybe a little bit extra in the June quarter, or some of that could spill over and we could get a little bit above seasonality in the September quarter.

But if you look at our businesses, automotive continues to do very well. We guided that up strongly. This is always a strong quarter for our consumer business, and we guided that up. And then we had indicated some weakness in the com business and we had guided that down slightly. And I would say we continue to see that, and expect that business to be down quarter over quarter.

Harlan Sur - *J.P. Morgan - Analyst*

Okay, great. Thank you for that. So let's move over to some of the product segments and kind of the longer-term viewpoints. Your automotive business grew 40% in fiscal year 2014. It grew 31% year over year in the March quarter. Fiscal year 2014 seemed to be the breakout year for this segment.

Help us understand what drove the significant growth acceleration. I can think of content gains at existing customers. I can think of broadening out of the customer base, penetration into faster-growing segments of the market. Which of these is the bigger driver? And on a go-forward basis, how should we think about the growth of the automotive business?

Matt Murphy - *Maxim Integrated Products, Inc. - EVP, Business Units, Sales, and Marketing*

Sure. Okay, I'll answer that one, Harlan. So, yes, fiscal 2014 was a breakout year for us in automotive. We were really pleased with the performance. It even over-achieved our expectations.

What I'd say is a few things. One, it was a result of all three of the things that you mentioned kind of happening in different ways. I think the biggest point is that it took us a long time to get to where we got to. That market has a pretty long -- not only long product development cycle, but then the cycle to actually get in and get into production. So it was really rewarding to see all those years of hard work pay off.

And where we saw the ramps, they were really kind of in our core area, which is really in our power management area, primarily levered to infotainment, but also things like exterior lighting for LED drivers, USB port protectors, things like that. Those are all power management type of products.

And then also, in our high-frequency products, again, we've made good progress in our SerDes business, which is really used for all the in-car video distribution and networking, as well as our RF products, actually in satellite radio, digital audio broadcast tuners, even mobile terrestrial video in Japan, those are all based on a Maxim chip set.

So all those kind of trends kind of culminated in 2014. And then we saw that momentum continue into 2015, again, mostly driven by infotainment, with power management really being our core technology engine of growth.

Harlan Sur - *J.P. Morgan - Analyst*

So, on the product segments, you brought up your RF high-frequency products and you brought up the SerDes products. And it's kind of interesting, because we keep hearing more and more about in-car networking and whether it's infotainment, whether it's all these sensors to support ADAS around the car, all of this stuff needs to be fed back to some sort of central computing platform in literally real time. And so, your SerDes products kind of enables that.

Can you help us understand what's your market share position in that particular market? And looking at it now, and thinking about the automobile two to three years from now, what's kind of the dollar content step-up for you guys there?

Matt Murphy - *Maxim Integrated Products, Inc. - EVP, Business Units, Sales, and Marketing*

Sure. So I think our SerDes is one where we've got a strong legacy. We've been developing circuits for that market for about as long as anything in automotive, almost 10 years. So we've achieved a very strong position there.

What's exciting to us is the business has grown pretty significantly really by just doing what I would call pretty standard links today. This might be like rear-seat entertainment in a high-end vehicle, either a Blu-ray DVD player connected back to the head end unit or clusters connecting to the central CPU.

What we're seeing now is, with the adoption of vision-based safety systems, which is really going to be the advent of ADAS, all those displays now are going from standard definition to high definition. The communication needs to be uncompressed, because you have to have no latency, for safety reasons and also quality of service.

So that's really not -- that's the future roadmap. And that's sort of where our products are now getting adjacently getting designed in. But that hasn't even been a real revenue driver for us yet. So we sort of look at that transition -- more cameras in the vehicle, going from standard definition to high definition, and ADAS being a real driver of content growth in automotive, where vision is really a key component of that.

We think that that business has really got some great potential in it. It's a beachhead business for us where we've got a strong position today, great engineering team. So we're actually excited about that. It's a unique area where it's nonpower, yet it's a core expertise for the Company, that we have a broad platform to build off of.

Harlan Sur - *J.P. Morgan - Analyst*

Great. And then, Bruce, question for you. How do the product gross margins for the auto business compare to the corporate average? And how do you see your margins trending over the next few years, just given some of the things that Matt talked about, combined with some of your cost curb targets?

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

Actually, this is a good question for Matt, because he's the guy who's going to go deliver these margins to us. But I think ultimately we have said that our gross margins in automotive are lower than the corporate average. And to be clear to everybody, these are still good gross margins. They're in the 50s. But our goal, obviously, is to get into the low 60s. And certainly what's driven those lower margins is really the desire to maintain very, very high quality levels.

When you look at our automotive business long term -- and as we're now becoming a substantial kind of strategic partner with the Continentals and the Bosches of the world, kind of the Tier 1 suppliers, and at that level they demand very high quality levels, kind of, what, less than 2 part per million. They're actually going to get to PPB kind of standards here very soon, from that point of view.

And so what we've done is to ensure we're meeting their quality standards while we're designing quality into our parts, is we've in essence tested in quality. We've gone through whatever it takes from a test side, and whether you have to do tri-temp test or whether you have to kind of do safe launch, there's different methodologies to ensure quality.

And those come with a cost. I think that was worth it from the long term. But now we're working to kind of move quality to the front end of the process and design it in and think about it from that point of view. That reduces sort of this back-end overhead. So we've already seen this year quality go from probably -- I mean, gross margins go from probably low 50s to mid 50s, with a clear plan to get that to the corporate average.

Harlan Sur - *J.P. Morgan - Analyst*

Got it. Any questions from the audience? If you do have questions, if you could just head up to the microphone?

Unidentified Audience Member

Can you comment a little bit on the M&A environment? Obviously, interest rates are accommodative. Maybe just talk about what the biggest hurdles are to getting a deal done? And also, do you continue to see Maxim as a consolidator?

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

Sure. I think everybody knows there's been consolidation in our industry. It's driven by slower growth rates. Obviously it's been helped by the environment -- lower interest rates, investors receptive to it, stocks have performed well as a result of that -- sort of the perfect storm. But in the end, it has been due to kind of lower growth rates and I think that's not going to change. So I think you'll continue to see consolidation in the industry.

I think when we look at Maxim, we've been a consolidator. We're doing tuck-in acquisitions, probably one of the more acquisitive analog companies. We did about 14 deals since I've been CFO here. As growth rates slowed people started kind of moving and looking at small cap and mid cap.

We were one of the early companies, and when we did the Volterra acquisition. And you look at these $2 billion market cap companies are sort of a sweet spot right now. Certainly we have the scale, the profitability, the stability. We see ourselves as a consolidator in this kind of the era of consolidation.

As these deals become larger, I think you're seeing people being more selective. As opposed to you do two, three kind of small deals a year in the old days, now I think you'll see maybe you get one or two shots at this. Especially if you do a cash deal funded with debt, you take your leverage ratios up. You've got to bring those back down.

So everything takes -- it's a little bit more selective. You need to get it right. And so, I think you're going to see folks -- the pace of the small deals slow down. But the deals that do happen will be more meaningful, like us doing Volterra or ADI/Hittite, something like that where you see these kind of very high quality deals within high-performance analog.

Unidentified Audience Member

Do you the appetite to do [larger] scale?

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

Certainly to the extent that it makes sense for us, we will absolutely look at that. I think we're comfortable if the deal makes sense from both a strategic point of view and from a value creation. Using our balance sheet to do a larger deal is something we would certainly consider.

Harlan Sur - *J.P. Morgan - Analyst*

Any other questions from the audience?

Unidentified Audience Member

(Inaudible) expand on your gross margin? Are you (inaudible)in the auto you've got a lot of confidence there and then you're going to get more [intense] computer power and get (inaudible) and so forth. How does ASP figure into that gross margin (inaudible)?

Matt Murphy - *Maxim Integrated Products, Inc. - EVP, Business Units, Sales, and Marketing*

Yes. I think the question was -- in automotive, given the ASP pressure from that market, how does that factor into our gross margin goals, and improving gross margin? So, yes, as a supplier in that market, we're familiar with the requirement there in terms of how you win that business, which does require a pricing roadmap. It's not dissimilar to any other business we're in, by the way.

And so that has been comprehended and has been part of our plan. Even this past year when we improved gross margins fairly significantly in that business, that comprehended and included the ASP, normal ASP decline that we offer up contractually every year when we enter into a new program. So that's factored in.

Unidentified Audience Member

(Inaudible) ameliorate the ASP [part] at all or is it just kind of on the same [state] regardless of --?

Matt Murphy - *Maxim Integrated Products, Inc. - EVP, Business Units, Sales, and Marketing*

Yes, I'd say it's almost like any market. I think the more value you add or the more sticky you are, the less you sort of have to worry about that -- and obviously the more commodity you are. Yes. The other corollary is you can't really control it. So I'd say that those sockets, generally speaking, are stickier. But they're all competitive. I mean, I don't think there's any deal any more that goes down in any market that we see that isn't competitive on price. It's just the way it is.

Unidentified Audience Member

Could you just talk about the lead times of inventory? And I think you mentioned that Avnet is a boost (inaudible) inventory by (inaudible) days in Europe. (Inaudible) talk about?

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

Sure. The question was around lead times in inventory levels in the channel. And certainly when we looked at overall days of inventory in the channel went from 54 days to 57 days. That increase was primarily due to Asia. We saw some softness in resales in China, which we had commented on in our conference call.

Additionally, we normally see an inventory increase in Japan in the March quarter. Japan always has kind of a strong December quarter from a resales point of view, and then they kind of rebuild some inventory in the March quarter.

In Europe we absolutely saw the days of inventory go down significantly, actually declined by 14 days, which is substantial for them. We believe part of that reason was we sell into Europe -- we're on a sell-in basis internationally but we sell in in US dollars. And primarily we look at our large partner there, Avnet. They sell -- over 50% of their business is in euro. And so we believe that they want to kind of control that FX risk by reducing their inventory levels.

And so that's one of the issues we saw. We saw their inventory come down significantly. We saw the bookings of Avnet onto Maxim come down significantly. And that was one of the reasons for our kind of below seasonal guidance for industrial, was kind of that conservatism in how they were managing their inventory and how they were managing their bookings.

Overall lead times relatively unchanged for the Company. If you look at what we can deliver is still kind of actually below our six-week target, and what customers are asking for has been pretty constant at about this 9 to 10 weeks for a fairly long time.

Harlan Sur - *J.P. Morgan - Analyst*

So, I guess just my one quick follow-up there, so I think, Bruce, you mentioned that order trends in industrial have continued to improve quarter to date. Is most of that the European part of the business coming back? Or are you seeing sort of a broad pickup? I'm just trying to figure out how broad-based or not these trends are.

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

Yes. I would say it was Europe and the US. I would say we're not seeing, and actually didn't expect, a broad pickup in Asia and specifically in China. So I would say it's more Europe- and US-based and less Asia-based.

Harlan Sur - *J.P. Morgan - Analyst*

Got it. Okay. Great. And then, so industrial 28% of your total business. It has many characteristics of the Maxim that we knew sort of 10 years ago -- broad, high-performance catalog analog portfolio, very, very rich gross margins. But the team also over the years has really targeted certain vertical segments of the market. Maybe, Matt, you can just kind of take us through what is the rough mix of catalog versus vertical business for Maxim's industrial segment?

Matt Murphy - *Maxim Integrated Products, Inc. - EVP, Business Units, Sales, and Marketing*

Sure. So, I'd start off by saying that catalog business, the traditional Maxim, that's still alive and well, still a business that really has been a profit driver for us. And actually in this recent changes we're making I think there's really an opportunity to actually continue to get the most out of that business.

So it's not something that we're sort of leaving off to the side, despite the fact that we do have a vertical focus. We're believers in both, that you can use this base business that we've built up over 30 years to really be a driver of profits to fund these vertical activities, both within industrial and outside of industrial.

And so I'd say the catalog portion is --

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

About two-thirds.

Matt Murphy - *Maxim Integrated Products, Inc. - EVP, Business Units, Sales, and Marketing*

-- about two-thirds of the industrial and then the other third is our vertical businesses, like in financial terminals and smart meters, and an emerging opportunity we have in medical wearables, again, leveraging our microcontroller expertise with embedded analog. So those are some of the things that we do in the vertical area. But we see opportunities to grow both.

Harlan Sur - *J.P. Morgan - Analyst*

So, on that note, on the core catalog business -- and you see growth in both catalog and vertical -- help us understand what the team is doing here to broaden the portfolio of the catalog products. Success in catalog also entails distribution, strong field sales and technical support, documentation. What are some of the things that Maxim's doing in catalog to broaden its footprint?

Matt Murphy - *Maxim Integrated Products, Inc. - EVP, Business Units, Sales, and Marketing*

Sure. I think one of the key things that we've done over the last few years that's really begun to pay strong dividends recently is that we did change our distribution strategy. If you remember this, Harlan, many years ago we went from kind of having a very fragmented approach and not really being focused on that segment of the market to partnering with Avnet globally.

And when we did that back in 2007 we were not even a top-10 supplier in Avnet. We were one of many. And we had a huge network of regional and fragmented distributors. I think the journey we've been on has been very powerful in that we've really through growth, both in terms of Avnet driving design wins for us on existing products -- I mean, that growth has been really robust. We've been pleased with it.

And as well as some consolidation, where Avnet's actually acquired some of our distributors, or merged. We've become now a top supplier there within Avnet. I think it was 19% --

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

19%.

Matt Murphy - *Maxim Integrated Products, Inc. - EVP, Business Units, Sales, and Marketing*

-- of our business. So meaningful. And really that's been our channel to drive a lot of this growth, Harlan. So that's one angle of it.

I think the second is really an increase in recognition in the tools that are needed to sell more of what we've got. The app support -- there's been several successful efforts in the company to really revitalize that catalog and really do more with it. And what I see now is an opportunity to really take all those good things and actually do more with it in a consolidated way. Now that I've got oversight over the sales, marketing and business unit product side, I think there's even more we can do with it.

Harlan Sur - *J.P. Morgan - Analyst*

So sticking with industrial but looking at the verticals, because you have done extremely well on the vertical side. Financial terminals, smart metering, and medical -- for the sake of time I'm just going to focus on the medical segment. Because it seems like this is the segment where you're leveraging a lot of the technologies. Where you were initially very success- -- continue to be successful in the smartphone and tablet market, at the same time you're also differentiating on integration, better performance, lower power consumption.

Help us understand some of the key target segments within medical and highlight the areas where the team is winning.

Matt Murphy - *Maxim Integrated Products, Inc. - EVP, Business Units, Sales, and Marketing*

Sure. So this is an emerging area for us. I think when you think of medical you can really think of the classic kind of patient monitoring or clinical medical, and then you can think of this emerging category really of portable or wearable medical, which both has a consumer flavor to it as well as a real diagnostic in-home monitoring side of it.

I think that area is where we're excited and we've got early traction with several product categories. And we're able to kind leverage a confluence of technology there. One is low power, ultra-lower-power, microcontrollers which are designed to be application specific for this kind of wearable functionality.

Additionally, we've done really well leveraging power management. Again, that's a core asset of the Company. And that area we've got the lowest fleet-powered DC to DC converters that are out there. And so that's got a lot of traction now in both the fitness area as well as in clinical wearable.

And then, sensors -- that's the other one -- is taking the sensor effort that we had deployed successfully into smartphones and, again, making those more medical grade. So you think about those functions -- micros, power, sensors -- and you're targeting something that's a form factor on your wrist. It actually plays well to our strengths and we think we can leverage that opportunity to get traction now and then drive those technologies into a longer sales cycle around the more traditional medical side of things.

Harlan Sur - *J.P. Morgan - Analyst*

Great.

Matt Murphy - *Maxim Integrated Products, Inc. - EVP, Business Units, Sales, and Marketing*

So we're pretty excited about that one. It's new.

Harlan Sur - *J.P. Morgan - Analyst*

That's great. Well, we are out of time. Matt, Bruce, I want to thank you for joining us today and we look forward to monitoring the progress of Maxim this year.

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

Thanks a lot. Thanks, Harlan.

Matt Murphy - *Maxim Integrated Products, Inc. - EVP, Business Units, Sales, and Marketing*

Yes, thanks, Harlan. Appreciate it.
