

— **PARTICIPANTS**

Corporate Participants

Thurman K. Case – CFO, Treasurer & Principal Accounting Officer, Cirrus Logic, Inc.
Jason P. Rhode – President, Chief Executive Officer & Director, Cirrus Logic, Inc.

Other Participants

Vernon P. Essi – Analyst, Needham & Co. LLC
Tore E. Svanberg – Analyst, Stifel, Nicolaus & Co., Inc.
Andrew Huang – Analyst, Sterne, Agee & Leach, Inc.
Christopher J. Longiaru – Analyst, Sidoti & Co. LLC
Jeffrey Schreiner – Analyst, Feltl & Co.
John N. Vinh – Analyst, Pacific Crest Securities LLC
Shawn P. Simmons – Analyst, Oppenheimer & Co., Inc. (Broker)

— **MANAGEMENT DISCUSSION SECTION**

Operator: Ladies and gentlemen, thank you for standing by. Today's call will be about 30 minutes. Welcome to the Cirrus Logic Conference Call and the announcement of its intention to acquire Wolfson Microelectronics. At this time, all participants are in a listen-only mode. After a brief statement, we'll open the call for questions from analysts. Instructions for queuing up will be provided at that time. An internet presentation and audio broadcast accompany this call and you can access them by visiting www.cirrus.com. As a reminder, this conference call is being recorded for replay purposes.

I would now like to turn the conference call over to Mr. Thurman Case, Chief Financial Officer. Mr. Case, you may begin.

Thurman K. Case, CFO, Treasurer & Principal Accounting Officer

Thank you, and good morning. Joining me on today's call is Jason Rhode, Cirrus Logic's President and Chief Executive Officer; and Chelsea Heffernan from our Investor Relations group.

By joining this call or by viewing the Internet presentation or the audio broadcast which accompany this call, you will be deemed to confirm that you are permitted by law to do so. In particular, you will be deemed to confirm that you are not in any jurisdiction or country where to do so would be contrary to local law or regulations or where it would be – or where it would result in a requirement for Cirrus Logic to comply with any governmental or other formalities which are unduly onerous. If you do not meet these conditions, you should leave the call now and should not attempt to access the other materials being made available today.

Please note that during this session, we may make projections and other forward-looking statements that are subject to risks and uncertainties that may cause actual results to differ materially from projections. By providing this information, the company undertakes no obligation to update or revise any projections or forward-looking statements whether as a result of new developments or otherwise and no representations or warranties are being given by Cirrus Logic in respect of the information provided today.

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Please refer to the press release issued today, which is available on the Cirrus Logic website, the latest Forms 10-K and 10-Q, as well as other corporate filings made with the Security (sic) [Securities] and Exchange Commission for additional discussion of risk factors that could cause actual results to differ materially from current expectations.

In addition, before making any voting decision with respect to the proposed acquisition, Wolfson Microelectronics investors are encouraged to read and to base their investment decisions on the offer document and other relevant materials when they become available because they will contain important information about the transaction.

Now, I'd like to turn the call over to Jason Rhode, our President and Chief Executive Officer.

Jason P. Rhode, President, Chief Executive Officer & Director

Thanks, Thurman, and good morning, everyone. Thank you for joining us. We are extremely pleased to announce our planned acquisition of Wolfson Microelectronics. Wolfson is a leader in the high-performance mixed signal semiconductor devices and audio solutions. They have a rich history as a premier supplier of audio ICs with an innovative engineering culture.

We believe this acquisition makes sense on a number of levels. As we all know, demand for high-quality audio and voice capabilities in smart connected devices such as smartphones, tablets, wearables and cars is growing rapidly.

The ability to intelligently interact with the device requires a substantial amount of analog and digital signal processing to ensure a consistent and exceptional user experience. This transaction positions Cirrus to be a leader in audio signal processing across the entire audio signal chain with a portfolio of world-class CODECs, DSPs, amplifiers and MEMS microphones.

Before I go further into the benefits of the transaction, let me take you through the specifics of the deal. We have announced our intention to acquire Wolfson for £2.35 per share in cash for an enterprise value of £278 million, or approximately \$467 million.

The transaction has been approved by both the Cirrus Logic and Wolfson boards of directors and we expect the transition (sic) [transaction] to close in the second half of 2014. Excluding the impact of one-time integration and acquisition-related expenses, we expect the acquisition to be accretive in the first full quarter after closing.

We are targeting \$12 million in ongoing cost savings to be achieved within 12 months following the completion of the acquisition. We will finalize our estimates of the transaction's financial impact as well as the accounting for the transaction upon the deal close.

We believe this transaction provides a number of benefits for the combined company. First and foremost, it enhances our core business as a leading provider of audio ICs and software for portable audio applications and enables us to offer complete audio solutions with the addition of Wolfson's MEMS microphone capabilities. This transaction significantly expands our scale, enhances our geographic diversification and strengthens our technology portfolio.

With the addition of Wolfson's engineering teams, the combined company will be able to accelerate its product development efforts and compete in the exciting growth markets of smartphones, tablets and wearables.

Wolfson also brings a robust customer base with a strong presence at a large number of global portable audio OEMs. This strengthens the opportunity for Cirrus to expand content across a

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broader and more diversified customer base, as well as provide a more complete product portfolio to existing customers.

Lastly, we are enthusiastic about the opportunity to bring together two exceptional engineering driven cultures. We look forward to welcoming Wolfson to the Cirrus Logic family.

Operator, we're now ready to take questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Vernon Essi of Needham & Company. Your line is open.

<Q – Vernon Essi – Needham & Co. LLC>: Thank you very much for taking my question. Obviously some big news here and wondering, and I think this, if I get one question, it's going to be more probably in Thurman's corner here on the, I guess the goal or implication that you would be accretive in the first quarter after the transaction is complete. Can you walk us through sort of how you get there? Even with the \$12 million in synergies and sort of eyeballing the P&L at Wolfson and trying to understand how that would occur, it still seems like they're running probably a greater loss than that, and what are the mechanics behind that to get there?

<A – Thurman Case – Cirrus Logic, Inc.>: Well, I mean there are various things that will affect whether or not it's accretive and not just synergies, the performance of the company in terms of the top line and other areas will also help in that area. So, right now we haven't really talked in detail on what we're going to do there. We see areas of overlap in corporate sales, operational support functions and things like that. We'll drive available synergies in those areas and we expect those efforts may result in the reduction of 7% to 10% of the head count of the combined business.

So, at this stage, we really don't, haven't identified any specific goals but it's anticipated that the reductions will be implemented over the first 12 months following the completion. So, I mean, it's the usual mechanics but we feel like, we feel very comfortable that it'll be accretive in the first full quarter of results after we wrap up the transaction.

<Q – Vernon Essi – Needham & Co. LLC>: And if I may in the similar vein, and I appreciate the answer there, and the same question, if you can just identify, is the notion that sales are flattish at Wolfson, I mean that seems to be the projection on the Street right now, is the notion behind the scenes that there are opportunities for upside to that number as we get into the back half of calendar 2014, or is this still on the assumption that those numbers are sort of about where this may be, at least in the board's thinking of going through with this acquisition?

<A – Jason Rhode – Cirrus Logic, Inc.>: Well, our expectation, much like Cirrus' business, obviously, it's quite a seasonal business. The second half of the calendar year is, even with nothing else changing, is significantly – is typically significantly more heavily weighted than the first half. And so that obviously helps as well. But of course, at a high level we expect good things from these folks, they're plugged into a lot of really good opportunities, much like we are, in different areas. And we're, like I've said a lot, we don't go after companies because they're cheap; we go after a company because we think we can do more things, more good things together than the sum of the parts, so...

Operator: Thank you. Our next question comes from Tore Svanberg of Stifel. Your line is open.

<Q – Tore Svanberg – Stifel, Nicolaus & Co., Inc.>: Yes. Thank you. Sort of as a follow-up to Vern's question, we looked at Wolfson's results recently and I think they guided Q1 to be sort of down 25% sequentially. How should we think about that for 2014? I mean I do understand the seasonality factor, but I mean is there anything else going on here? Are they about to launch on some new programs, new customers? Just trying to understand how the projection is going to be for the rest of the year, given that Q1 is going to be such a low point.

<A – Jason Rhode – Cirrus Logic, Inc.>: Yeah. We don't – we typically don't comment on our own outlook that far out so we've got no comment on theirs. But I mean, I think even in their earnings release that they commented on today that they had some headwinds early in the year

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that they continue to need to work through that were not reflective of the underlying strength of their business. So we're real pleased with what we've seen thus far in the discussions and we expect things to continue to come along as we are able to actually get closer to getting the deal closed and start working together more directly.

<Q – Tore Svanberg – Stifel, Nicolaus & Co., Inc.>: Great. And as a follow-up, Jason, Wolfson talks a lot about their audio hub solution. I was hoping that maybe you could elaborate a little bit on that, and maybe compare it to the current offering or the current portfolio that Cirrus has, just trying to understand how the audio hub sort of adds to Cirrus' portfolio?

<A – Jason Rhode – Cirrus Logic, Inc.>: Well, it's a pretty – the way they use that term seems to be a pretty broad theme involving the audio CODECs, but certainly as – generation by generation, they've advanced their offering to be a pretty complete audio DSP with integrated mixed signal, mixed signal audio CODEC functionality. We certainly have devices that are not too dissimilar from that in our roadmap, but we've focused on some pretty different opportunities out there. I would say, that relative to the Android ecosystem, they're certainly further along, and so that's a positive.

I think the two teams, even though we're largely doing things that on the surface maybe look quite similar, have had a pretty different focus and thus have kind of resulted in some different strengths on the two teams. Our goal, as much as possible, will be to have each respective team continue to do what they are doing, and then kind of slowly look for opportunities to help each other out as we go forward. I certainly think there's significant benefits to the Wolfson team that the Cirrus scale can provide and there are certain technology benefits, such as, I think, being further along on the software side and also obviously the MEMS mics that Wolfson brings to the table, as well as just having a stronger core product offering. So, I think it's really a win on a whole bunch of fronts.

Operator: Thank you. Our next question comes from Sterne, Agee of (sic) [and] Andrew Huang. Your line is open.

<Q – Andrew Huang – Sterne, Agee & Leach, Inc.>: Thanks. I guess my first question is do you anticipate having any problems supporting the two biggest smartphone makers in the world at the same time?

<A – Jason Rhode – Cirrus Logic, Inc.>: Well, I don't want to comment on specific customers, but generally each team, we believe, have done quite a good job of taking care of the customers that have got them here and we expect them to continue to do that. I don't see any reason that putting together the engineering teams under one umbrella necessarily makes it any more difficult for either of them to take care of who got us here. And like I said in response to Tore's question, I think that the scale the company provides offers a lot of advantages. We think this should be a big positive for all the customers that we serve, because we think we can do a better job.

<Q – Andrew Huang – Sterne, Agee & Leach, Inc.>: Thank you. And then at first glance, when I look at the revenue per employee between the two companies, it looks like Cirrus is more than double. So can you kind of explain why that may be the case and where you hope to kind of end up when all is said and done?

<A – Jason Rhode – Cirrus Logic, Inc.>: I think if you benchmark Cirrus against most companies, you'll come up with a relatively high number and obviously the goal is to try to get the combined entity in the long run closer to where the Cirrus number is. But that's probably, to some extent – I don't know whether that's necessarily a reasonable goal, that probably the right answer lies somewhere in the middle. We still think we've got a very good financial model that results – but I think to some extent on the Wolfson side, that's a financial, mathematical way of looking at the benefits of scale that I'm talking about.

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Certainly you would expect the cost of your overhead, as the company grows, to become a much smaller percentage of the total. So you would get to a higher revenue per employee. And then also there is certain efficiencies with the way that Cirrus is operated today that drive our number higher than most, as well.

Operator: Thank you. Our next question comes from Christopher Longiaru of Sidoti & Company. Your line is open.

<Q – Chris Longiaru – Sidoti & Co. LLC>: Hey, guys. So my question has to do with, you've been consistently saying that your margins are going to trend towards the mid-40% range and kind of that's your current goal. Is there any update to that? I think what Wolfson was doing was a tad bit higher, around mid-to-high 40%, can you comment on that at all?

<A – Jason Rhode – Cirrus Logic, Inc.>: Well, we've not gotten to the point where we're really modeling out in detail either – what the combined product line looks like. But I mean just from a market perspective, our overall financial targets are in large part derived from what we think the market will support. We value growth a great deal and we want to balance that off against – obviously against gross margins. So the markets that we're serving haven't really changed, so we still think the targets that we had in place for Cirrus are probably really appropriate for the long run. Obviously these things change on mix and quarters and whatnot.

Operator: Thank you. Our next question comes from Jeff Schreiner of Feltl. Your line is open.

<Q – Jeff Schreiner – Feltl & Co.>: Hi. Thanks for taking my question. Just to follow up on that, Jason, actually, we've been doing analysis on this for quite some time about Cirrus' value of gross margin and Wolfson's, and Wolfson's is quite lower. It's been sometimes much more towards the lower 40% for its audio products, while Cirrus has been seeing kind of the mid 40% and sometimes even a little bit higher. So wouldn't this quite possibly be a dilutive effect on gross margins going forward given where Wolfson's margins have been, or do you see somehow that the combined company is going to be able to pull up the Wolfson side to maintain your current gross margin profile?

<A – Jason Rhode – Cirrus Logic, Inc.>: Well like I said, we certainly expect some benefits of scale on multiple different fronts. We've not been able to go through the details of their margins product-by-product and, but I'll just circle back on what I said before, that we think the mid-40% is still a perfectly reasonable target for the long run. I think both companies always, I would expect, have got targets to try to improve what they're doing.

Operator: Thank you. Our next question comes from John Vinh of Pacific Crest Securities. Your line is open.

<Q – John Vinh – Pacific Crest Securities LLC>: Hi. Thanks for taking my question. Can you comment on what the implications for your tax situation is? Is this, should we still assume a full tax rate in calendar 2015 at this point?

<A – Thurman Case – Cirrus Logic, Inc.>: Well, we haven't – I mean we really haven't had the time to look at all of the details of the tax implications. There is a different tax structure in the UK. So as we move closer to when we close the transaction, we will certainly have a more detailed discussion on where we think those – the taxes will fall out and then what we think our overall tax rate will be for the corporation. But at this time, it's hard for us to put a finger on exactly that number.

<Q – John Vinh – Pacific Crest Securities LLC>: Great. Thanks.

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Operator: [Operator Instructions] Our next question comes from Rick Schafer. I'm sorry. Our next question comes from Jeff Schreiner of Feltl. Your line is open.

<Q – Jeff Schreiner – Feltl & Co.>: I was just wondering how the acquisition moves Cirrus away from the high-end smartphone market. Obviously, the high-end smartphone market has been slowing somewhat this year compared to years in the past. How does this acquisition diversify Cirrus beyond the high-end smartphone market?

<A – Jason Rhode – Cirrus Logic, Inc.>: Well, I mean, we think that the overall markets for audio, I mean, number one, we still think the smartphone market is the biggest opportunity that we've got. We think there's a growing opportunity to expand a really compelling voice interface further down the product line or further into lower-end models. Just the dynamics of the market are such that more and more companies out there, a lot of these 4% and 5% market share smartphone manufacturers are looking for ways to differentiate their products. And unlike used to be the case, more of them are able to do their own design without simply wrapping plastic around somebody's reference design.

So, we've seen that trend already and this gives us more ability to support it as we go forward. And then again, both companies are big believers in the market for voices and interface, the things that are beyond smartphones. And a lot of the technology we're working on today gets perfected first in the smartphone most likely, because while the industry may be disappointed by the slowing growth due to the size of the market, it's still a market that's meaningfully outgrowing semiconductors in general, so we need to continue to focus on that. It's a big opportunity, but there is an emerging class of other devices that could benefit from voice interface and this gives us a better ability to support that.

<Q – Jeff Schreiner – Feltl & Co.>: And do you guys have kind of an average ASP range for the audio hub for Wolfson?

<A – Jason Rhode – Cirrus Logic, Inc.>: Nothing to provide at this time.

Operator: Thank you. Our next question comes from Rick Schafer of Oppenheimer. Your line is open.

<Q – Shawn Simmons – Oppenheimer & Co., Inc. (Broker)>: Hey, guys, this is Shawn Simmons calling in for Rick. A couple of questions. First I guess, Wolfson is bringing a new product to your portfolio in the MEMS microphone. I guess, could you talk, relatively speaking, how big that business is today for Wolfson, and what sort of dollar content that could potentially add for you?

<A – Jason Rhode – Cirrus Logic, Inc.>: Well, I mean microphones are – they're not a terribly expensive component in the first place. I mean I don't want to give ASPs – give an ASP guess for where their product line is today, but certainly not unreasonable for it to be in the \$0.50 range as a component. But what's neat is a lot of applications that use microphones don't just use one, they use two and three and potentially significantly more than that.

And then we think there is opportunity that the interface between the microphone and the, for example, CODEC, that that becomes more of a digital interface over time and that has implications for the chip partition that are important for us to participate in. So we're looking forward to that. Our guys have got some great ideas of what they think would be good to have in microphones. And that's a business for Wolfson that I know they've invested in for many years and would like to have been able to invest more in it, but just due to the size of the company, it's been a challenge. So, we think that's an area where we can really unlock some value.

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<Q – Shawn Simmons – Oppenheimer & Co., Inc. (Broker)>: Okay, great. And then I guess just focusing on some of their commentary this morning, it sounds like they have a relatively high attach rate with some of the MediaTek LTE devices that are ramping in the second half. Do you know what product that is for, specifically whether it's a CODEC, amplifier, DSP, et cetera? And can you talk – maybe give us some more clarity on how that ramp is expected to play out in the back half of this year?

<A – Jason Rhode – Cirrus Logic, Inc.>: Yeah, no, I – basically none of the above can I answer especially well. I mean I know that they put a lot of focus on making sure that they've got the appropriate parts on various different reference designs, as do we. And that's something that we think we can do a better job of going forward. It's a growing – that type of model is of growing importance as more of these 4% and 5% market share guys look for ways to differentiate; a lot of that is using different chipsets like MediaTek, et cetera. So, the information that they released pretty, that Wolfson released pretty recently is all we've got to put out there at this time.

<Q – Shawn Simmons – Oppenheimer & Co., Inc. (Broker)>: Okay, great. And then, Thurman, just one real quick one for you. As we look at some of these cost synergies playing out over the next 12 months post deal, can you give us kind of a rough split of where are these going to come from, whether it's R&D, head count, versus COGs? It sounds like it's, majority is going to be head count, but any sort of split there would be great.

<A – Thurman Case – Cirrus Logic, Inc.>: Well, I didn't say that the majority would be head count. But I mean we expect most of the synergies, at least in the beginning of the integration, will be in the areas that I noted, which would be G&A and SG&A. As Jason I think kind of alluded to, we would expect that we have some possibilities of scale to do something with cost of goods sold. But we're – when we talk about the \$12 million that is really associated directly with synergies and SG&A.

Operator: Thank you. [Operator Instructions]. I'm not showing any further questions in queue. I'd like to turn the call back over to Jason Rhode for any further remarks.

Jason P. Rhode, President, Chief Executive Officer & Director

Thank you, Operator. In summary, we're very excited to have Wolfson join the Cirrus Logic family. We believe this acquisition will strengthen Cirrus Logic's core business as a leader in audio signal processing components, enhance our ability to differentiate our products with software and add new product categories such as MEMS microphones to our portfolio.

If you have any questions that were not addressed, you can submit them to us via the Ask the CEO section of our Investor website. I'd like to thank everyone for participating today. Good bye.

Operator: Ladies and gentlemen, thanks for participating in today's conference. This concludes today's program. You may all disconnect. So, everyone have a great day.

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