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Maxim Integrated Products' (MXIM) CEO Tunç Doluca on Q1 2020 Results - Earnings Call Transcript

Oct. 29, 2019 8:02 PM ET
by: SA Transcripts

FQ1: 10-29-19 Earnings Summary

Press Release *10-Q* *Slides*

EPS of $0.52 beats by $0.03 | Revenue of $533.04M (-16.52% Y/Y) beats by $2.05M

Earning Call Audio

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00:00 -42:18

Maxim Integrated Products, Inc. (NASDAQ:MXIM) Q1 2020 Earnings Conference Call
October 29, 2019 5:00 PM ET

Company Participants

Kathy Ta – Vice President-Investor Relations

Tunç Doluca – Chief Executive Officer

Brian White – Chief Financial Officer

Conference Call Participants

Ross Seymore – Deutsche Bank

Ambrish Srivastava – BMO

Harlan Sur – JP Morgan

C. J. Muse – Evercore

Jamie Zakalik – Bank of America

Craig Hettenbach – Morgan Stanley

John Pitzer – Credit Suisse

Josh Buchalter – Cowen

Jeremy Kwan – Stifel, Nicolaus

Mitch Steves – RBC Capital Markets

William Stein – SunTrust

David Haberle – Susquehanna

Operator

Good day, ladies and gentlemen, and welcome to the Maxim Integrated First Quarter of Fiscal 2020 Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. [Operator Instructions] As a reminder, today's program is being recorded. I would now like to introduce your host for today's program, Kathy Ta, Vice President, Investor Relations. Please go ahead, Kathy.

Kathy Ta

Thank you, Jonathan. Welcome everyone to Maxim Integrated's fiscal first quarter 2020 earnings conference call. Joining me on the call today are Chief Executive Officer, Tunç Doluca; and Chief Financial Officer, Brian White. As part of our usual process, we have posted a supplemental financial presentation into our external investor relations website.

The information in this presentation accompanies the financial disclosures in our earnings press release and on this conference call. During today's conference call, we will be making some forward-looking statements. In light of the Private Securities Litigation Reform Act, I'd like to remind you that these statements must be considered in conjunction with the cautionary warnings that appear in our SEC filings. Investors are cautioned that all forward-looking statements in this call involve risks and uncertainty and that future events, may differ materially from the statements made.

For additional information, please refer to the Company's Securities and Exchange Commission filings, which are posted on our website. Now, I'll turn the call over to Tunç.

Tunç Doluca

All right. Thank you, Kathy. Good afternoon to all our participants. We appreciate you joining us today and your interest in Maxim Integrated. Let me first summarize last quarter's results and our outlook. Our September quarter results met our expectations while maintaining lean inventory levels. Looking forward to the December quarter, we expect sequential growth in communications and data center, in automotive and an industrial partially offset by smartphone-related headwinds and holiday seasonality in consumer. We continue to be cautious given the persistent macro and trade uncertainty, but demand trends are stable. Given the soft environment, we will continue to tightly manage inventory and spending into December quarter.

I will next provide color by end market. As a reminder, we have improved our revenue mapping by end market to be in more automated system. All my commentary is based on our new mapping. In year-on-year comparisons, we also use the updated mapping methodology.

I will begin with Automotive. In the September quarter, our Automotive business was down 9% sequentially and down 4% from the same quarter last year. This reflects the effects of a year-over-year decline in global car production. However, we continue to see strong growth in driver assistance in electric vehicle content compared to the same quarter last year.

In the December quarter, we anticipate strong growth sequentially in Automotive, driven by driver assistance and battery management system content, and a return to growth in our infotainment business.

Growth in battery management system revenue was expected to come from the mix of geographies. In driver assistance, we expect to recognize revenue from new design wins the Chinese car makers with our serial link products. And finally infotainment system revenue is expected to grow sequentially across a broad range of customers.

Let me next turn to the industrial market. In the September quarter, industrial was down 8% from the June quarter. This was softer than seasonality and modestly below our expectations. We experienced this broad base weakness across our industrial markets.

In the December quarter, we expect above seasonal sequential growth in industrial from a broad set of customers. This growth is from a low baseline in the September quarter and assumes continued stability in the run rate of bookings and lead times in the quarter.

Let me next discuss communications and data center, which now includes computing. In the September quarter, comms and data center was down 7% sequentially. Broad base weakness in communications infrastructure was partially offset by an uptick in demand for 100G laser driver products for data center applications.

In the December quarter, we anticipate comms and data center revenue to be up strongly from the September quarter. We expect strong growth in 100G laser drivers shipments for data centers and growth in 25G optical products for 5G base station applications.

Finally, let me turn to consumer. In the September quarter, consumer was up 5% sequentially. We experienced weakness in smartphones offset by growth in tablets, wearables, and peripherals.

Smartphones comprised approximately 35% of our consumer business in the quarter with Samsung smartphone revenue declining less than expected. In the December quarter, we expect consumer to be strongly down sequentially with the peak of the holiday shipments for consumer electronics having occurred in the prior quarter.

To summarize, we have built Maxim to be resilient and to position the company to outperform in the next market upturn. While we are clearly in a period of soft demand in certain – uncertain macroeconomic conditions, we expect sequential revenue growth in communications and data center, in Automotive and in Industrial. We are executing on our strategy to grow revenue with new design wins in long life products in Automotive and Industrial. Our analog business model and flexible manufacturing strategy enabled consistent company profitability and stability.

Now, I'll turn the call over to Brian for his first call as Maxim CFO. Brian?

Brian White

Thanks, Tunç, and thank you to everybody on the call today. I'm very pleased to have officially joined the Maxim team. I was able to meet some of our analysts and investors last quarter and I look forward to meeting everyone in the coming months during our normal schedule of investor events.

Turning to our results. Revenue for fiscal Q1 was $533 million, $3 million above the midpoint of our forecast range entering the quarter, but down 4% sequentially and down 17% from the same quarter a year ago.

As Tunç mentioned, we are now using an automated system to map revenue to end markets. As most of you know, end market mapping can be a challenge in our industry, given that we have thousands of products and thousands of customers. This updated mapping does result in some changes to our revenue breakout by end market starting with the currently reported quarter. As an aid to investors, we are providing four quarters of history under the new mapping on our website.

Also what we previously categorized as computing, which is primarily personal computing, is now combined with communications and data center. This now combines PCs and peripherals into the same category as servers. Our commentary and supplemental earnings presentation published on our website referenced this new mapping.

Our revenue mix by major markets in Q1 was approximately 30% Industrial, 27% Automotive, 24% Consumer, and 19% Comms and Data Center. Combined Automotive and Industrial was 57%.

Let me now turn to the distribution channel. Distribution comprised 50% of Maxim's revenue in Q1. We ended the quarter with just 48 days of channel inventory, down 11 days from the prior quarter and well below our long-term target of 60 days. The significant decrease in channel inventory was driven by the combination of our tight inventory management along with stronger than expected resales in China. China resales were strong across multiple product lines, but particularly for optical and BMS products. Despite this strength, we believe that it's too early to interpret this as the beginning of a broad sustained upward trend in China end demand. Given the potential impact, the trade tensions may be having on buying behavior.

Turning to the P&L, Maxim's gross margin, excluding special items was 65%, up 20 basis points from the prior quarter and above the midpoint of our guidance, with the increase driven by favorable manufacturing efficiencies combined with lower inventory reserves.

Operating expenses, excluding special items, were $185 million, up from the prior quarter reflect an impact of annual merit increases for employees combined with higher R&D spending in support of new product development.

Q1 GAAP operating income, excluding special items, was $161 million. Operating margin was 30.3% of revenue, down from the prior quarter due to lower revenue. The Q1 GAAP tax rate, excluding special items, was 13% and equal to our current outlook for the remainder of this fiscal year. GAAP earnings per share, excluding special items, was $0.52, $0.03 above the midpoint of our guidance range due to higher profitability.

Turning to the balance sheet and cash flow. Total cash, cash equivalents and short-term investments were $1.8 billion, down $105 million from the prior quarter.

Q1 inventory days ended at 115, up one day from Q4 due to improved gross margin while inventory dollars were down 4% from the prior quarter.

Capital expenditures were $21 million. Trailing 12-month free cash flow defined as cash from operations, less capital expenditures was $725 million or 33% of revenue. Free cash flow per share was $2.64 and our free cash flow yield is 4.6% at yesterday's closing stock price.

For capital return, share repurchases totaled $94 million in Q1 as we bought back approximately 1.6 million shares. Dividends totaled $130 million in the quarter based on yesterday's closing stock price and quarterly dividend of $0.48 per share. Our dividend yield is 3.3%.

Total return of cash through dividends and share repurchases was 142% of free cash flow on a trailing 12-month basis.

Now, I'll turn to our outlook for the December quarter. Our beginning fiscal Q2 backlog was $402 million. Based on this beginning backlog and expected turns, we forecast Q2 revenue to be between $525 million and $565 million, up 2% from the prior quarter.

Q2 gross margin, excluding special items, is forecasted at 64% to 66% flat with Q1. Q2 operating expenses, excluding special items, are expected to be up approximately $2 million from Q1 driven by the full quarter effect of annual merit increases partially offset by continued tight spending controls.

Our tax rate for Q2, excluding special items, is expected to be 13% flat with Q1.

For Q2 GAAP earnings per share, excluding special items, we expect a range of $0.49 to $0.57. Fiscal Q2 capital expenditures are expected to remain in a similar range as Q1 at approximately 3% of revenue. We expect CapEx will decline toward the midpoint of our targeted range of 1% to 3% in the second half of our fiscal year.

In summary, given the current environment, we are tightly managing spending in inventory both internally and in the channel while continuing to invest prudently in our long-term secular growth drivers.

Our financial model enables us to generate strong consistent cash flow and we remain committed to return 125% more of that free cash flow to investors.

With that, I'll turn the call back over to Kathy.

Kathy Ta

Thanks, Brian. That concludes our prepared remarks and we will now open the call for questions. We'd like to continue the same Q&A process that we've used in previous calls. We'll take one question from each caller, so we can get to as many people as possible. Jonathan, could we please have our first question?

Question-and-Answer Session

Operator

Certainly. Our first question comes from the line of Ross Seymore from Deutsche Bank. Your question please.

Ross Seymore

Hi, everybody. Congratulations on the solid results. Tunç, the picture question for you. The inventory came down way more than you thought in the quarter. You guys are guiding better than people expected. So can you just give us a view and do you think end demand is actually improving much or is the difference between your fiscal 1Q and 2Q just an inventory dynamic and you can break that down to any specific end markets if you choose that would be helpful as well.

Tunç Doluca

Yes, okay, we are happy to do. So first of all what we're seeing is obviously we were not expecting the shipments from distributors to be as strong as expected. I think that's broadly because of some specific markets where the demand was strong and Brian expressed what those were, some of our BMS products and some of our optical products. But there was also a drawdown from other markets too, to a lesser extent.

I think the best way to characterize the market is that the weakness that we had seen in the past several quarters is there, but it is stable. And for us, we've seen pockets where we're seeing growth for our product lines. And I summarize those in my prepared remarks. So I think that even though obviously it's a tailwind to be able to replenish distribution, we are also seeing growth in some of our markets.

And if you look at our demand or our revenue picture going from quarter-to-quarter, we basically said that three of our markets, our major markets, we're going to be up in this quarter compared to the last. And the only one in the other direction is consumer. And that's mostly because of smartphones and because of the holiday shipments occurring in the previous quarter.

So I think to summarize, I think, the broad based it's still pretty stable. And there are areas or pockets of growth for the company where we are definitely seeing some strength.

Ross Seymore

Thank you.

Tunç Doluca

You are welcome.

Kathy Ta

Thanks, Ross.

Operator

Thank you. Our next question comes from the line of Ambrish Srivastava from BMO. Your question please.

Ambrish Srivastava

Hi. Thank you very much. I just wanted to focus on the automotive segment Tunç. If I look at the last several quarters your auto business has done much better than your peers and it's not a small business anymore whether as a percent or on an absolute basis. So the question is a twofold. One is maybe your results are not indicative of the market, but just wanting to get a sense from you, what are you seeing in the end market because SAR has come down this year versus early expectations. And so, hey, are you seeing a stabilization and a pickup in SAR because you're guiding your infotainment up as well, which I'm assuming is more SAR related.

And then that's the second part of the question is how much have you talked about BMS doing better and that was the detractor last quarter. So is that some specific programs that are ramping and just help us understand the auto performance, not just near term, but just kind of the cadence over the last quarters and then going forward. Thank you.

Tunç Doluca

Okay. All right. So me let me try to summarize. So you gave the answer partially to your question on infotainment. It is our largest piece. It will be the most correlated to car production in the world. And obviously when car production was down last year, it was the one that had the biggest effect. However, we are seeing strength in that for the quarter we're in right now. So some of that businesses is coming back. Some of it we're really guessing. It's because of people adjusting to car production being down and obviously that has some effects on them drawing down on inventories. So I think that that's kind of, looks like it's getting behind us.

On the BMS front, it was a bit of a headwind last quarter, but it's coming back pretty strong in this quarter. Even though it was a headwind last quarter, by the way, BMS was still up double digits on a year-over-year basis. So essentially, we're still happy with our position in that market and we're still expecting it to be, growing strongly again this quarter as well.

The other bright spot there is really in our serial link business, which is doing very well. And we think that that too is helping us, get numbers that are better than unit car growth. But if you recall, that's been our model all along. So we are pleased with the results we're getting right now. And if you remember last quarter we disclosed it, we had over a $1 billion of design wins – lifetime revenue design wins last year, which was a 26% increase from the previous year. So we're very happy with our performance on the Automotive side.

Ambrish Srivastava

Okay. Thank you.

Kathy Ta

Thanks Ambrish.

Operator

Thank you. Our next question comes from the line of Harlan Sur from JP Morgan, your question please.

Harlan Sur

Good afternoon, solid execution on the quarter guys, and welcome to the team Brian, I look forward to working with you again. Maybe a similar question, similar to Ross and Ambrish, but focused more on the industrial segment, very broad base. Looks like the business declined slightly more than expected in September, was this the final leg of inventory drawdown as your channel inventories were down so much? And looking at the growth in the December quarter resales are looking – have been looking good.

Is this simply that you're now catching up to consumption versus shipping below consumption? And where are you seeing the most momentum is it SMB, the broad based business versus some of the verticals like factory automation? Any color here in industrial will be great.

Tunç Doluca

Yes so on the industrial side it's a mix of things. There's definitely, in one of the questions that we sometimes get asked is, it appears that your shipments are below what the industrial customers' revenues are, which definitely is true. And obviously they have to adjust to what's happening to them. And there is a long channel of inventory, there's some at distribution, there's some at the customer. So therefore I think we believe and there's no real way Harlan to get this data very accurately. We believe that they've drawn down most of their inventory and clearly in distribution inventories have gone down as well for us.

So from a short term outlook it seems like there is some stabilization that's happening in the channel. So for the broad base of customers that is what we're seeing. There are also some parts of the verticals that are actually doing better than they have been in the past. And they're expected to do better this quarter as well. And I think if you remember our verticals are markets like ATE and financial terminals, I think those are beginning to do better for us as well in Q2.

So it's kind of a mix. I think that it seems like some of the inventory correction in the channel and customers is happening and we're kind of seeing the effects of that.

Harlan Sur

Great, thank you.

Kathy Ta

Thank you, Harlan.

Operator

Thank you. Our next question comes from the line of C. J. Muse from Evercore. Your question please.

C. J. Muse

Yes good afternoon. Thank you for taking the question. Very impressive gross margins in the current environment, curious if you can kind of walk through how we stair-step from 65% to potentially the high end of your target model of 70%? What are the key assumptions we have to assume there not only top line but elsewhere? Thank you.

Brian White

Hi, this is Brian. So I think that there's a couple things, there's certainly the overall revenue level and we've been at a depressed level more recently at 65% gross margin in the September quarter at $533 million. We feel like that's a solid base. And to get above that and get up into our stated range of let's begin at 67%, we really need to get back to that $600 million per quarter revenue run rate. And then to get to the high end of the range we need to get beyond that $600 million mark. So that'll come with higher factory utilization.

It would also probably entail some improved mix with industrial coming back, which is our highest gross margin end market. So I think that's the path. Where we are today at 65%, we feel as solid and we have the ability to build off of that base moving forward with some additional revenue growth.

C. J. Muse

Very helpful, thank you.

Kathy Ta

Thanks C. J.

Operator

Thank you. Our next question comes in line of Vivek Arya from Bank of America. Your question please.

Jamie Zakalik

Hi, this is Jamie Zakalik on for Vivek. Thanks for letting me ask a question. So we've seen a wide difference in earnings outlooks this quarter from companies that are exposed to mostly the same end markets like you, CI and XP. So I'd be interested in any color you can provide on what you think could be causing this discrepancy. Is it customers reacting differently to analog versus microcontroller products or U.S. versus non-U.S., or something else? Any color there would be great.

Tunç Doluca

Yes Jamie I mean that's a good question. We really mainly see what we're experiencing and we don't have the details of what others are experiencing. But I'm going to repeat what I said earlier to Ross, we've been in a broad market weakness for the last several quarters, but it's quite stable. We're not seeing a weakening in that. And some of the forecast we're giving with growth in three of our end markets is really coming from the strength of the product line in those markets for us. And the fact that our inventories are very lean, both at the company and in distribution obviously helps us a lot.

So we're very well positioned for strong performance. When there's any turn in the market as to messages given by other companies, you'd really have to know the details of those companies. And it's not – I don't think it's – we have enough data to really tell you what's the different between the three companies that you just mentioned.

Jamie Zakalik

Got it, thanks.

Kathy Ta

Thank you, Jamie.

Operator

Thank you. Our next question comes from the line of Craig Hettenbach from Morgan Stanley, your question please.

Craig Hettenbach

Yes, thanks. Tunç just a question on the com infrastructure market, which is the notoriously volatile, can you talk about just data center versus traditional wireline and kind of what you're seeing from a CapEx perspective?

Tunç Doluca

Okay. So let me do my best here. So, our focus in coms and data center really has been mostly on the data center side and less on the wireline side. So in the data center side we had – and it is pretty volatile, as you said. We did have some strong growth in our 100G products last year if you recall. And then we went into a period where there was over inventoried market, so it kind of went away and that we were signaling that that was beginning to show signs of coming back. And we are seeing that coming back basically.

But I mean there's no doubt that the Data Center business is going to grow. But trying to figure that out from the semiconductor side is actually very difficult because it's very masked by – what happens in the channel.

All I can tell you is that the 100G market for us seems to be back. And we have strong shipments in that on the communications wireless side, I think, we talked about that as well. Our 25G products are pretty strong. And in general, the broad base of, let's say wireline communications products have been weak for us. And this is where we sell most of our older product lines that are analog housekeeping products, et cetera. And that has not been a strong market for us.

And frankly, in the long term, as I said, it's a dated product line. So we don't expect it to be good. We expect our growth to really come from optical products in this market and also from power management products in this market.

Craig Hettenbach

Got it, thanks.

Kathy Ta

Thank you, Craig.

Operator

Thank you. Our next question comes from the line of John Pitzer from Credit Suisse. Your question please.

John Pitzer

Yes good afternoon guys and congratulations on the strong results. Tunç I just want to go back to the December guide. If you look at sort of this correction for the industry, your year-over-year has got worse early. And so I guess it makes sense to me that perhaps your year-over-year start to get better, more quickly than the industry as well, especially given your product portfolio. But I'm just kind of curious, given how much inventory came down in the calendar third quarter, especially in disti, when you look to sort of the December quarter guide, to what extent do you think – or where do you think inventory is going to end up in disti by the end of the quarter? To what extent is this kind of just we got way too lean in the disti channel and you're benefiting from that versus kind of real demand in the quarter?

Brian White

Hey John, I'll, I'll try to take this is Brian. We should get some revenue growth associated with channel replenishment and we would expect days of inventory in the channel to come up what was an extremely low level in the September quarter. But I think in terms of trying to forecast exactly where that number lands, it's highly dependent upon resales and that's the piece of the puzzle that is hard to forecast. So we've seen steady order trends, we've seen very steady resale activity, but how that tracks between now and the end of the quarter is open to variability. And so that's a variable that makes it hard to pin down an answer with precision. But we would expect some tailwind from an increase in the channel inventory level.

Tunç Doluca

Let me just add to that I think when we discussed this internally, we said that we would improve it, but not likely to go all the way back to our target in one quarter. So hopefully that helps as well.

John Pitzer

Perfect. Thanks Tunç, that's very helpful.

Tunç Doluca

Okay, you're welcome.

Kathy Ta

Thank you, John.

Operator

Thank you. Our next question comes from the line of Matt Ramsay from Cowen. Your question please.

Josh Buchalter

Hi, this is Josh Buchalter on behalf of Matt. Thanks for taking my question and congrats on the solid guidance. There's been a lot of questions on inventory in the channel. I wanted to ask a bit of a longer term one. Given the debate following TI distribution strategy, it'd be helpful to hear, I guess, how you guys are thinking about it. And if there's any potential impact competitively from TIs decision to deemphasize the channel. Thank you.

Tunç Doluca

Sure. I'll take that one. So there was obviously a big announcement made by Texas Instruments like you mentioned. We – as you know, Avnet is our franchise distribution partner. We expect the change that Texas Instruments announced to be beneficial to us and we're discussing opportunities with Avnet. But as you know, most high performance and analog sockets are not pin-for-pin compatible. So we would not anticipate an overnight change to our business. We continue to view distribution as a valuable partner of our global reach to customers. So we think we can benefit from it. It's not going to happen quickly, because of the nature of the product line that we have. But we're definitely working with our distributors to see how we can take advantage of it.

Josh Buchalter

That's very helpful. Thank you.

Kathy Ta

Thanks, Josh.

Operator

Thank you. Our next question comes from the line of Tore Svanberg from Stifel, Nicolaus. Your question please.

Jeremy Kwan

Yes, hello. This is Jeremy Kwan for Tore. I just wanted to maybe focusing on lead times. I know you mentioned a little bit on the call, but just wondering what your customers are sharing with you in terms of [indiscernible] on you. And also what you're quoting to customers? And maybe if you also provide a little bit color on the linearity in the quarter. How it's been thus far in the fourth quarter.

Tunç Doluca

Okay. So Brian can help me out on this one. But customer given lead times to Maxim have been fairly consistent and it's really not been changing a lot in the last few quarters. So it's pretty consistent. So no behavior change from the customer standpoint. Your other question about linearity was that when we provided our guidance we assume that the bookings and the lead times we're getting from customers would be good enough to support that. And I think this quarter is a little bit tricky, because it has – it ends in December. So it's really hard to exactly model what the linearity looks like, frankly. So I don't think we're going to be able to give you a lot of data based on that. But customer order lead times look normal and we don't see anything out of the ordinary. And I think we are starting with a pretty strong backlog for the quarter as well as Brian mentioned earlier.

Jeremy Kwan

Thank you.

Kathy Ta

Thanks, Jeremy.

Operator

Thank you. Our next question comes from the line of Mitch Steves from RBC Capital Markets. Your question please.

Mitch Steves

Hey guys, thanks for taking my question. I just had one, just more kind of high level. So one thing that's kind of coming up in the semi space, it looks like legacy products are having a harder time kind of getting the components they need, whether it be MLCCs capacitors and kind of smaller product like that. And so I'm wondering, is that potentially one of the reasons why you guys are seeing better demand, because you're selling it to higher end products? Or are you guys seeing basically better demand across the board? So I guess, the crux of my question is if you guys are seeing more upside from high end products and that's why it gross margins went up or if it's really just a function of demand.

Tunç Doluca

I'm not sure – we have not seen – in all of our discussions with the sales team and the business units, we've not seen anybody bring this up as a correlation. Our products seeing more demand returning, because we're in the high performance side, I've not heard that internal discussions. So I won't be able to really comment on that, frankly. I think that what's helping us is that we've really managed through the week period by keeping inventories low and the margins are being helped by the fact that inventory is being low also helps your inventory reserves and Brian talked about that. So it's kind of – it's really running a tight ship basically is what we think is happening, in terms of margins. And on the demand side, I don't know how to form this correlation that you're saying might be there. It might be there, it might not be there. I kind of doubt it, frankly.

Mitch Steves

Understood, thank you.

Tunç Doluca

You're welcome.

Kathy Ta

Thanks, Mitch.

Operator

Thank you. Our next question comes from the line of William Stein from SunTrust. Your question please.

William Stein

Great. Thanks for taking my question. Tunç, I think you talked about strength in China and I just want to make sure I understand. I think you said it's in optical components and then also in battery management systems. Did I get that right or is there something else there? Is that all in the channel or any of that direct? And then also related to this, have you considered whether some of this might be pull in relative to tariffs? Or do you think this is real demand? Thank you.

Tunç Doluca

Yes. So I think on the specific – I think your question is mostly about the distribution end market sales or are you asking about the current quarter?

William Stein

Well, either I think you mentioned these two as strengths and I'm just not sure if I heard this as part of the distribution commentary or if this is the direct business. I'm curious about in China generally, do we think that that you're seeing pull ins, because of some concern about tariff rules, tariffs getting more problematic?

Tunç Doluca

Yes. It's actually not that easy to trace it down all the way to that. The strength we're seeing is – in China is mostly on the battery management system products, especially this quarter. And we're seeing it on the optical products. And those are the largest ones that we see. Now I don't think those are related to tariffs. And the question that we sometimes get is the tariffs that are kind of scheduled to be added in – I think in mid-December, which affects a lot of consumer products. I doubt it's for that, because most of our consumer shipments have already happened not all occurred in Q1. So we don't really see this correlation, but I have to be the first to admit, it's really hard to get this question even answered by customers, they don't want to really talk about it. So our feeling is that it's unrelated, but we can't say that definitely.

William Stein

Thank you.

Kathy Ta

Thanks, Will.

Operator

Thank you. [Operator Instructions] Our next question is a follow-up from the line of Harlan Sur from JP Morgan. Your question please.

Harlan Sur

Yes, great. Thanks for asking for taking my follow-up. So as we think about the March quarter, you know, the tip, the two historical tailwinds for the business have been the ramp of your smartphone customer and positive seasonal trends in your industrial business and typically it's up quarter-over-quarter in March. And I know you probably don't have a lot of bookings visibility or backlog visibility from March. But what you do have is three months and six month customer forecast. And so I guess the question is without your lead handset customer, but with other, let's say, positive seasonal trends in the other businesses. Do you think that's a seasonal pattern changes much relative to kind of historical patterns?

Tunç Doluca

Harlan, you know, it's pretty well. So obviously, we don't want to give guidance out to the March quarter. Historically, what you've said is not just for us, but in general is true, industrial kind of get stronger in the March quarter. Our consumer business, which was very much tied to Samsung, would get very strong in the March quarter. But I want to remind you that we have less content in Samsung now. So that should not be a big effect. I mean we think that our projection is that our content and Samsung will be in the mid single digit this year versus about 10% last year. I'm talking about fiscal years now. So some of the seasonality has changed, especially on the consumer side. The others, we expect to be kind of similar. But I don't think we have enough information to go really go beyond that to reach and give guidance into the March quarter.

Harlan Sur

Okay. Thank you.

Tunç Doluca

You're welcome.

Kathy Ta

Thanks, Harlan.

Operator

Thank you. Our next question comes from the line of Christopher Rolland from Susquehanna. Your question please.

David Haberle

Hi, this is David Haberle on behalf of Chris. Thanks for taking our question. Just really quick, I wanted to ask about Huawei, which last quarter you guys pointed out as a headwind for the business. Just is there any update there? Were you able to ship anything to them in the quarter? Just any color in the Huawei thing would be great.

Brian White

Sure, David. In the September quarter, we shipped about $1 million of revenue to Huawei. And in our December quarter forecast, we're assuming approximately the same amount of revenue.

Tunç Doluca

Does that answer what you were looking for?

David Haberle

Yes. Thank you very much.

Tunç Doluca

You're welcome.

Kathy Ta

Thank you, David.

Operator

Thank you. This does conclude the question-and-answer session of today's program. I'd like to hand the program back to Kathy for any further remarks.

Kathy Ta

Thank you, Jonathan. That does conclude today's conference call. Thank you for your participation and for your interest in Maxim.

Operator

Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.