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# EDITED TRANSCRIPT

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## CORPORATE PARTICIPANTS

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

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**Vivek Arya** *BofA Merrill Lynch - Analyst*

## PRESENTATION

**Vivek Arya** - *BofA Merrill Lynch - Analyst*

Everyone, thank you for joining us in this session. I'm absolutely delighted to have Bruce Kiddoo, the CFO of Maxim, join us, along with Kathy Ta, Head of Investor Relations. What we will do is just start off with a few perhaps opening comments from Bruce, or just jump into Q&A which will set up as an intro. And then we can open it up to questions from the audience (multiple speakers).

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

Okay I'll just give a few sentences. So I think it was about a year ago, we set off to really transform the Company. And we laid out a plan to save $180 million, and actually improve a margin structure from gross margins from the low 60s to the mid-60s; operating margins from the mid-20s to the mid-30s; drive free cash flow margin from the mid-20s to the mid-30s.

And I think we are a year into this now. And actually this quarter, if we achieve what we've guided to, we'll be able to hit some key milestones, get the gross margins at around 63%, cross over the 30% operating margin side. Free cash flow, even in the March quarter, was already over 30%, growing 5% year-over-year.

So I think we've done a very good job executing on that transformation. And I think as we look forward, the real goal now is, how do we get back to growth? Clearly, the last couple of years, we have not. That has really been impacted by primarily by our consumer business. We believe that's starting to stabilize as our largest customer is smaller, and it is a more diversified business.

And our growth businesses, and primarily automotive which has been growing 25%-plus over the last several years, is now continuing to grow strongly, and becoming a much bigger part of our business. It's now 17% of revenue. So when a business is 5%, growing at 30% a year or 40% a year, it sounds nice. But when it's 17%, growing at 25% a year, it actually has the ability to drive the total company top line.

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**Vivek Arya** - *BofA Merrill Lynch - Analyst*

Got it, great, terrific. So maybe as a starter, if you could just share your thoughts on how the overall demand environment is versus what you thought coming into the year.

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

So I would say it isn't -- there's not a lot of changes. I would say, if you go through our businesses, industrial is the biggest growth business for -- excuse me, automotive is our biggest growth business. It continues to do very well, and it is all about content growth. Yes, we look at unit growth, but that's never the story. It is about the growth in infotainment. And then there's new legs in that growth story around driver assistance: safety, [SMS] driving. And then we even broke out the battery management system for electric vehicles and hybrids. So I think automotive on track. It's a very strong growth story. It's doing well.

The next business, industrial -- we were just in an earlier meeting, a one-on-one, and I think the best takeaway was there's really nothing to write home about. It's not doing poorly; it's not doing great. It's just plugging along. So I think our goal there is very modest. We just want to grow with our peers, in line with the industry. We've been a couple points below. And so just that ability to -- obviously, everybody knows industrial is a very profitable business. And to the extent that we can grow that just in line with our peers, that will be positive. And so we are not really seeing anything too much happening there.

And I think one thing, just for people -- just because it's going to create noise in the system little bit. One of our large disti partner, Avnet, they are going through an SAP implementation. And just having done this too many times, the quarter that you do it, you are in -- trying to get the system to reflect your actual shipment. Again, it's just noise out there in the system. But I think it's just as people sit here and talk to a whole bunch of other companies, that's something just to be aware of. It's not a demand issue. If anything, it's just a timing issue.

I would say data center, we have -- and when we say data center, we are really talking about sales to the cloud. And for us, it's about power and connectivity. I would say the connectivity side, the optical conductivity rack-to-rack, is actually probably doing a little bit better. I think people are pushing very hard for 100 gig, so we are seeing that strength. It's still in the early days.

I would say the power management, I would say in two ways: in one sense, there has now been one of the large cloud providers announced 48 volt architecture. And certainly, we are participating in that change. So I think that's incrementally positive news, since the last time, beginning of the year. That said, it's still probably about a year out before that becomes meaningful for us. So I think from that point of view, you always have to be patient on these launches. So those are the main markets there for us.

I would say on the consumer side, it's a small business, but I would say just the diversification has actually gone well. I think the wearable business, small -- but Garmin, Fitbit, that business is growing, China mobility, small, but it's selling some standard parts into there. That's growing. Even the business at Apple -- very tactical; nothing huge, but continues to plug along. So all of those, I would say, are incrementally positive.

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**Vivek Arya** - *BofA Merrill Lynch - Analyst*

Got it. We'll go through the different segments. But I just wanted to get this M&A question that seems to be on top of mind for all semiconductor, for the entire industry, not just for Maxim. So how do you think about that? It's not a secret that many companies went through the process. I presume that you looked at different options, as well. If you could share any update on where you are in the process -- do you need to consolidate the industry? How do you just conceptually think about where you are in that?

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

Yes. So our view, and we've it stated publicly, as industry growth rates slow down, just like in other industries, it's natural that consolidation will occur. I do believe Maxim is in a good position. We certainly have the scale and the profitability to stay independent. We have the capacity, the balance sheet, the operational execution skills to be an acquirer. And I think the guys that are probably the most challenged are small and mid-cap type companies.

And I think for our point of view, when we look at it, we want something that's going to move the needle. And so you end up in this $300 million, $500 million revenue range. So those end up at $1 billion to $3 billion market cap opportunities for us. We'll stick to what we know well. We'll stick to analog. Even though pretty much any deal is accretive today, at the low cost of capital, we'll stick to something that fits our margin profile after synergies, but something that's still consistent with our margin profile, our cash flow profile.

And I would say the biggest challenge we face right now is when we look out and scan the universe, just from our perspective, things look a little overpriced? Probably because everybody in this room does the exact same analysis and says, well, there is the five guys who could be a target. And you get some little M&A premium in there. So we're cash buyer. We can be patient. And we can -- the markets go through cycles and we can find opportunities.

If you take a long view on this, you take a five-year view, 10-year view, over time consolidation will occur, and I think the smaller companies acknowledge that. So at some point, they are going to look -- they are going to acknowledge and look for an exit. So I think we'll be patient. I think it's an opportunity for us. And I do think it will be one of the ways in which our industry continues to drive double-digit cash flow growth.

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**Vivek Arya** - *BofA Merrill Lynch - Analyst*

Just one or two last quick ones on that, since it's a topic with a lot of interest. So last year, we saw a lot of lateral transactions also. We saw NXP/Freescale. We saw a lot of Broadcom-type transactions. Would Maxim ever consider that? Or do you think, right now, the mode is more to look for smaller more technology tuck-in type deals, use more cash rather than equity?

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

I think we are always going to look at what creates the most value. So to the extent that certainly a smaller deal is most within our control, and so that's something that we take a look at. You can look at merger of equals. That's even a much smaller list of companies in a similar market cap range. Those are a lot trickier, just from the social side; so who is actually buying who, or --. So those get more difficult. Both sides have to want to come together and make that work. And if someone larger wants to pay a fully valued price, a reasonable price, then yes, absolutely, that's something that we have a responsibility. And if that creates the most value, that's something we will look at.

But again that's completely outside our control. And so for us, we know we can control our own business. That's why we took out $180 million for driving margins up. We got plans to return the growth. We can control somewhat buying companies. All the other stuff gets a little bit outside our control. And I'm just -- I've got enough to worry about just managing the business day to day.

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**Vivek Arya** - *BofA Merrill Lynch - Analyst*

Understand. Okay. So maybe let's go to the fundamentals. Maybe start with the consumer business. Do you think consumer trends for you with the large -- including the large customer, do you think they have stabilized and they can start to -- that this is the baseline that they can actually start to grow from here. Or should we think the next two, three years are more a flattish environment rather than growing off of this baseline?

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

Yes. We do believe our stated position is we think revenue at our largest customer continues to decline. We believe we've been able to hold content, but units have, the last three, four years, gone down. I'm sure they have plans to do better. And we will do everything to help them and support them. But from how we model it's probably prudent just to assume that those units are going to continue to go down 5%, 10% a year, some number.

We've been working very hard to diversify our consumer business, and so June is a perfect example of when it works. Our largest customer is flat. Their new product is ramping. Their older products are falling off. And basically they're net flat, yet we've guided our consumer business up strongly. We're doing better in wearables. We are doing better in China mobility. We are doing better at the large mobility OEM. A little bit for each, all very tactical, nothing that's going to get us in trouble. But all those are doing okay.

And again, our goal is -- just to your question -- is just to stabilize consumer, very modest. So from our point of view, June is what we want to see. And I would say the only thing is when we look at our business, there's still always going to be a seasonality to our consumer business. And I think that's -- I don't think there's any way around that. And so from that point of view, I still think -- I think we'll stabilize it. I still think there's some risk for some lumpiness in there. And we just have to look at what's happening on a year-over-year basis. And are we continuing to do better on a year-over-year basis?

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**Vivek Arya** - *BofA Merrill Lynch - Analyst*

Got it. From a senior management perspective, given that consumer is a large part of your business -- you can't just ignore it; you can't just exit from it. Is it worth investing incremental dollars into this, even inorganically, for example? Because you have to be in this business, and consumer is one important part of growth in semiconductors. Every semiconductor company that has tried to exit consumer has been somehow dragged back into it.

You saw TI try to exit mobile. They are back. Their largest customer is a mobile customer. We saw analog devices try to exit. They are back. Their largest customer is a mobile customer.

So if you have to be in this, then is this a hands-off proposition? Or is this a place where you can be tactical with some investments?

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

I think it's still a large business. I don't think you can ignore it. I think the lessons that we've learned, and are trying to follow, is, one, that you want to be as diversified as possible across both the customer base and what you sell into those customers. So I think that's very important.

I think the other thing we learned is I think the products that you are selling, you really want to sell either standard products or application-specific products for that market. But you really want to avoid the high R&D custom products. Because those are the high risk, where you put a lot of R&D in; you may or may not win the socket. If you do, you may or may not win the next year. Versus just you are making good products that you can sell across the customer base, and I think audio is a perfect example of that.

We came up with a boosted amplifier. It's not a huge ASP product. But we've won that basically at the two large OEMs and in China. In essence a very similar product. That, to me, is the type of success model that you are looking for. So yes, and you will invest in those products. So you'll make those investments and be able to address this market. But I think you have to do it so that you end up with a very -- as diversified a model is this market allows.

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**Vivek Arya** - *BofA Merrill Lynch - Analyst*

Anything in sensors that you are working on that could be -- that could take a consumer flavor?

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

Absolutely working in sensors; I think most people know we have a biosensor today that does heart rate and blood ox levels. And we have a lot of stuff at various stages of development whether that's air-quality indicators, whether that's core body temperature, or basically can use -- do temperature of your core body temperature or anything around you. So, there's a lot of opportunities there -- EKG. We are trying to figure out what's the right use case.

So it's interesting. We actually -- just because it's interesting to note -- as we move sensors out of the mobile group and into our medical group. Because we think there are more going to be in that side of the house. It doesn't mean they still won't sell where they sell them. But do you need it on a phone? Maybe the carbon monoxide or air-quality indicator -- maybe you want that on a phone, or a temperature. But anything that's bio, you probably want that more on a wearable device and, whether it's a watch or a patch or --. So I think it's going to be a good market. I don't think it's a market tomorrow.

And I think it's one of those ones that people are trying to figure out, okay, what is the right use case? There's no doubt in my mind, in 20 years -- I'm already old, but whatever -- we are all going to have some type of patch on us. We are going to have something that's tracking us. And it's going to, with your phone being the base station, the access point for that. But that's out there in time. So I think we are being very thoughtful in the investments we're making. And we think we have some very interesting IP, but it's not going to be an FY17 story.

**Vivek Arya** - *BofA Merrill Lynch - Analyst*

Got it. Then going to automotive, that's been a really strong success story for Maxim. Can you maybe take a step back and help us understand, how did this business suddenly become such a strong growth driver? You are growing 20%, 25% a year. That's almost twice the pace of what we are seeing. Of course, off a smaller base, but now it's a meaningful part of your business. So what suddenly created this inflection in the business?

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

I think the key thing is, it wasn't sudden. It looks that way because it is growing very strong. It has gotten now, like you say, it's -- this quarter, it's going to be a $400 million annual run rate business. So it's gotten big. But we started investing in 2004 in this business. And initially, we were just taking catalog products and trying to then just market those to the automotive guys.

We quickly learned that you had to have products designed primarily from a quality point of view, specifically for automotive. And we started focusing on that in probably 2006, 2007, doing mainly power management and where we had some technology from the notebook business for video transport, the display business, from that point of view.

And literally every year, when I joined the Company, it was 2% of revenue. And you win a little bit. And then the next year, you win some more, and the old business doesn't go away. So if we started in 2004, and maybe you started shipping in 2007, 2008, and you think of a seven-year product lifecycle. So every year we've just been building up, getting more and more design wins, and the old business doesn't go away.

And that's where you get this tremendous growth cycle because you are growing at a very rapid rate, and unlike other businesses, it's not replacing anything. It's just all incremental. So that's the beauty of the business.

Now eventually, the reason we think that growth rate is going to go from 25% to 15%, some number in the mid-teens, is eventually the older products will fall off. You're not going to able to grow 2, 3 times industry forever. And we are getting some benefit. But this is something -- I still remember in the recession, and everybody was cutting costs and getting in survival mode. And we were losing a good chunk of money in automotive, and I give our CEO a lot of credit; he said, this is a business that where Maxim should do well, with our technologies and with the trends.

And we were right. And everybody likes automotive now, because phones aren't growing anymore and IoT is nebulous. We don't really know what it is. So automotive is a place everybody wants to be and talk about. But it's clearly not a business you get in overnight. This is a five-year investment before it grows and becomes meaningful.

**Vivek Arya** - *BofA Merrill Lynch - Analyst*

Right. So, NVIDIA has been one of your partners in that business and they have done extremely well, of course. They talk a lot about advanced driver assist systems; eventually self-driving cars. And nobody knows when self-driving cars will take off. But if you look at your automotive business holistically, do you have all of these parts internally to make this into a top three, top five automotive business? Is that even a goal you should have?

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

Yes, I think we will focus on what we do well -- and so, clearly, power management. As a company, power management is 50% of our business. So we are able to amortize that technology and that R&D across automotive, data center, industrial type businesses. And just like we were doing well where there is lots of processors within infotainment, there's going to be much more processing as NVIDIA is demonstrating on the driver assist and autonomous driving.

And I don't think you have to get all the way to autonomous driving. Everything now is, in essence, the driver assist is doing the same thing. It's just, does it give you a warning? Does it stop the car in a dangerous situation? Or is it actually driving the car? But it's still -- that's just the software at that point. You still have all of the capabilities of detecting what's going on around you and determining whether -- what to do next. So, tremendous amount of sensors.

For us, we are primarily on the vision-based sensors, cameras, and transporting that signal from that camera to the NVIDIA processor. So, that serializer, de-serializer transmission; and things are -- if people want -- and then transmitting it from the processor to a display, so you can see what's going on. And then every one of those processors needs power management.

It's just that it's what we do. It's what we've been doing as a Company for a very long time. And we now have the ability to do that within automotive, which means we've figured out all of the quality requirements. And that's the tricky part. There's one thing you can get -- like early on, when we were just selling the -- we had a very small business in automotive. You get a pass. We were in infotainment. There is a small part when we sell into a Conti or a Bosch or a Harman.

Now you are selling parts that are going into safety. I care a lot more about that. We are much bigger supplier. So for three years in a row, one of the top initiatives in the Company was solving quality. And if you are consumer or a comm, if you have 15, 20 PPM defect levels, that's fine. We've got to be at 0.5. We are under 1 now. So it's been a huge journey.

So, yes, I think from a power management point of view, we have the technology. I think from the transport of a video technology, we have that capability. There will be other -- there's always just general-purpose analog that's going to be wrapped around that. So there's always our business, lots of other small parts that go along with it.

But in general, I think we feel very good. And today that's a very small part of our business. There's a lot -- people always talk ahead of the -- especially in automotive -- ahead of the market. But that's a huge growth driver for us going forward.

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**Vivek Arya** - *BofA Merrill Lynch - Analyst*

Got it. In the data center, I don't think it's as well known exactly what Maxim is doing. And you mentioned that you now have, with the 48 volt transition, you have more opportunity with one of the cloud guys. Can you talk more about that and what the growth opportunity is there?

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

I think it's starting to be well-known. People have seen it on the pain side, the shift from enterprise servers where you have large customers, like IBM and HP and Dell. And people like me who are responsible for IT within the company. We would always go off and buy servers for our data centers. And then we know that whole enterprise server business is shifting to the cloud, to the hyperscale guys.

So, our business, with selling directly to those cloud providers, was literally zero. We weren't that big on the 10 gig, 40 gig. We didn't have large share there. And we sold 12 volt power management products to IBM and HP, but we really didn't sell it to the cloud guys. We have caught this inflection point where now the volumes are shifting to the cloud. And we are a leader in 25 gig, 100 gig connectivity, and we believe we are one of the leaders in 48 volt power management. Of course there's, other folks in both of those categories. This is always a competitive space.

But if you say data center, cloud data center is a secular growth driver for the industry, I believe it is. And look at where we are positioned today, power management, what we do well; and this is really the technology that we got from the Volterra acquisition. This is exactly what they do. So I think those are the two big growth drivers for us within data center. And it's truly, again, very early in that ramp. So, we feel like that's a -- I think next after automotive, that's probably the number-two growth opportunity within the Company.

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**Vivek Arya** - *BofA Merrill Lynch - Analyst*

Got it. Any learnings from the Volterra acquisition that you would think about as you consider other potential investments in that space?

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

I would say that probably the main learning there -- and it is somewhat dependent on the markets that you are addressing -- but just like we learned in mobility, concentration always should make you nervous. And so, you say, okay, pick the six or seven very large cloud players: four in the US, three in China, and you worry about that. And so, in an interesting way to the extent that Google went out and announced their 48 volt strategy with a goal of actually encouraging the other cloud providers to invest in 48 volt and create an ecosystem for that, from a diversification point of view, that would be helpful for us.

So I would say that's the one thing, because we had a strong concentration at IBM. Volterra did. And to the extent that that market shifted from the enterprise to the cloud, that's always something you have to be careful about.

**Vivek Arya** - *BofA Merrill Lynch - Analyst*

Got it. The one thing I find very interesting is we had -- yesterday had Kevin March from Texas Instruments. He presented. And he also spoke very highly of the automotive opportunity and the industrial opportunity. I think the automotive opportunity is clear. It's units and content.

The industrial opportunity seems, as you said, a little bit more nebulous. And what I'm constantly amazed by is we do get GDP growth, but we never see semis even surpass GDP growth when it comes to industrial growth. So why is that? And how do you think about your industrial business and how you can grow that? Because all those are going to grow, but they are growing for everyone. But if industrial is supposed to, with this big growth opportunity where you can get both the unit and content growth, I don't hear companies talk as much about investments in that space.

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

Industrials, by far -- I remember when I came from my prior company that basically had two product lines, and these little discussions were easy. And then I had to try to describe industrial business and thousands of customers, 10,000 products through distribution.

For us, actually two themes have come out of that. One is we are very focused on factory automation. It's actually almost 10% of total Company revenue, or almost 40% of our industrial business. So actually in industrial, when I joined the Company, I think other industrial was the largest segment within industrial. So that wasn't too helpful. But factory automation; and there clearly is a growth story there, and that clearly there's automation that's occurring in factories.

Clearly, they are going to more distributed work cells. And so a lot of the sensors and control is moving out to the edge. So, to that extent, more of the decision-making, and therefore more of the power management, again is being pushed out. And as it moves out to the edge, it's in smaller devices. It's in manufacturing environments, so it's usually enclosed. Therefore, heat matters. So, power management matters; size matters.

So we've been investing for about the last four years in our industrial power management business. This is an area which, surprisingly, given our legacy in power, we are not -- we haven't had that large of a share. People like Linear have done much better than us in this area. And so it's one area where we've made the investments. We are starting to see that growth, and that's starting to come through.

The other area is communication within a factory. Again, as you go to these distributed work cells, we used to call it interface, and Maxim was a very well known for interface products. So, I think that factory automation power and interface -- I think that will -- should be able to provide something that we can focus on and invest in.

The other piece that we are doing is analog is a great business in that it has products that sell for 20 years. And those products were scattered across all of our business units, and business units are basically R&D groups. They like to do new products. That's where all the energy went with. And we found out that about a third of our business is products that have been around for over 10 years. And they are cash cows in all of the business units, kind of ignored; not fully, but it wasn't the center of attention.

We took all of those out of the business units; created a new business unit that's just focused on core products. And this is 70%-plus gross margins. And it's always been forecasted to go down 1% to 2%. Maybe it only goes down 1%. Maybe it stays flat. I mean these are just tremendous. This is why everybody loves analog.

But if we can just put some focus on it, better distribution programs, pricing strategies; maybe making sure all of our online design tools -- again, this is something I think some of our peers -- National, I think, was really good at this, where we can get better at this. So just a focus; whenever you focus on something, obviously you do better. And all of a sudden if we can just tip that up to grow 1%, 2%, at very high margins, a third of our business. That's a huge opportunity. It's not going to be this quarter I'm going to say, oh, we are having -- we had a beat and raise because of my core products business unit.

But consistently, quarter over quarter, it's going to show -- add to that industrial growth, be very profitable. There's no CapEx. This is all parts running on fully depreciated equipment -- and so from a cash flow point of view. So I think factory automation, core products, are two areas which again, like you say, all you really want to get out of this is GDP, GDP of 4%, 3% and that's a great thing.

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**Vivek Arya** - *BofA Merrill Lynch - Analyst*

All right. We haven't used this term Internet of Things so far in the discussion. And that seems to be being an ancillary part of industrial/consumer type opportunity for the industry. Where you, and especially what are your thoughts around the microcontroller industry? Is that an industry you would want to participate in? Is it necessary to participate in that if you want to get bigger in this Internet of Things, whatever shape it takes?

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

Our view of Internet of Things is it's not one market. Collectively, yes, there's going to be millions, billions, whatever of connected devices out there. But whether that's in medical wearables, whether that's in a microcell in a factory, whether that's in a sensor for agriculture, whether that's within your home, all of those are different markets.

So it's not like a phone where it's one market that sells basically the same device, 1.8 billion units a year, and you just have the same product set for each one of those. Now these are all going to be different product sets. For us it's going to be power management, very clearly. It's going to be sensors; both the sensors and the analog that interprets those signals, and converts it from analog to digital, the analog front-end data converters type products.

I think from a microcontroller point of view, we are not going to be a merchant microcontroller business. We're not going to do the -- we're not going to compete with the microchip. It's not -- we don't have the whole ecosystem and the compilers for everybody to work with.

To the extent that within an embedded system you need some processing capability, I think we have that capability. We have both an organic microcontroller technology; we have ARM-based microcontrollers. But again, we think of that more as part of an overall system. Many times, it's not even -- customers don't even realize it's in there, within it; it's just within there to give some processing capability.

Another area where we use it is for security. So basically a secure microcontroller, whether that's in -- going to be as we go into more IoT, and we are talking about data, and we're talking about medical data, the protection of that data. Today we use it for like mobile payment terminals where you want to have secure data.

But you can just see as IoT becomes more prevalent, privacy of data versus -- there's lots of bad people out there who want to take that data, use it for bad purposes. So I think that's going to be a -- security is going to be a greater theme, and it's going to come in different layers. But to the extent you can get it at the device level, that's the best place to control that data.

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**Vivek Arya** - *BofA Merrill Lynch - Analyst*

One last question, in the 26 seconds we have left, is just your level of confidence now in achieving the 65% and mid-30s gross and operating margin goals that you had said.

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

Yes so 65%, it's -- there's nothing guaranteed in this world. But we've done everything we had to do. We sold the small development fab in San Jose. We sold our San Antonio fab to TowerJazz. We are going to shut down our small bump fab in Dallas. We've actually sold the entire campus to [Corvo]. So all that stuff is done. So that's just -- and we don't really need revenue growth to achieve that.

If revenue goes down, if we are in a recession, yes, that will be a problem. But at the current levels, so very confident on the 65%. That will get us to 33% op margin. That extra 2 points -- we are going to be in the mid-180s. That's where we are going to hold operating expenses. So you just do that math of 65% gross margin, mid-180s. And you get into a low 600s to get that final 2 points of op margin. So I would say that's the -- we've just got to be able to execute on some return to growth strategy.

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**Vivek Arya** - *BofA Merrill Lynch - Analyst*

Right. Terrific, great. Thank you so much, Bruce. Really appreciate your time.

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

Thank you, everybody.

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