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CORPORATE PARTICIPANTS

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PRESENTATION

Unidentified Participant

I'm [Stanley Sil], the senior semiconductor analyst here at Citigroup. Next is one of our favorite companies, Maxim. Not just because the CFO is standing to my right (multiple speakers), not just because they have the best VP of Corporate Development who have happened to just work for me, and not just because the CEO went to the Harvard of the West Coast, UC, Santa Barbara which also happens to be my alma mater, no, they were the most shareholder friendly -- no, seriously, one of those shareholder friendly companies out there, from instituting an outstanding 100% return of free cash flow policy that's evenly split -- well, roughly evenly split between dividend and buybacks. They've got one of the best dividend policies out there. They have consistently bought back stock. Also when times get tough, like they have this year, they announced a restructuring and make the Company more profitable, to ride out any sort of a volatility in the market. So really it's my pleasure to have Bruce Kiddoo, the CFO here.

So, Bruce, you heard the commentary earlier this morning at the back of the room. I have to ask this first question before we get into the Maxim stuff. So yesterday, we had one of your biggest -- two of your biggest competitors ADI and Texas Instruments say, hey, there is China volatility out there, but we feel pretty good, the quarter is going so far so good; Intel said the same thing; Microchip said, basically, positively pre-announced that some of that was on the Micro acquisition, but said that their core business was tracking in line and the CEO basically declared the end of the downturn year of correction or whatever you want to call it.

And then I guess Fairchild didn't get Steve Sanghi's memo, they came out and negatively pre-announced about 45 minutes ago, talked about overall weaker demand trends. So I just want to know, am I crazy? Is it good? Is this bad? What's happening out there? How do things feel to the extent you can answer the question?

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

Sure. And thanks everyone for spending some time with us early in the morning. So I think as we've indicated and I think other of our peers have indicated over the kind of this earnings, over this quarter, what we guided to was normal seasonality. I think that's how we see the business right now, we don't see -- it's certainly not robust, but we don't see any kind of dramatic fall-offs as well. So if you look at the kind of the various businesses, this is -- from a normal seasonality, industrial is normally down in the September quarter. Our Industrial business, our core industrial, which is one of the catalog business, we did guide down. We had the benefit of our vertical markets, which were -- we were forecasting to be up.

And so that's why we kind of guided industrial overall to be flat, but basically in line with normal seasonality. This is a quarter when Samsung always has a strong June and then September is down. We guided consistent with that. Comm, we had guided down just off of -- kind of the weakness in the industry, again I think consistent with the industry. And then automotive, which continues to grow very strongly for us. We actually forecasted that to be above seasonal.

But I think the short answer to your question is, this look like a very normal quarter to us, it's not robust, but we don't -- again, we don't see a significant weakness. I do think we always, in this business, and I've been doing this a long time, August is always a slow bookings month for us -- for the industry, whether that's just summertime, whether that's Europe taking time off. And so we noticed the same thing, I think most companies have just kind of that normal seasonal dip in bookings in August. But from an overall end demand point of view, we haven't seen anything that would cause concern.

Unidentified Participant

And one of the things that one of the executives pointed yesterday was, hey things were okay, but it's still early. So, can you just tell us roughly how much of the quarter in a typical Q3 is left to be done -- I guess my light went off -- is left to be done in September? And is there any way to know how the quarter is going to turn right now, anyway, is it still just a little bit too early? Is it really going to come down through the last two or three weeks?

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

Certainly, we're not updating guidance here this morning. So if that was the question --

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Unidentified Participant

No, no, no, just a --

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

-- but --

Unidentified Participant

But feel free to update it if you want?

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

No, no update. If you look at our business, every quarter is pretty linear from a revenue point of view. I mean this is analog, right. We still sell to -- a third of our business is through distribution and even for the OEM business, it's lots of customers. So from a revenue point of view, we're generally pretty linear and this quarter is no different from that. So I don't think there's any concern there.

I would say the comment around sort of the bookings are usually more, as again usually, if you look at this quarter, July always starts out with good bookings and everybody always feels good when they give earnings guidance. Then we kind of dip into August, things slow down and then September usually comes back. And I would say this quarter has been no different.

Unidentified Participant

Sure. And then before we get to the [rim], how would you, I guess, characterize the current environment? Is that a little soft? Rich Templeton described it as a little cool this year after being a little hot last year. Is it the correction of downturn cautious? I mean, in your own words, how would you describe like the current semi-environments?

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

Yes, for us, I think the best word we've used is normal. This is the -- everything we've seen in the markets by the end markets are sort of behaving like we would think. And again, I think the idea of -- it's probably a little bit early to make projections, given that there is some cyclicality in bookings in the -- normally in the September quarter. So I still think -- I think you want to see how does September look, before you start talking about things like -- and again, this is really just kind of looking out for December, March right longer-term.

Unidentified Participant

Yes. Yes, that sounds normal. So onto better news. One of the unique advantages you guys have right now is, even if we are in a whatever wacky demand environment, I think is how we can best describe it. You recently announced a pretty significant restructuring plan, so no matter what happens, margins are going to get better. So can you just elaborate a little bit on that, kind of reset the bar? Give us the details on that and then I'll dig into it?

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

Sure. Basically we announced in our last earnings call, $180 million in savings, $100 million in the manufacturing costs, right, about 4 points of gross margin benefit over a couple years and $80 million in operating expense reductions. And really this started a year ago May when -- in Boston at our Investor Day. We stood up and said, Maxim as a company should operate at 30% op margin, right. This is a -- analog is a great business, right; Maxim is a great business and there is no reason we shouldn't have been operating at those profitability levels.

We then had some revenue softness last summer at our largest customer. And so last October, we said okay let's -- we're going to start proactively addressing the -- our cost structure. And so we announced at the time operating expenses were $220 million a quarter run rate. We said we were going to reduce those by $10 million a quarter. We actually reduced it by $20 million a quarter, such that this last quarter we just announced June, we were at a run rate of about $200 million a quarter. We actually came in a little bit below that, but some of that was just sort of some year-end, our fiscal year-end true-ups. And we said, we could more than that, right. So we announced another $20 million, such that ultimately we get down to $180 million a quarter. So that's going to end up being $160 million in savings that we've announced and already are halfway there in executing on.

And so it is just a question of how do we get more profitable? How do we de-risk our R&D? I think as a Company and I think the logical question is, is this going to hurt growth, right. And I think from our point of view, we were spread out and probably spreading our bets a little thin and so there were certain markets, Touch was a business that we sold, we are doing about $10 million, $12 million a year in that business. We sold that for $40 million and clearly that was accretive both from an EPS, operating income, operating margin point of view. We've identified MEMS as another business that we really were making rather substantial investments and had no revenue -- material revenue to show for that. So another area of the business that we were looking to de-emphasize. And I think you could probably identify some other areas of businesses that we had a very low market share.

The overall business wasn't growing, from an industry point of view, it wasn't growing that strong and we are saying, in a slow growth business with having a low share, it's probably we're never going to kind of break out, no matter how good our engineering is, how innovative of products that we have. And so those were some areas where we decided to say let's just kind of de-risk our R&D.

On the manufacturing side, it was simply just a question of can we switch to a more variable cost model, move it from where we own the fab to where somebody else owns the fab. Yes, we still have a supply agreement and just I think it's very important, everybody always knows in analog one of the benefits is you have your own manufacturing process. It prevents people from second sourcing. It's one of the ways that we get better margins historically than our digital fronts.

In this restructuring to the extent that we're going to sell our fab in San Antonio, we will get a supply commitment back 10 years, 15 year supply commitment such that we will continue to have the benefit of selling our products manufactured in our proprietary process, it's just the CapEx goes off our books, it becomes a variable cost structure, we get the benefit of the new, the person who's going to buy our fab will be able to fill that up, more effectively loaded with their other customers. So we think it's a win-win for both sides.

Unidentified Participant

Sure. So just digging on a few points to make -- to start with the 4% gross margin improvement. Maybe talk about some of the milestones, you mentioned CapEx is going down, what's CapEx to sales now? Where do you think it's going? So where do you think depreciation will go? And then I'll keep going, so may be just start with that and then I'll rattle off a few more questions.

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

Sure. So we were running in this 5% to 7% CapEx as a percent of revenue. We've taken that down to about 2%, right. And so we think we'll probably achieve that this year kind of in the 2% to 3% and we think longer term, we can get it down kind of solidly in the 2% range. So we do think that's going to provide a significant advantage for us as you've started to see that in our free cash flow already, right. Free cash flow margin is leading op margin. And so we do believe that's actually -- the free cash flow margin is going to be that leading indicator of where we'll see op margin, where we'll see EPS go towards.

Unidentified Participant

Yes. What's depreciation right now? And then what will be the timeline on when that runs out helps gross margin?

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

Sure. If you look at depreciation today, it's about 7% of revenue, and so it's about $60 million. And so from that point of view -- actually, I mistake, that it's about $40 million a quarter. And so if you look at what we are spending in CapEx right now, it's about $12 million, $15 million a quarter. And so if you take that $40 million a quarter where we're at right now, and just to be clear, if you just look at our financials, as we shut down our San Jose fab, we've had accelerated depreciation. So that's actually inflating the depreciation line, but if you normalize for that accelerated depreciation, which in this quarter is the last quarter of that accelerated depreciation, we're really running at about a $40 million a quarter run rate.

The actions that we're taking in manufacturing will take out about $10 million a quarter of depreciation and so that'll get you down to a $30 million run rate. So that 4 points of gross margin benefit, let's say, part of that's coming from that $10 million a quarter or $40 million out of $100 million, if you look at it on an annual basis. And then we're going to have a nice tailwind from as that $30 million in depreciation makes its way down to the $15 million a quarter. Now that's going to be, the $10 million we will achieve over the next couple of years. The $30 million going to $15 million, that will be in kind of 2017 and later.

Unidentified Participant

You guys depreciate on a five-year straight line or (multiple speakers)?

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

We're analog long lived, so I think 10-year.

Unidentified Participant

10-year?

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

Sure. And that's one of the reasons why that's going to be a long-term tailwind for us.

Unidentified Participant

Great. Any other gross margin drivers in the restructuring or otherwise for the Company, whether it's mix or something else like that, as far as manufacturing goes?

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

I think these are the main areas. If you think about when we are done, we will have shut down three out of our four fabs. So we had the San Jose fab, which will close this month. There'll still be some, just from an accounting point of view, the variances that were generated this month while we were shutting it down, get rolled out into the December quarter, such that we'll get the full benefit of that in the March quarter. And we've indicated that's about half of the $100 million. So that one is done, then we had a small bump fab or WLP fab in Dallas that will be shut down in the March quarter of 2017.

Unidentified Participant

Is that the old Dallas semi fab?

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

It's the old Dallas semi fab. We had previously, in 2009, we shut down sort of a wafer fab side of it, but we're still doing some of the kind of the bump packaging there and so that's going to be shut down as well.

And then the third piece of that will be the San Antonio fab. We actually expect to complete that transaction this calendar year. The only reason that will take some time to fully realize the savings is, on day one, while we will sell the fab and it will be a complete sale, they'll takeover obviously all the book value and run the fab and the employees. We will -- kind of the wafer cost we'll pay on day one will be basically equal to what we're paying today, because we need to give the buyer some time to qualify their own customers to start to fill up that fab, to drive their own synergies. Such that, over kind of a multi-year period, we will achieve significantly lower wafer costs than that we're currently running. But that's not going to happen on day one, and that's why we gave that guidance that half of that savings will really take place over two years.

Unidentified Participant

And so can you just take us through what your utilization rates are pre and post the fab shut downs?

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

Sure. I think, today, we're in the low 70s, I think post we'll see, will have one fab left, it will be the fab up in Oregon, which is primarily our industrial. These are much older process technologies. Our goal is to drive up that utilization ideally up to around 80%. I think generally in a fab that runs so many different processes, you're never going to be able to fully loaded to get every line optimized, but I think to get that up to that range and I think at that point we'll see, but my sense is kind of the -- we'll be running above -- probably 25%, 30% of our wafer starts will be internal, whereas today it's about 50-50. So we still have to wait and see kind of what that final mix is, but it's certainly going to come down significantly.

Unidentified Participant

And maybe talk about the 300 millimeter, how much you're doing on 300 millimeter now and where you see that going?

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

Sure. I think today we've indicated 300 milliliter is above 30%. So one of the fabs that we currently have an agreement with 480-nanometer is 300 millimeter. Our next manufacturing process is going to be at 90 nanometer. We've actually -- 90 nanometer, we've actually started shipping product this summer in 90 nanometer in the latest phone from our largest customer. 90 nanometer is going to be 100% outsourced in two different foundry partners, both of those are 300 millimeter. So long term, you'll see our business certainly for the 180-nanometer and 90-nanometer will move to primarily 300 millimeter.

Unidentified Participant

Is all of your, essentially new products at 90 and below, are they all 300 millimeter or most of them?

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

So all -- a 100% of them 90-nanometer, we'll be at 300 millimeter, that's not to say all products are going to be designed in 90 nanometer, still for some of the communication and industrial products, right, 90 nanometer doesn't make as much sense. That will be more for the mobility type products.

Unidentified Participant

Can you give us a sense of the margin benefit going from eight-inch to 12-inch?

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

There is the normal math that people play out. From our point of view, whether that's that 30% benefit, but I think from our point of view, this is about -- we have the ability to where we do high volume and high integrations to larger die, I think that's where you get the benefit of 300 millimeter and it will be one more tailwind. I don't think it's the largest driver and I think kind of restructuring the fabs is by far the biggest driver of us getting to our kind of mid-60s gross margin followed by the depreciation tailwind. And then I think third would be 300 millimeter.

Unidentified Participant

And is there any revenue growth required to see these margin improvements or is this just even assuming, you know no?

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

No. Everything we're talking about where we get to the mid 60s from a gross margin point of view is just us managing cost. So no, it does not require revenue growth for that.

Unidentified Participant

Great. And then the second part is the OpEx reductions. You talked about some change in the product lines and changing the bets there. How much or potentially how much revenue do you think could come out of Maxim on a quarterly run rate basis?

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

We've indicated on the call. We said it would be 1% to 2%. I think a good example is, the Touch business that was running at about $10 million to $12 million a year. And so, which we sold that for $40 million and it was losing money, so as accretive from an EPS point of view, certainly from a margin point of view. We'll still have to see, I think, we've indicated the MEMS business as well as one that we're looking to kind of reduce investment in, that had nominal revenue; certainly less than $5 million a year. And so from that, you add a couple of those businesses up like that and you can get to 1%. And so it doesn't -- from our point of view, we don't see that as a material impact and certainly from a margin point of view, from an EPS point of view, any of these decisions will be accretive.

Unidentified Participant

And any other, I guess product lines that would be in the mix or do you feel like that's about as far as you want to go?

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

As far as I think the -- again, we haven't identified all of the areas where we're looking to divest, certainly just from a sale process and from a competitive point of view. But I think it would be, there is clear areas where people know power management we do very, very well, all right; half of our business is power management. There is other parts of the business, which in general those end markets for all companies aren't doing as well and where we've indicated to have as large of share.

Unidentified Participant

And then in terms of your current business lines, which ones are you putting a little bit more resources into certain areas? Where you're taking resources away from others?

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

Yes. I think it's a good question and it's real important because while we're clearly taking some of the benefit of this kind of de-risking our R&D to the bottom line and savings. At the same time, we have absolutely shifted some resources to our growth areas, such that we think this will actually help us grow. The obvious areas that you might expect are automotive. A good example was right after we did the kind of the reorganization in May and Matt Murphy took over all of the business units and sales, and really the purpose of that reorganization was really to allow us to make decisions faster and kind of get rid of any organizational boundaries.

Right away, we reallocated some power management engineers that we're working on consumer products, mobility products and we moved those over into automotive. We had some RF engineers, who were working in the comm space, we moved those into automotive as well. So certainly things like automotive is going to be a growth area for us.

Power management across the entire Company, whether it's in consumer, whether it's in automotive, we believe data center will actually be a good growth driver for us. I think it's one, which today is a very small business, I think kind of the power management technology that we got from the Volterra acquisition. We've indicated that we have good traction there. And I think a year from now you're going to start seeing meaningful revenue contribution from that business. So we -- you could see us investing there.

And then I think selectively on the industrial side, whether it's factory automation and whether it's in some of our vertical markets, you'll see continued investment there.

Unidentified Participant

And so with the restructuring, when everything is complete, clearly the margins are going a lot higher, no matter what happens with revenue growth. What would be your goal or your best guess on your long-term revenue growth target for the overall Company?

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

Yes. So I would just give you the kind of the standard answer, right. We think we can do a little better than the industry. For us, it is about stabilizing consumer, right. I think we've done very well, automotive we know people, that's been growing 20%, 30% a year right, if not higher. We know industrial is a solid growth business in sort of the mid-to-high teens -- I mean, mid-to-high single digits, excuse me.

Unidentified Participant

I'll take mid-to-high teens too.

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

Yes. Well, that's not the industrial business, we don't know. So I do think there is opportunity, actually good opportunity in data center and cloud, where these hyper scale guys are really designing their own servers, designing their own storage, they care about total cost of ownership, right. So they are looking to the high efficiency solutions that Maxim can provide. Those businesses, very comfortable, very solid, those will grow.

The question is, and I think we're making very good progress on just stabilizing consumer, bringing that down as a smaller part of our business, bringing our customer concentration down, we've taken our largest customer in two years, cut their revenue in half from a percent of revenue. Diversifying that business more such that we're not only selling to Samsung, we're selling at the other large consumer OEM, we're selling into China.

We actually have market share for the five top wearable OEMs and so that much broader kind of diversification within a smaller consumer business; stabilize consumer and grow the other businesses should allow us to get something a little bit higher than the 5% industry growth.

Unidentified Participant

Can you talk about the benefit to margins if auto industrial grows faster than consumer. How much of a tailwind is that?

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

Sure. Well, first everybody knows industrial is the highest margin business in the analog space, so that's very positive. I think automotive had been below the corporate average and actually was below our consumer business, right. I think we had indicated it was in the low 50s, we had said it was improving and it's now probably closer to the high 50s with the goal of getting it to corporate average.

Of course we -- corporate average used to be the low 60s and now it's the mid 60s. So, the automotive team has a little bit more of a challenge. So, I think that's a business that we'll get into the -- it will definitely get to the low 60s. I think they have some work to do to get into the mid 60s. I think it's still automotive, right, it's still high volume industrial from that point of view.

So the flip side of that is our consumer business, to the extent of Touch or MEMS, those were clearly lower margin businesses. I think our power management business, our sensor business, those have always been good margin business.

Unidentified Participant

And if you had to rank the growth rates, it would be auto, industrial and then consumer, right?

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

I would say it's going to be the auto, cloud, industrial, consumer. I think if I look at comm today, which is like 23% of revenue, right, a chunk of that is the, let's just call it the comm infrastructure piece, that's -- long term, I don't see that as a strong growth business.

I do believe the data center side, where we have the power management solution. We have good optical connectivity kind of 40 gig connectivity in the data center. I actually think, if you just breakout the data center piece of that, which is probably 8%, 10% of total Company revenue. I think that has a very -- an opportunity to grow much faster than the overall Company.

Unidentified Participant

Great. And then obviously your biggest consumer customers see their market share up or go down? Now it looks like it's going down a little bit, but clearly that could start to come back here, I mean, really any day, any month, any year now. So is there any reason to believe that as Samsung's market share grows, your revenues would not benefit?

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

So we've been able to maintain very consistently in the dollar content than we -- most people know, right. It's sort of in this $3 to $4 range, and it usually is in the upper half of that range, and so it's been very consistent. We first won power management socket in our first 3G phone back in 2008 and we've maintain that kind of power management business in every flagship Samsung phone. So I think if you look at what we do in power, what we do in sensors, what we do in audio, I think we'll continue to maintain our content there. The question there is units. Certainly we know, if we look at from the S3, 93 million units lifetime to the S4, which was mid 80 million to the S5 at 70 million, kind of rough numbers.

I think what we have seen is for the S6 is kind of the expectation is, we think it will be either flat or it could be up slightly; flat, down slightly, it's hard to predict that at this moment, but certainly that rate of decline has slowed. And so as Samsung has become a smaller part of our business, I think as their business has stabilized somewhat, I think that's going to be less of an impact. We'll continue to win business, the products that came out this summer sort of kind of a note family and our content went up and so -- not significantly, but I think it's just consistent with the business that we have with Samsung is solid. We have a long relationship. We focus on what we do well and we're not trying to -- we're not going to go chase business that is low margin or we don't have sustainable difference.

Unidentified Participant

Yes, the margins, have they changed it, your largest customer in the last few years?

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

No.

Unidentified Participant

So despite the volatility, no change in margins, right?

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

I mean these are tough businesses, right. You have to always be working to lower your cost structure to be able to be competitive in that market, but this is a business that we understand very well and we are able to kind of manage our margin expectations.

Unidentified Participant

Great. Before I continue, I'd like to open it up to the audience in case anybody has any questions out there. We have one on this side. Here comes the mic.

QUESTIONS AND ANSWERS

Unidentified Audience Member

You just talked to the strength of the industrial business, there has been a few other analog companies here talking about may be perhaps some stabilization on the industrial side. And then secondly, can you just talk to a little bit on China, I'm not sure what your exposure is in China in terms on communication side, I know clearly that's been a weak for several quarters. And again, there has been some science of at least stabilization in China, such as China and industrial if you can. Thanks.

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

Sure. So our industrial business, as we guided to normal seasonality, which means -- and where about 27% of our business is industrial and probably like two-thirds of that or kind of 18% to 20% is catalog industrial. We had guided that down seasonally and that's what it normally is and so we saw nothing unusual there.

The other third of our industrial business is the vertical markets, things like financial terminals or smart meters, medical products and we had guided that slightly up. So the two offsetting each other and we had guided industrial relatively flat. We haven't seen anything to change our -- there has been no surprises there, I would say. And again, I think this is generally a soft quarter for our industrial right, and it's also a quarter where bookings usually slowdown in the August month and so then we kind of come back after -- it's always this conference where people are looking for the September update and it's only been two days since Labor Day, so it's hard to provide any deep insight there.

Unidentified Audience Member

Moving back two weeks, is that what you are saying, Bruce?

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

Yes. Then you get a little bit tighter on trading windows, but -- so I think it's not robust out there, but we're also not seeing things fall off the cliff.

Unidentified Audience Member

And how was your industrial business in the June quarter, if you could just refresh everybody?

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

Sure. I mean we actually probably saw any weakness earlier. We had the kind of different for us phenomenon that we saw really low bookings in March. We saw Europe and we thought it had something may be to do with some of the currency fluctuations to be candid, I don't think we really knew. But we definitely saw low bookings in the March quarter, we saw Europe disti inventory levels come down significantly.

In the June quarter, we did see higher turns, which we had thought -- we started to see those in April when we guided back for that June quarter. So we ended up seeing better turns. The Europe disti did restock their inventory levels. We had previously seen China had high inventory levels in March, those actually came down in June. So as we exited June, actually Europe restocked was at a normal level from the channel point of view.

China inventory came down and so days in the channel was at 57, last year was 56. We normally run in the 50 to 55. So it was a little bit high, but that was mainly in North America and it was mainly Maxim specific products that happened to go through the disti channel, it wasn't necessarily the broad catalog products. So it was more a Maxim specific story in North America as opposed to a broader statement on channel inventory.

I think your other question on China. Our comm business, especially the infrastructure side, right; base station is about 5% of revenue. We have kind of a fiber optic business that's 8%, 9% of revenue. So certainly the comm infrastructure business has been weak that's I think consistent from an industry point of view. Everyone is always thinking a couple quarters out, it's going to get better. I'm not sure, I'm thinking it sort of feels like the old telecom business and so from that point of view, it's going to follow CapEx with some lumps along the way. But beyond that, I don't think there's any new data points.

Unidentified Participant

Is there other question in the audience?

Kathy Ta - *Maxim Intergrated Products, Inc. - MD, IR*

Hi, this is Kathy Ta, I'm IR for Maxim. I just wanted to clarify one thing for the transcript. So the total annual cost savings is $180 million. I think there was a $160 million that's snuck in there. So $180 million and that consists of $100 million on the COGS line for manufacturing and then $80 million from OpEx.

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

Thanks, Kathy.

Unidentified Participant

Was there another question? Going once, going twice.

Okay. Actually that last question talked about the China communications, what about China in general? I'm sure you read the same headlines we do. Is this -- does this pop up in the halls of Maxim? You talked about around the water cooler, maybe go through China as a percent of your revenue, how worried are you guys? Are you not worried? Should we be worried? Should we not be worried about it?

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

So I think one thing we've decided is that we're probably pretty good at managing a semiconductor company, we're not macroeconomists or I think the people in this room are probably a lot smarter than us on that topic. I mean, China is a tough one, from a distribution point of view, probably 8%, 9% of our business is China, but that's -- part of that's our communication business. We have a smart meter business that goes through

China, right. Some of our packs and some of the financial kind of mobile payment terminals goes through China. A bigger part of you would say, well, Gee, we have a strong growing automotive business, we don't sell into China directly, but we have good business, say with the European luxury OEMs. How much of their business goes through China? So I think it's difficult for us to directly quantify. And we certainly haven't seen any -- it's not like when we're sitting in our demand forecast review China is the big 65 item on the screen, so.

Unidentified Participant

Yes. And then last question M&A, so you guys have not been afraid of M&A in the past, you got plenty of cash. Maybe talk about your thirst, your appetite, do you see anything out there, are there any product lines or areas that you would like to get into?

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

Sure. So, we are of the belief, we've said it before that as industry growth slows consolidation is a natural outcome of that. We've certainly seen consolidation so far over the last kind of 12 months, 24 months. We believe it will continue. We believe Maxim has the sufficient scale kind of profitability, stability to stay as a standalone company.

That said, as you indicated, we have the balance sheet, right. We certainly have the cash flow to be able to do an acquisition of some scale. But for us, right, it needs to make sense. It needs to make sense strategically, it's got to fit in with our model. We're not going to go by a 40% just because we can drive synergies and EPS accretion, right. In these we need to be able to deliver value, right. We have to make sure that we're not buying some company that's already has a premium in it and you're going to pay a premium on a premium and can you actually deliver kind of return on invested capital versus just EPS accretion.

And then certainly to the extent it helps us from further diversifying our business. So those would probably be the factors that we'd look at there. Certainly everybody has the list of companies that are out there, but these are much larger deals, Maxim used to do a fair number of the small tuck-in acquisitions, but I think you need to be very selective and opportunistic to the extent that you can find a quality asset at a reasonable price. Having that ability, having the cash on the balance sheet and the capacity to do cash deals, I think is a strategic advantage for Maxim.

Unidentified Participant

Great. Thanks, Bruce. That's all we have time for. Thanks, everybody.

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

Thank you.
