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MAXIM-ISING THE IRISH ECONOMY

Maxim Integrated Products announced last week that it is opening a new business centre in Dublin.



In my opinion this is an interesting piece of news because Maxim is a company that I have been interested in for a number of years. In fact I visited them on one of my silicon-valley trips back in 2002. I even mentioned them in Opinion piece number 16 back in January 07 because they are one of the major players in the analogue semiconductor sector. In that piece I wrote the following:

The leading names in the time I have been covering the industry have been Linear Technology and Maxim Integrated. Not far behind these two have been Analog Devices and the analog division of Texas Instruments.

I personally invested in Linear and Analog Devices but I did not invest in Maxim because of that meeting back in 2002. It was one of those situations where I took an immediate dislike to the person I met. The Chief Financial Officer (CFO) Carl Jasper did not impress me. He came across as arrogant and aloof and a complete contrast with Linear Technology CFO Paul Coghlan. It did not come as a complete shock to me when he resigned in 2007 due to his involvement in a controversial stock option procedure. (My gut instinct proved right on that occasion!)

(If anyone has an interest in why he resigned you can read about the subsequent legal action at the following web address:

http://www.jenner.com/files/tbl_s69NewsDocumentOrder/FileUpload500/4082/Ryan%20v.%20Gifford.pdf)

As a major competitor of Linear and Analog Devices I have continued to watch developments at Maxim. I have not had the opportunity to meet the new management team but I have listened to them on their results webcasts. It would appear that Maxim

now has the opportunity to leave behind the unethical past and concentrate on enhancing their strong market position in what I believe to be a great industry.

In opinion piece 16 I wrote about why I believe the analogue semiconductor industry is such an interesting industry but in summary it is sufficient to say that it is a high skill, high value added and high wage industry.

I would have been really excited if they had announced that they are setting up a design centre in Dublin because that is where the highest skills and highest salaries exist but as the following information from their website shows they are looking for other skills in accounting, technology and supply-chain.

Maxim International Business Centre in Ireland Is Hiring Now

Maxim Integrated Products is establishing a new international business services operation in Dublin, where we will initially recruit 50 team members in various disciplines. We expect this to rise to over 100 by 2012.

Our new business centre which will support our customers and businesses in the Europe, Middle East, and Africa (EMEA) region, and some Asian locations. The new centre will require accountants, financial analysts, supply-chain specialists, information technology (IT) technicians, and multilingual customer-service staff.

Hiring starts immediately. Skilled and ambitious candidates who seek a promising career in a successful and progressive international company are encouraged to apply now.

The fact that Maxim is looking to hire people with skills in these areas suggests to me that Ireland must be a reasonably competitive place for Maxim to find these skills.

Maxim could have set up this operation in India or China or London or Poland but it chose Ireland. Even if the 12.5% tax regime is the biggest positive I presume that they would not have done it unless the accountants have the skills they need.

This makes me wonder whether salaries in areas like accountancy and technology have fallen to levels where Ireland might start to win a significant proportion of mobile investor dollars. If this is the case it might just be that there is a glimmer of light at the end of the tunnel. We might be at a point where we can start to export our way out of this mess we have got ourselves into and even though Maxim will not be making anything in Ireland they will be providing jobs that have nothing to do with the property sector.

For every job created in Maxim there are likely to be other jobs created. This multiplier effect will help to get us through this enormous adjustment phase. It may also go some of the way to prove economists like Jim Power (no relation!) wrong. I saw Jim on the Vincent Brown TV3 news show recently and in his mind he had no doubt that as a country we are bust. He did not provide any numbers to back up his argument but I know that there are plenty of people that agree with him. I cannot prove that we are not bust but my instincts tell me that we will come out the other side of this, hopefully not too much poorer but a lot wiser.

In conclusion I want to say that Maxim-ising the economy might help recreate a vibrant jobs market so that we can give hope to all those that are struggling at the moment.....happy xmas to everybody and I hope 2010 brings better economic news.

Update on Linear Technology and Analog Devices:

In opinion piece 16 I said that I would keep readers updated on progress at Linear and Analog. I mentioned that in Oct 06 I had bought some Analog at \$29.5 per share and some Linear at \$31.48 per share.

Here is the chart of Analog and at the current share price of \$31 I have to admit that after three years I am around where I started. With hindsight I could have bought below \$20 but as I have said before I am trying to match Warren Buffett with his investment time horizon of potentially owning a stock forever!



The story with Linear is the same:



I continue to believe that these are stocks I can hold on to. Give me a few more years before you reach a conclusion.

Just out of interest, here is the same chart for Maxim:

