



# Maxim Integrated Business Model Update

September 5, 2017

# Safe Harbor

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include, without limitation, the Company's projections and statements regarding revenue, gross margin, earnings per share, capital expenditures and other financial and business metrics. These statements involve risks and uncertainties that could cause actual results to differ materially from expectations. Please refer to the Company's Annual Report on Form 10-K for the fiscal year ended June 24, 2017 for a description of some of the risk factors that could cause actual results to differ materially from such forward-looking statements.

All forward-looking statements included in this presentation are made as of the date hereof and based on the information available to the Company as of the date hereof. The Company assumes no obligation to update any forward-looking statement.

# Topics

1 Business Strategy Update

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2 Financial Model Update

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3 Q&A

# FY17 Financial Results

Financial Metric	FY16	FY17	Change
Revenue	\$2.2B	\$2.3B	+5%
Gross Margin	61.9%	65.2%	+330bps
Operating Margin	27.5%	32.7%	+520bps
Operating Income	\$603M	\$751M	+25%
Earnings Per Share	\$1.63	\$2.12	+30%

Note: All measures exclude Special Items

# Strategic Priorities

## 1 Growth

- Achieve market CAGR
- Grow all markets

## 2 Profitability

- Grow our SMB revenue
- Take advantage of manufacturing tailwinds
- Grow OpEx at half rate of revenue

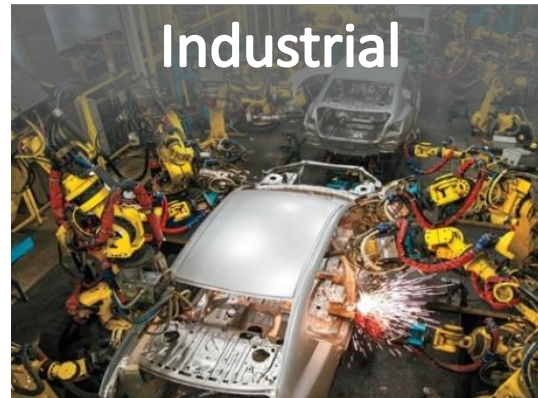
## 3 Stability

- Avoid dependence on any single market or customer
- Weigh ROI of new projects against risk

# Targeted Applications in Key Markets



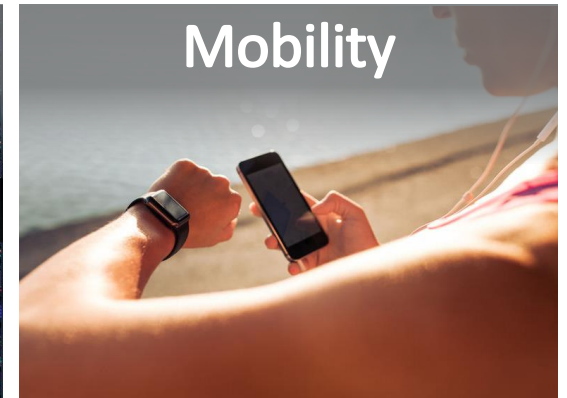
Power  
Interface  
RF



Power  
Signal Chain  
Interface  
Micros  
Security  
Sensors

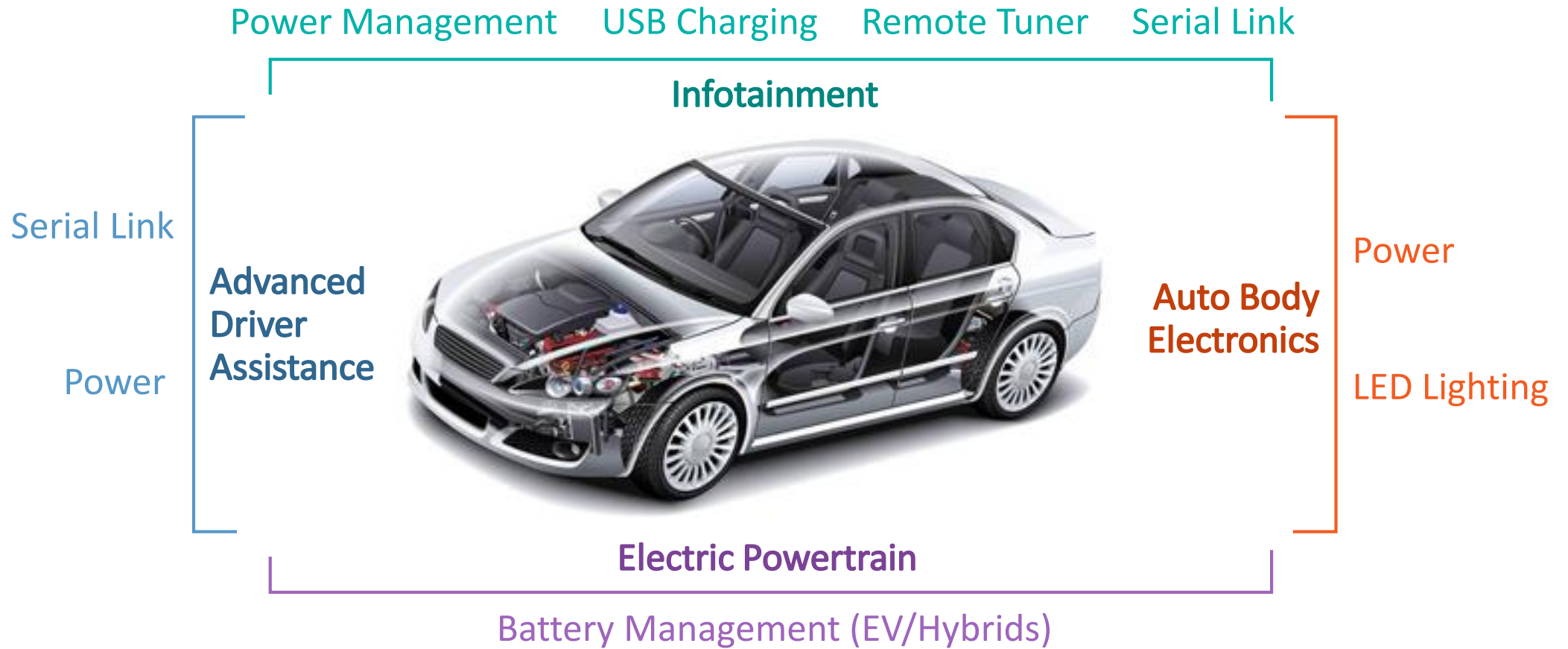


Power  
Optical



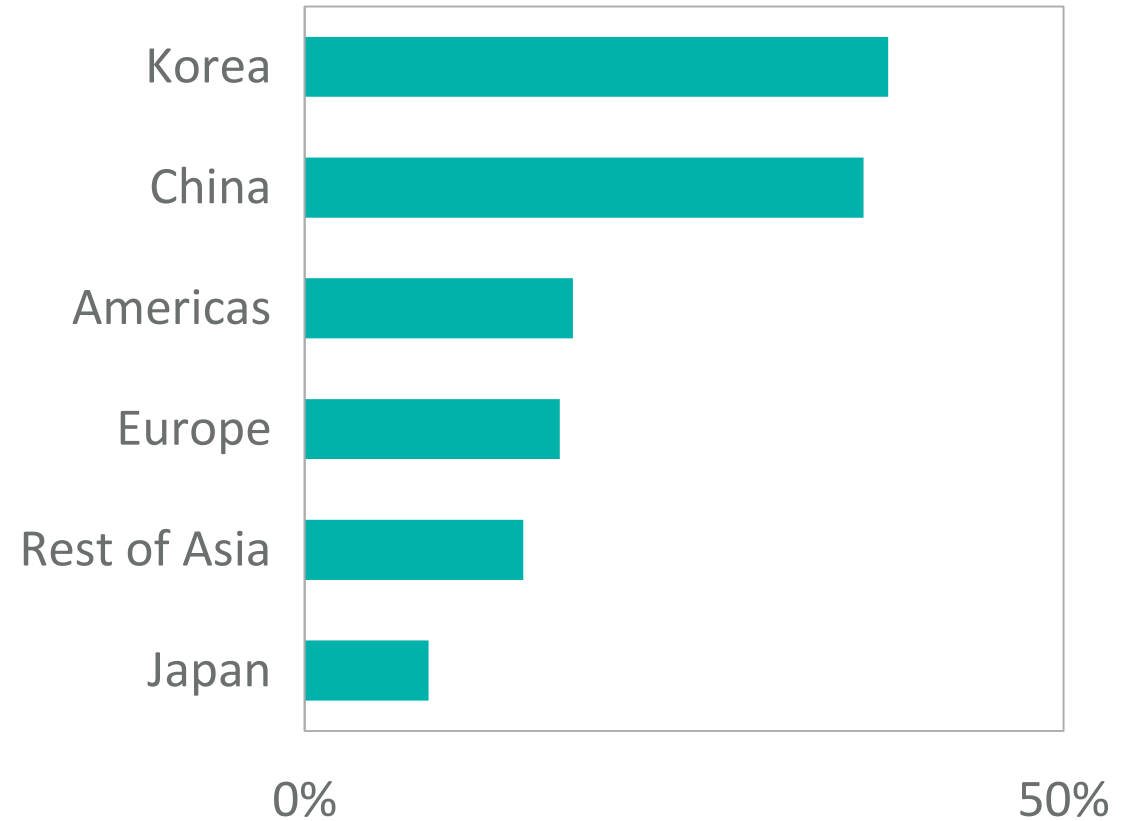
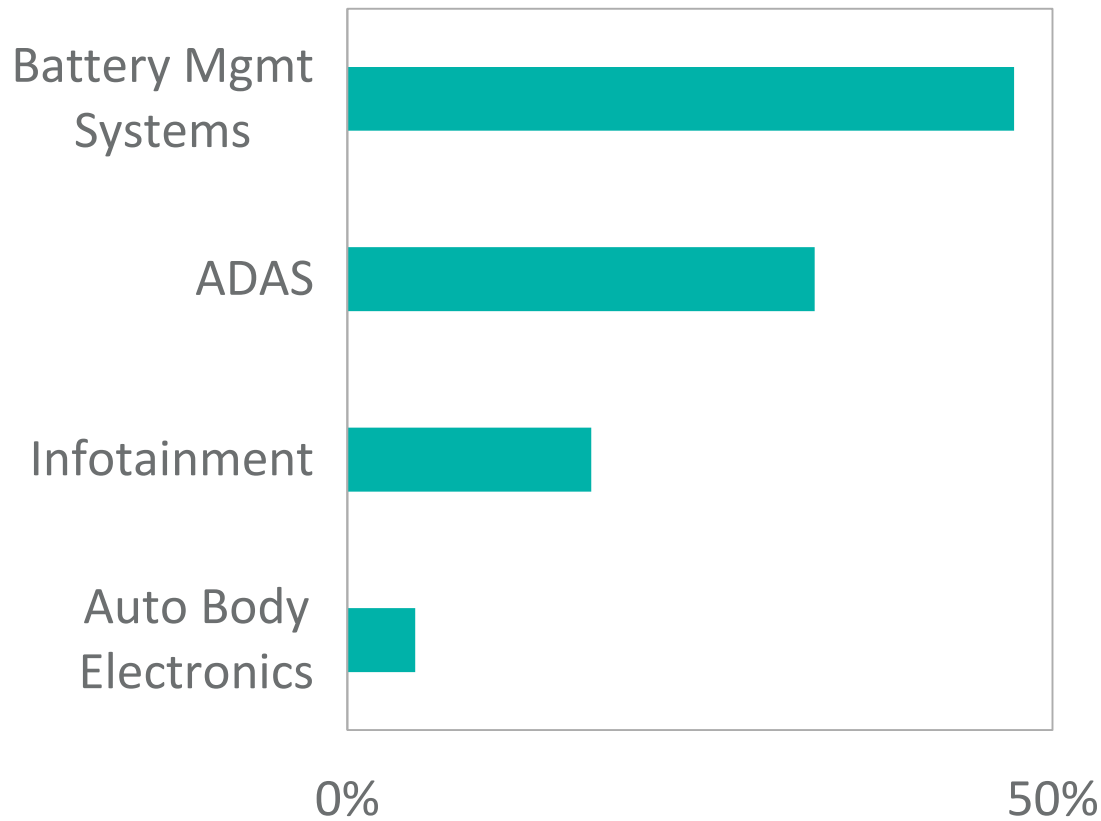
Power  
Audio  
Sensors

# 1. Maxim Solutions for Automotive



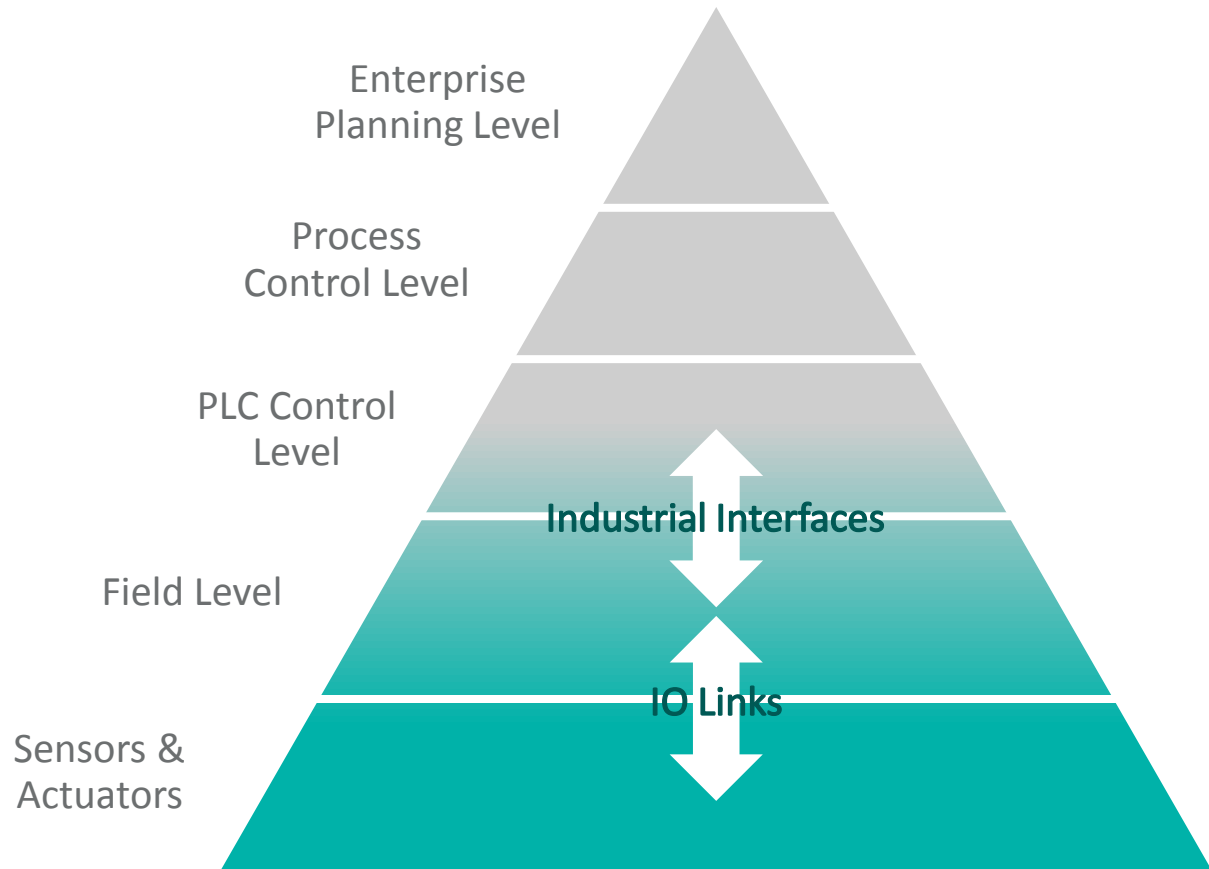
# Continued Support for Above-Market Automotive Growth

Lifetime Revenue from Design Wins, FY13 → FY17 CAGR





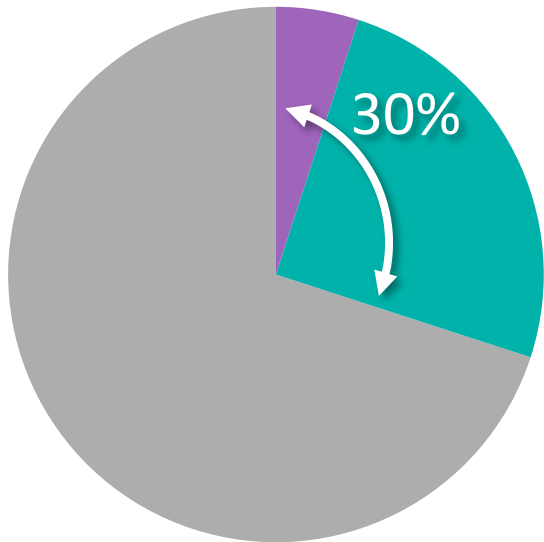
## 2. Enable the Factory of the Future



- IO-Link Comms connect the outermost branches of the factory to the network
- Small footprint, efficient power management
- \$700M market in Power and Comms growing at 10% CAGR

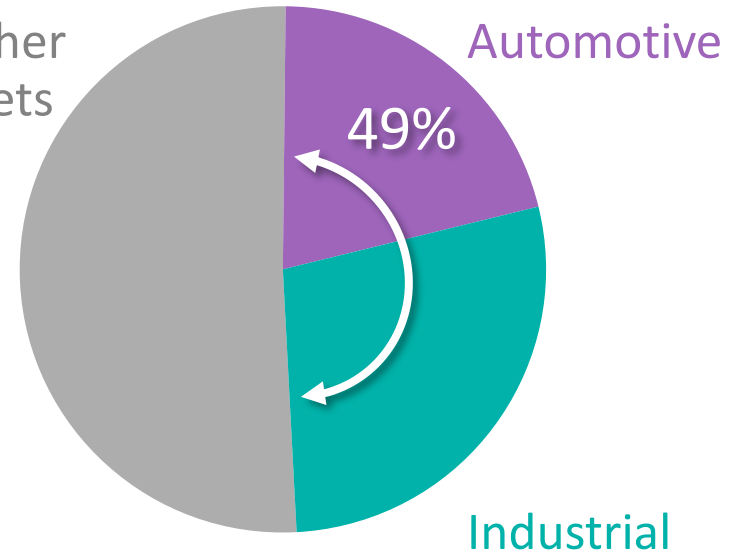
# Industrial and Automotive Growth Diversifying Revenue

FY12



FY17

All other markets

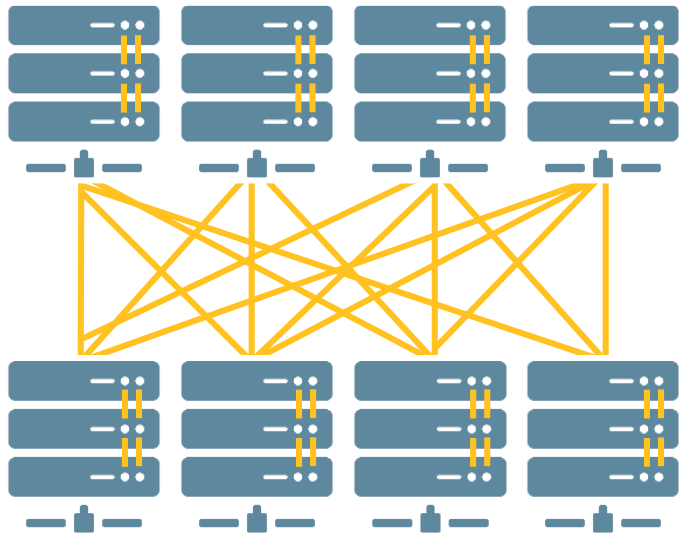


Improving revenue stability and profitability

Note: Due to nature of our general purpose products, estimates by Major Markets are imprecise

# 3. 100G Intra-Data Center Optical Market Growing at 20% CAGR

Rack-to-Rack and Within-Rack Communication



## Maxim's Differentiation

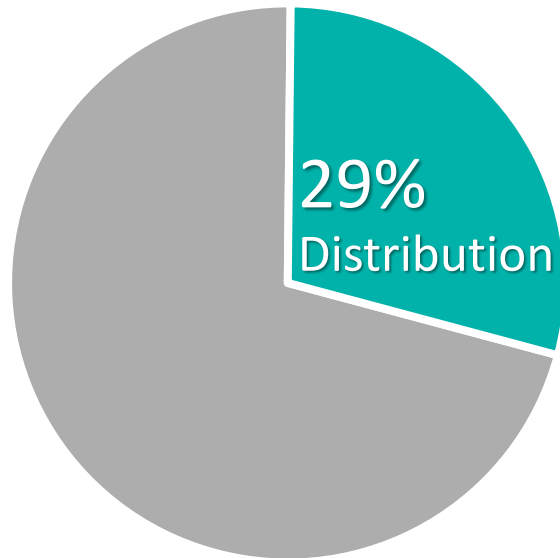
1. Proprietary IP cores for low power
2. Unique architecture lowers heat and cost
3. Digital tuning optimizes performance, improves module yields

## Serving Virtually All Cloud-Data Center Customers

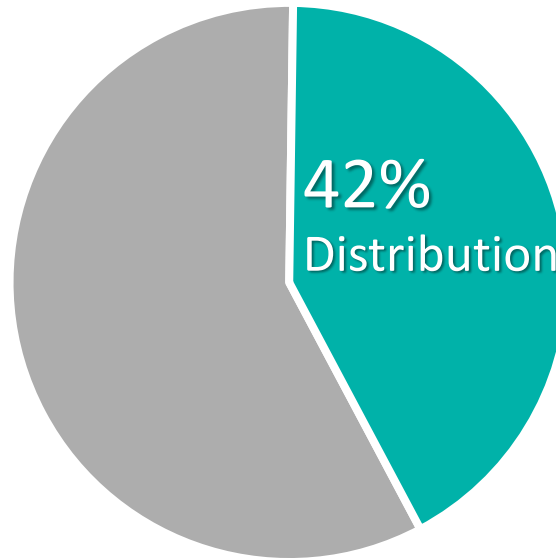


# Capture the Broad Market

FY12



FY17



Added 4 new distribution partners

Enhanced field support in Europe, Americas, China and Rest of Asia

Improving website collateral for unassisted design wins

# Long-Term Growth Expectations by End Market

**Automotive**  
Up in low teens

Infotainment, ADAS & electric vehicles

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Data Center optical connectivity & power

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**Consumer**  
Flat to up

Product diversification



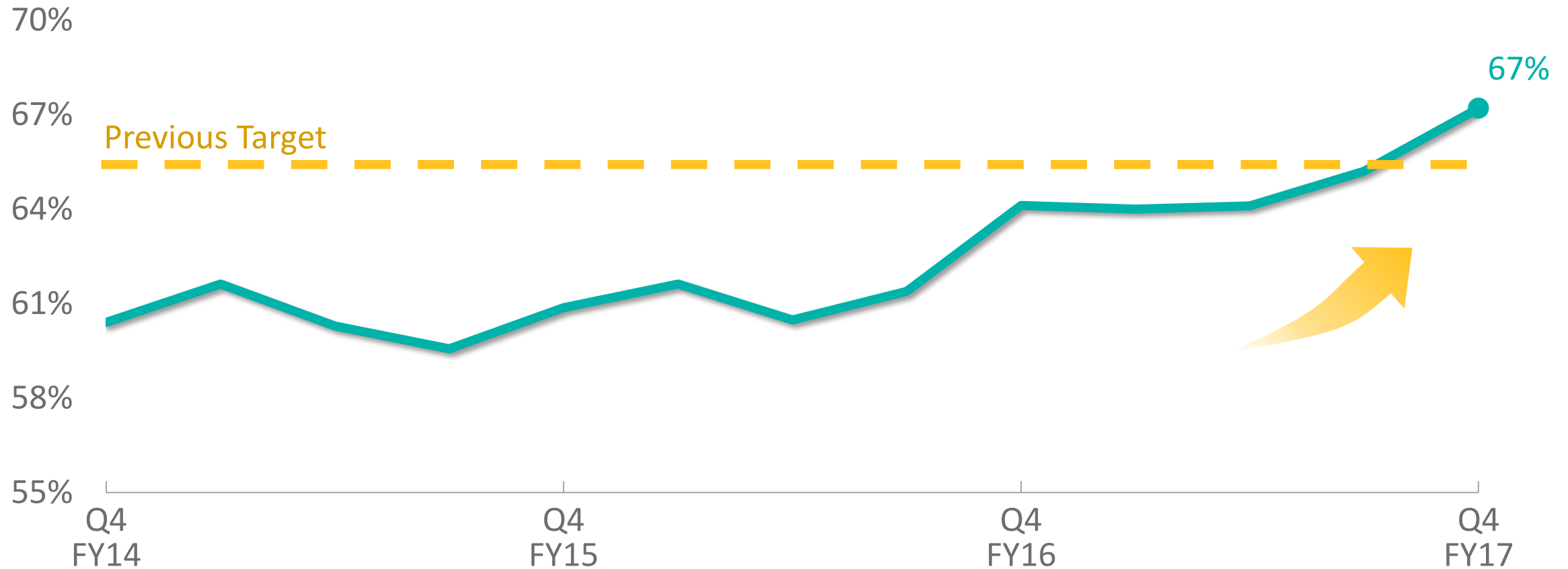
# Financial Model Update

# Current Financial Performance

	Old Model	Current Model	Q417 Results	
Revenue Growth	3 to 5 Pts Above Market	50% Above Market	+6% YoY	↔
Gross Margin	61 – 64%	~65%	67.2%	✓
Operating Margin	30%+	~35%	35.8%	✓
Free Cash Flow Margin % of Revenue	25 – 30%	30 – 35%	31.5%	✓

Note: All measures exclude Special Items

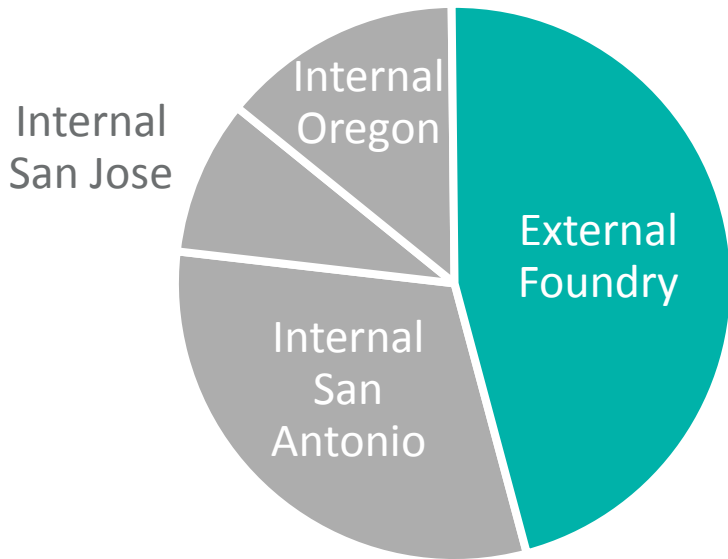
# Gross Margin Surpassed 65% Target



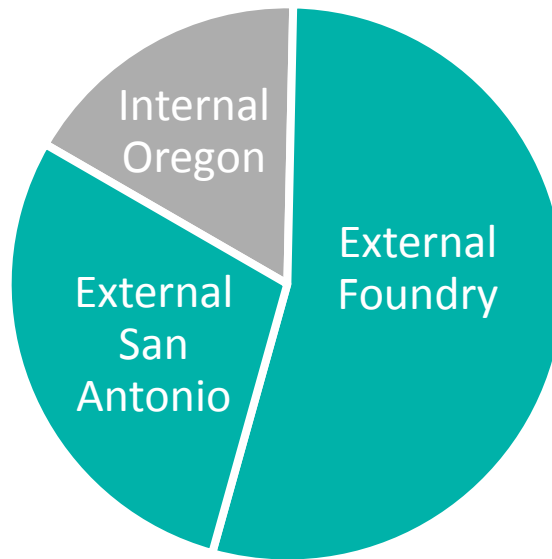
Note: Measures exclude Special Items

# Lower Costs Through Flexible Manufacturing

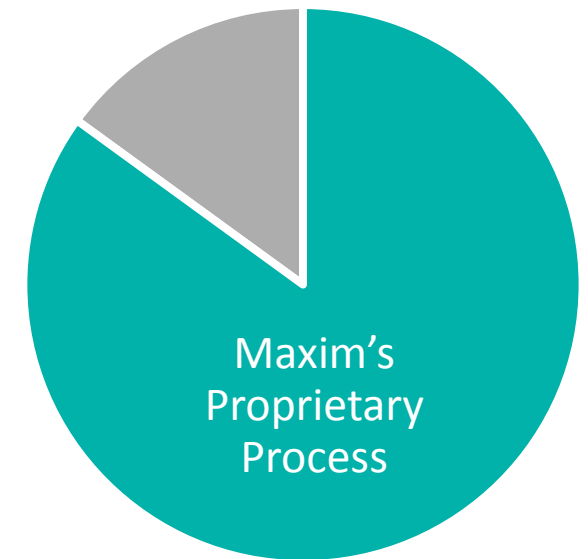
FY12



FY17

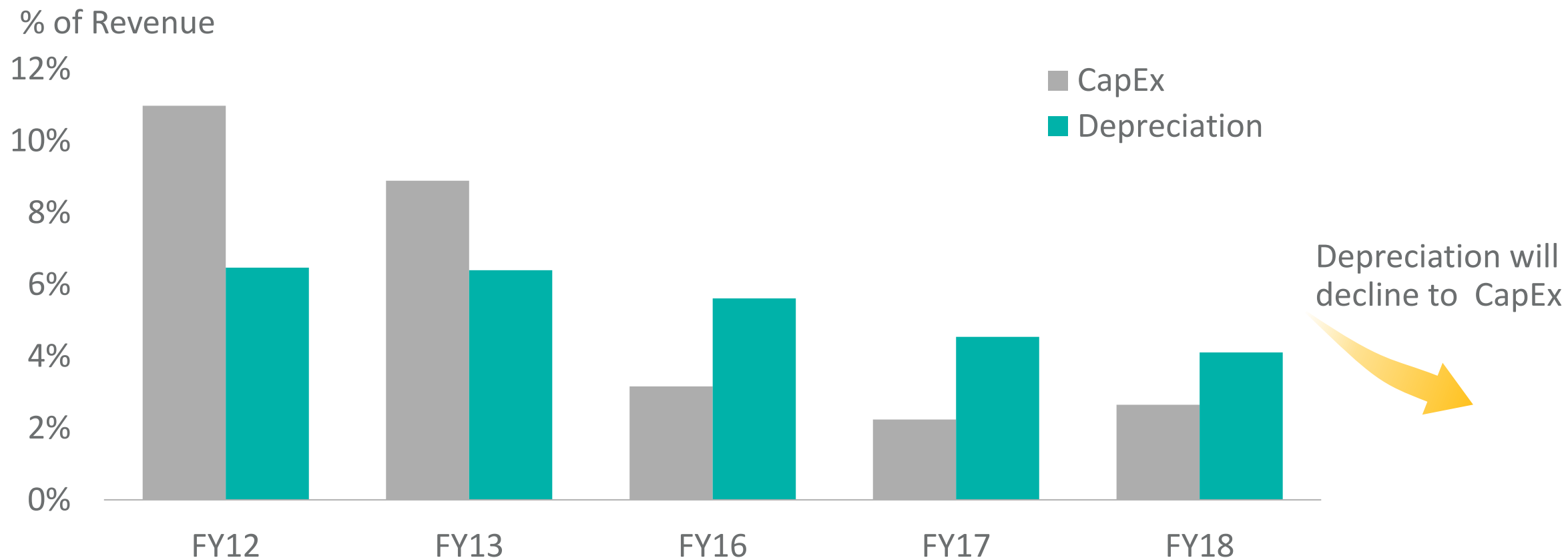


Process Flow



Combine advanced foundry capabilities & Maxim's proprietary processes

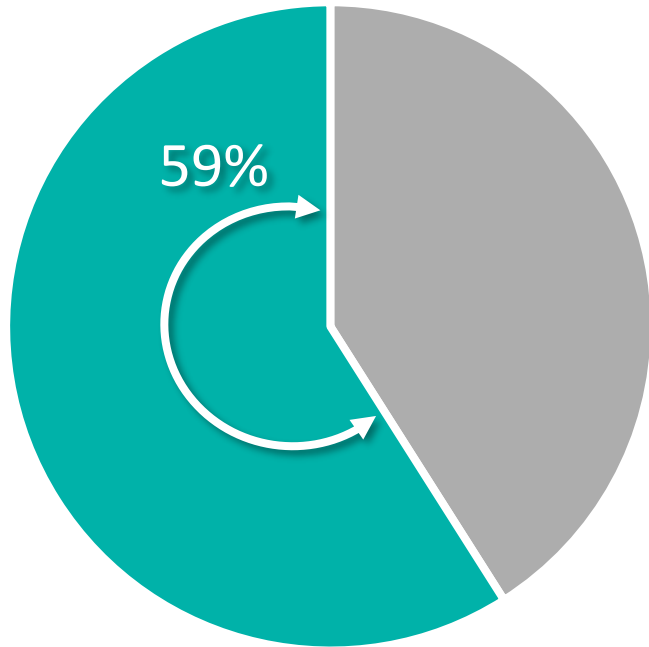
# Depreciation – CapEx Gap: Tailwind for Gross Margin



Note: Depreciation excludes accelerated depreciation  
Measures exclude Special Items

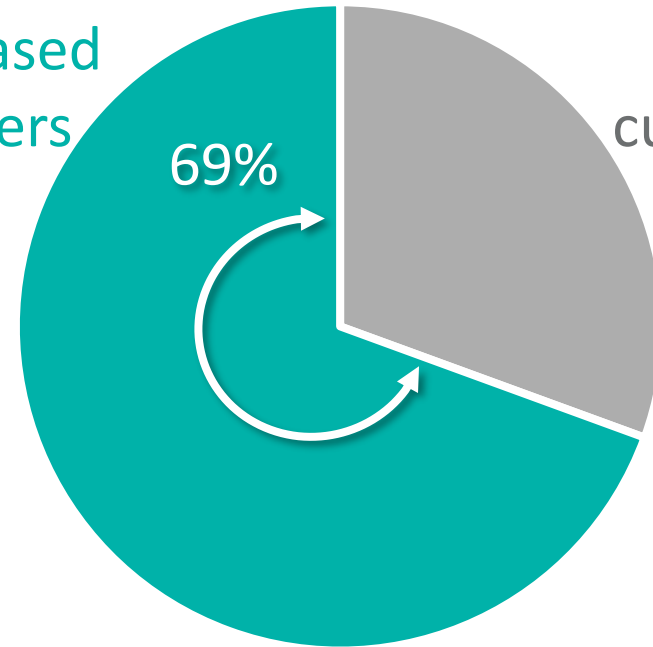
# Improving Customer Revenue Diversification

FY12



Broad-based customers

FY17



Top 10 customers

# Tailwinds Drive Gross Margin Higher

Improved utilization of existing Oregon fab

Flexible foundry capacity

Depreciation decline towards CapEx

Grow in SMB customer base

Improving Pricing Environment

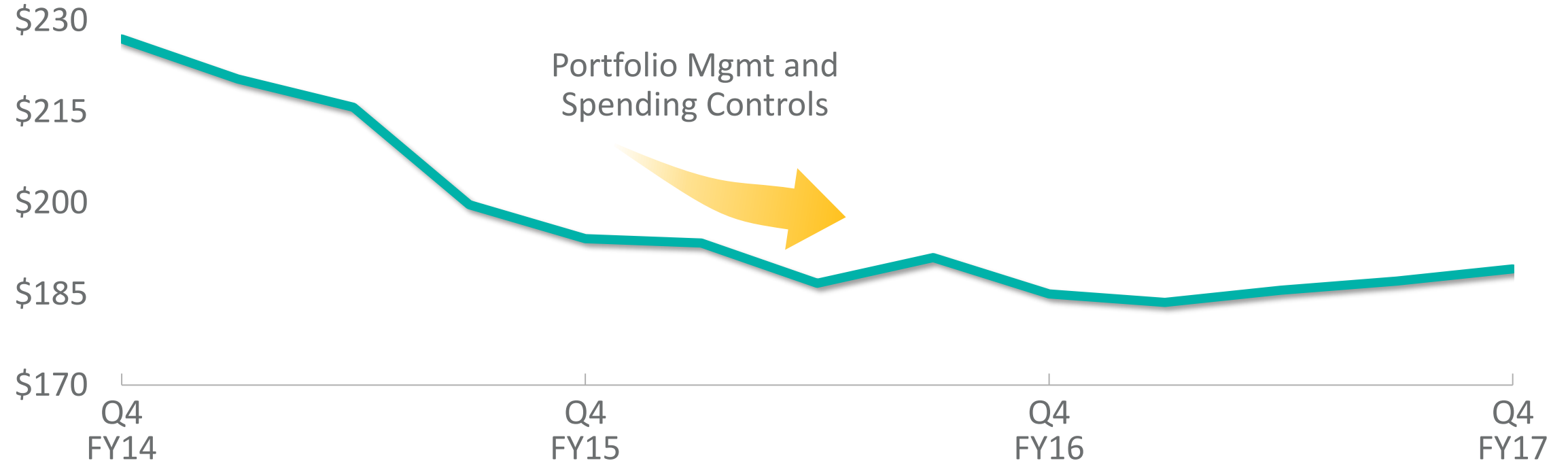
67 – 70%

Gross Margin Performance

# Maintain Tight Controls on Operating Expenses

Efficient spending, focused R&D effort

Quarterly OpEx [\$M]

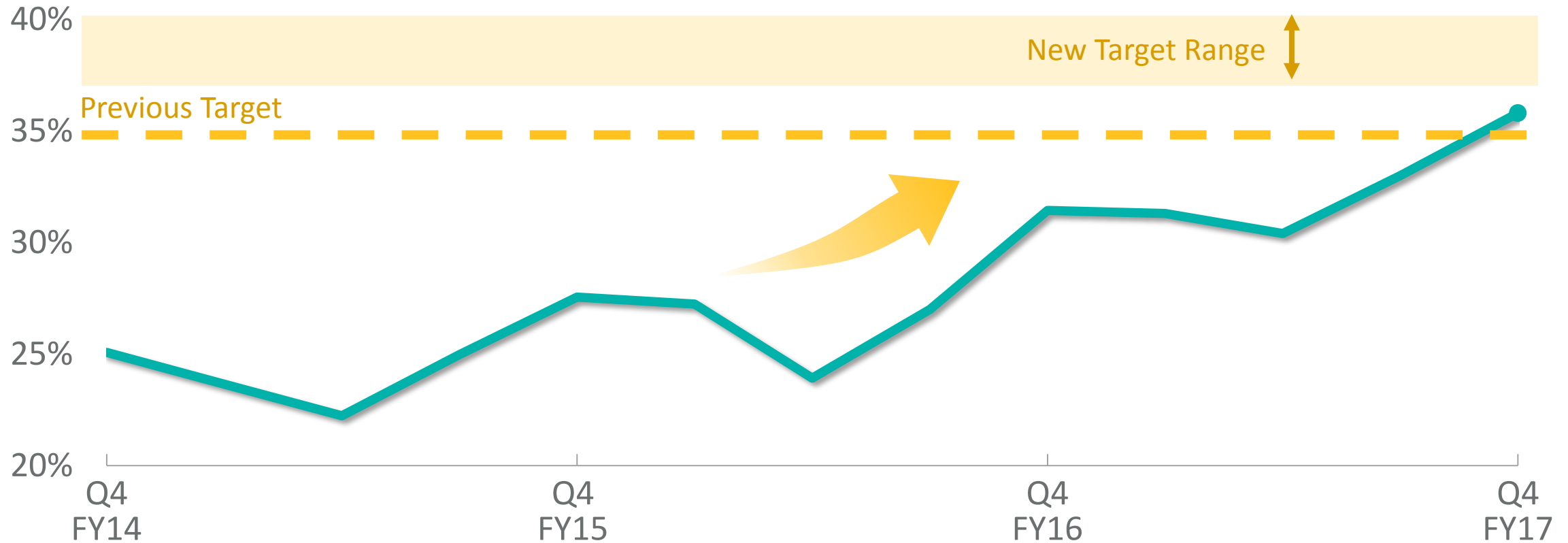


Note: Measures exclude Special Items

Expect to grow OpEx at less than half the revenue growth rate



# Operating Margin Surpassed 35%

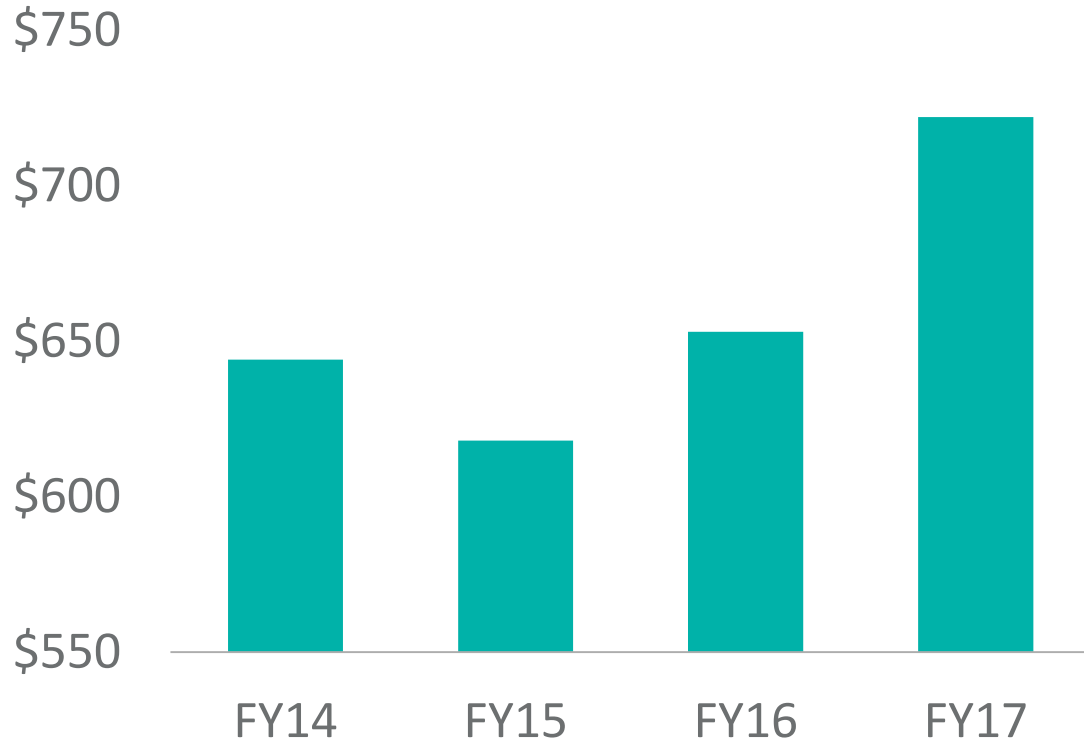


Note: Measures exclude Special Items

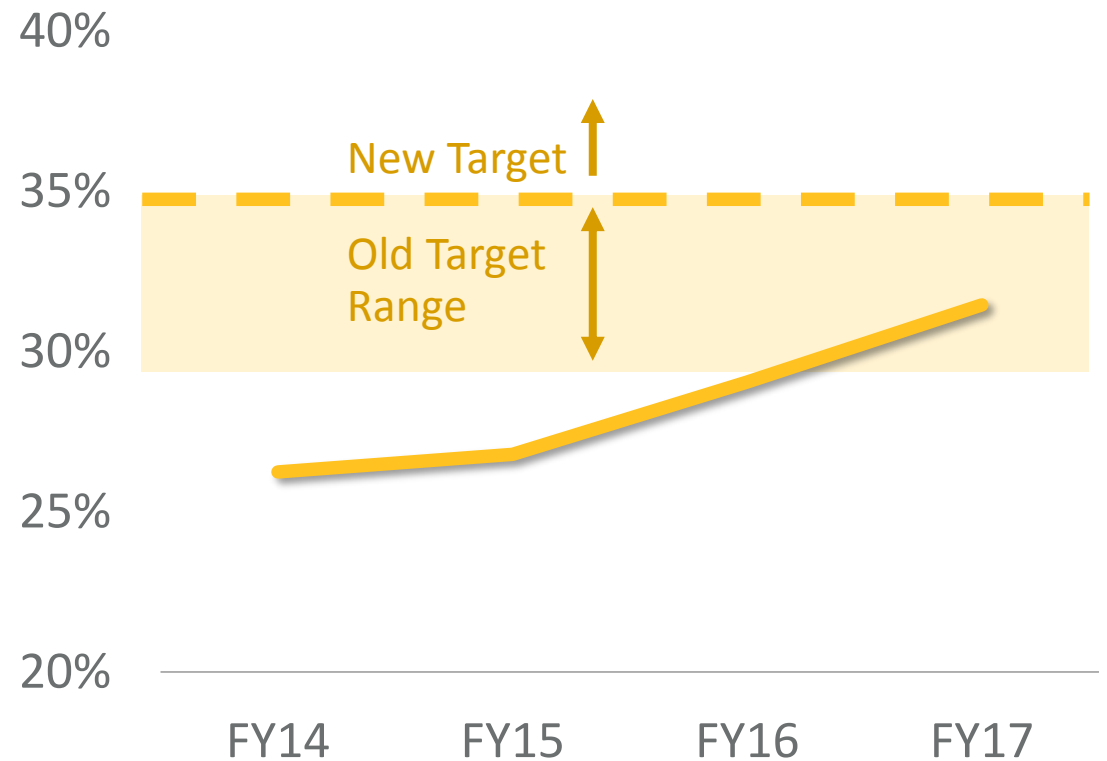
# Higher Profitability & Lower CapEx Drive Free Cash Flow

Raising free cash flow margin target: >35% of revenue

Free Cash Flow [\$M]



Free Cash Flow % of Revenue

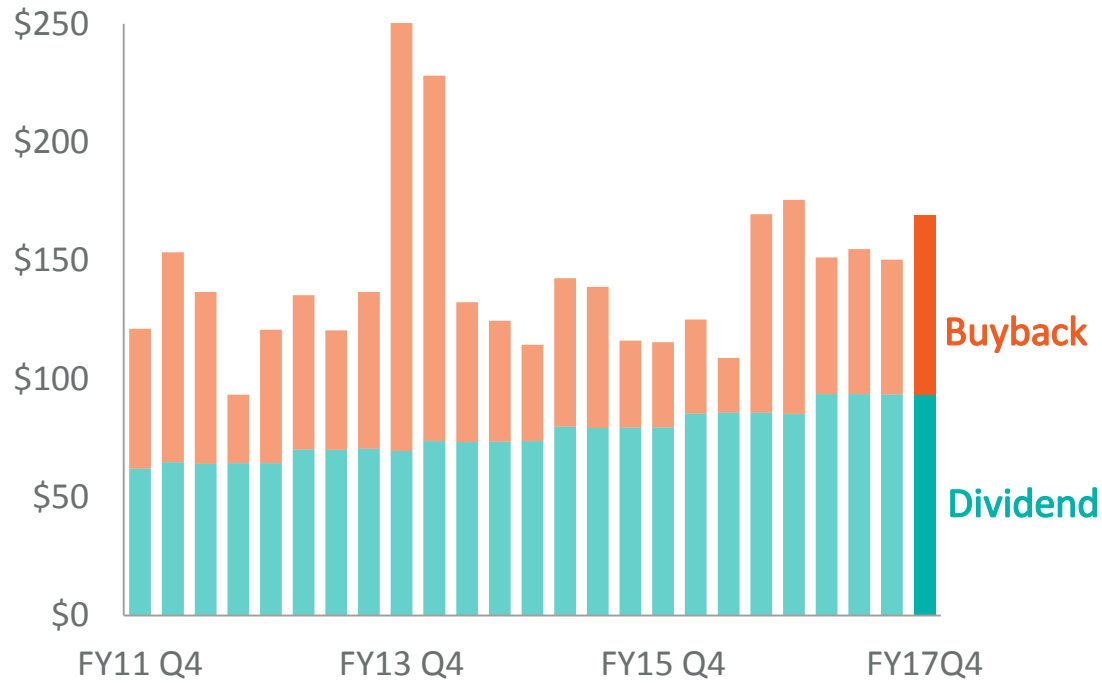


Note: Measures exclude Special Items

Free Cash Flow = Cash Flow from Operations – Gross Capital Expenditures

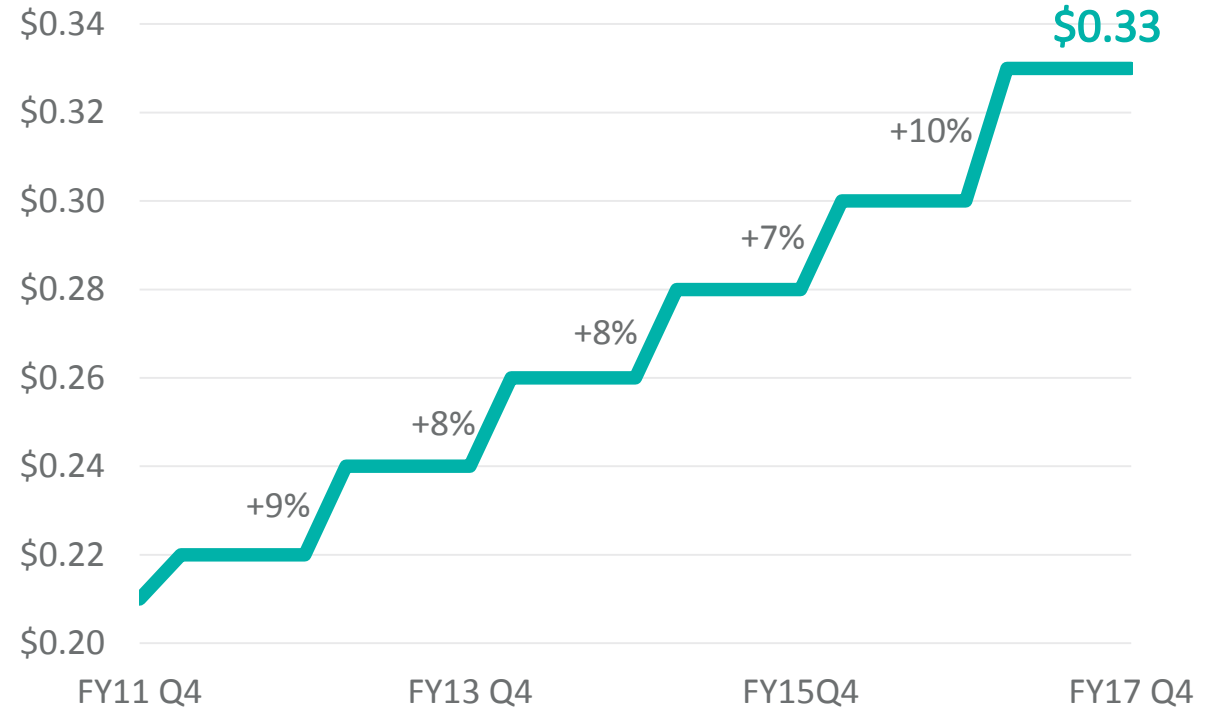
# Return of Cash to Shareholders

## Dividends & Share Repurchases



Board approved new share repurchase authorization of **\$1B** beginning FY18 Q1

## Quarterly Cash Dividend Per Share



Quarterly dividend increased **9%** to **\$0.36** per share, beginning FY18 Q1

## Stronger Long-Term Business Model

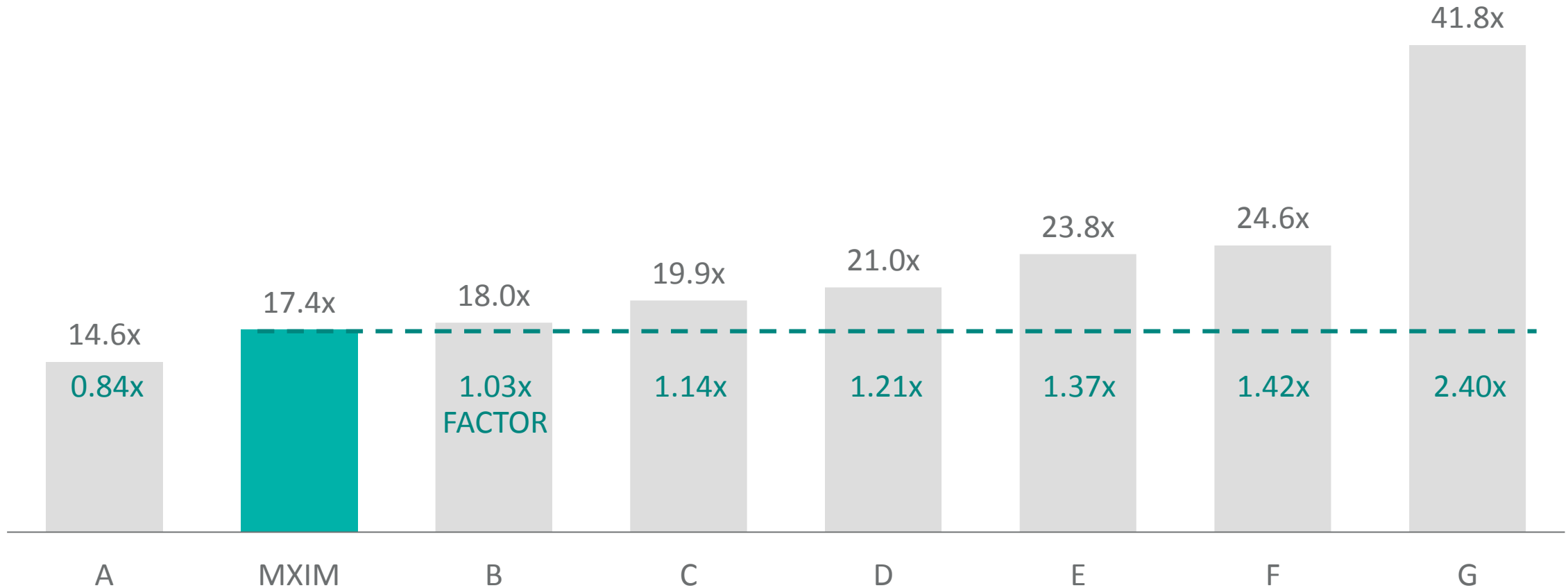
	Current Model	New Model
Revenue Growth	50% Above Market	At Market
Gross Margin	~65%	67 – 70%
Operating Expense, % of Revenue	~30%	Grow at ½ Revenue Rate
Operating Margin	~35%	37 – 40%
Tax Rate	15%	14%
CapEx, % of Revenue	1 – 3%	1 – 3%
Free Cash Flow Margin, % of Revenue	30 – 35%	>35%
Cash to Shareholders, % of Free Cash Flow	80%	80%

Note: All measures exclude Special Items

**Long-term target: \$3.50 Free Cash Flow per share**

# Why Invest in Maxim?

FCF Multiple at a Discount to our Peers



Note: Data as of June 30, 2017 First Call consensus mean estimates; Measures exclude Special Items  
FCF Yield = FCF (CY2016E) / Market Capitalization; Competitors: ADI, CRUS, IDTI, MPWR, SLAB, SMTC, TXN





maxim  
integrated™

Empowering Design Innovation