

**— 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.

**Chelsea Heffernan** – Senior Investor Relations Analyst, Cirrus Logic, Inc.

**Other Participants**

**Tore E. Svanberg** – Analyst, Stifel, Nicolaus & Co., Inc.

**Vernon P. Essi** – Senior Analyst - Analog & Mixed Signal Semiconductors, Needham & Company, LLC

**Andrew Huang** – Analyst, Sterne, Agee & Leach, Inc.

**Jeffrey Schreiner** – Analyst, Feltl & Co.

**Blayne Curtis** – Analyst, Barclays Capital, Inc.

**Christopher J. Longiaru** – Analyst, Sidoti & Co. LLC

**John N. Vinh** – Analyst, Pacific Crest Securities LLC

**— MANAGEMENT DISCUSSION SECTION**

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Cirrus Logic Third Quarter Fiscal Year 2014 Financial Results Q&A Session. At this time, all participants are in a listen-only mode. After a brief statement, we will open the call for questions from analysts. Instructions for queuing up will be provided at that time. 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 afternoon. Joining me on today's call is Jason Rhode, Cirrus Logic's President and Chief Executive Officer, and Chelsea Heffernan, from our Investor Relations team. Today, we announced our financial results for the third quarter fiscal year 2014 at approximately 4:00 PM, Eastern. The shareholder letter discussing our financial results; the earnings press release, including a reconciliation of non-GAAP financial information to the most directly comparable GAAP information; along with the webcast of this Q&A session, are all available at the company's Investor Relations website at [investor.cirrus.com](http://investor.cirrus.com). This call will feature questions from the analysts covering our company as well as questions submitted to us via e-mail, at [investor.relations@cirrus.com](mailto:investor.relations@cirrus.com).

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

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**

Thank you, Thurman. Before we begin taking questions, I'd like to highlight a few of the things we discussed in our shareholder letter. Our financial results for the third quarter were at the high end of guidance as we delivered GAAP earnings per share of \$0.63 and non-GAAP earnings per share of \$0.89 on revenue of \$218.9 million. During the quarter, we gained traction in portable audio with our custom and catalog products in mobile devices as many OEMs are increasingly interested in audio as a product differentiator. In LED lighting and power meters, we expanded into additional SKUs with our customers in Q3.

We continue to generate cash in Q3 exiting the quarter with approximately \$328 million in cash or approximately \$5 per share. We believe the next catalyst to fuel growth in portable audio is the proliferation of voice as a key interface for mobile devices. 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. Although this market is still in its early stages, we believe Cirrus Logic is well positioned to be a key player given our signal processing expertise, engineering execution and portfolio of ultra-low power components.

Over the next six to nine months, we plan to tape out a number of 55-nanometer products to address exciting opportunities in audio and voice applications. These products are expected to be key contributors to future revenue growth beginning as early as calendar year 2015. Also I'd just like to note that while we understand there is intense interest related to our largest customer, in accordance with our policy, we do not discuss specifics about our business relationship.

Operator, we are now ready to take questions.

**QUESTION AND ANSWER SECTION**

Operator: [Operator Instructions] Our first question comes from the line of Tore Svanberg with Stifel. Your line is open. Tore, your line is open.

**<Q – Tore Svanberg – Stifel, Nicolaus & Co., Inc.>**: Yes, sorry about that. Few questions, first of all, Jason, can you talk a little about the voice roadmap. I am trying to understand when you could potentially have meaningful revenue from any voice related products?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Well, we already do really if we are in a product such as a phone for example typically all of the audio and voice goes through our device but we are specifically investing heavily in improving that voice experience and one example of that – there is a number of them, but one good example of that is the Acoustic Technologies acquisition we did last fall. They provide functions such as echo cancellation, noise suppression, other types of things that enhance the voice call or a speakerphone application for example. And thus far that acquisition has gone extremely well. Those of you that follow the company well know that I am not a huge fan of acquisitions in general because most of them don't work, but thus far this one has gone extremely well and so far putting their IP in with our device has just been a great catalyst for a lot of good conversations with a number of our customers. So, we are already there in the sense of providing acoustic adaptive noise cancellation and we are trying to broaden that portfolio of technologies out as rapidly as we can.

**<Q – Tore Svanberg – Stifel, Nicolaus & Co., Inc.>**: I guess that I was referring more to – and I do realize that voice runs through DSP but I guess I was referring really more to potential dollar content growth above and beyond what you have today. When should we expect that still happening because of voice type products?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Well, I mean I expect it's going to be a fair number of incremental things that will happen for us and again one of those is Acoustic Technologies which is already happening. We're already booking meaningful revenue with those guys and that we're taking and adding that to new products, some of them being the 55-nanometer type devices that I was talking about a minute ago. They can start contributing as early as next year.

**<Q – Tore Svanberg – Stifel, Nicolaus & Co., Inc.>**: Okay, that's fair. My second question is on 55-nanometer, so you talked about coming out with products there, is there going to be any sort of additional R&D expense that's going to come, I guess, not in the March quarter but maybe potentially in the June quarter because of that?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Well, there is some already built into the March quarter and there has been frankly some built into the past 12 months or so either in the form of more advanced tools that are necessary to deal with these advanced processes and then of course tape outs in advanced nodes like that are much more expensive than say 180-nanometer, so we've got a couple of those modeled in over this quarter and half a dozen or so scheduled out over the next six months to nine months, so that certainly we are mindful of we're not in a year that is as up into the right as some of our years in the past have been. We're certainly preparing for more of that in the future. So, we're mindful of expenses this year. At the same time, we want to make the right investments to help us grow going forward and a significant amount of the variability quarter-on-quarter will be in the form of some of these tape-outs which is a great problem to have. As a company if you are going to spend a lot of money, the ultimate culmination of what we are doing is us taping out a device and so that's a good kind of expense to have.

**<Q – Tore Svanberg – Stifel, Nicolaus & Co., Inc.>**: Very good, just two quick ones for Thurman. Thurman, your inventory days came in around 55 days, which I think is totally an all time low. As we look forward here, would you expect your inventory days, inventory to be back up in the March

quarter or I'm just – just given how volatile that number is I'm just trying to get some idea where it will settle in?

**<A – Thurman Case – Cirrus Logic, Inc.>**: Yeah in the March quarter, we think inventory probably will be flattish to down, so the days actually more increased but then as we move into next year, we'll see that move up. The inventory levels increased a bit as we moved through the year.

**<Q – Tore Svanberg – Stifel, Nicolaus & Co., Inc.>**: Okay and then the last question is on the tax rate, I know you still have \$50 million left on your tax program but as you start paying taxes, I've sort of been trying to – looking at what the effective tax has been in the past and I think in the last two years has ranged anywhere from 34% to 29%, so I'm just wondering if you have any further thoughts on tax rate once you actually start paying a regular tax rate.

**<A – Thurman Case – Cirrus Logic, Inc.>**: No, I mean, I think realistically the federal tax rate is 35% and then we have anywhere from 3% to 4% in taxes on some of the other tax payments that we've got to make, so I think in a total effective tax rate is probably 35% to 37% or 38% or so, in that range, coming [ph] out (9:26) and that's the way to model it until we have a better feel for what that's going to look like.

**<Q – Tore Svanberg – Stifel, Nicolaus & Co., Inc.>**: Sounds good. Thank you very much.

**<A – Thurman Case – Cirrus Logic, Inc.>**: Thanks, Tore.

Operator: Our next question comes from the line of Vernon Essi with Needham & Company. Your line is open.

**<Q – Vernon Essi – Needham & Company, LLC>**: Thank you. I just wanted to add sort of more of a macro question here, in your shareholder letter you have a lot of talk about changes in pricing structure, with it of course is your largest customer, and you've had I guess a content loss on the amp front late last year. Going into this year, is there any level of comfort you can give the investor community as to what you might do or milestones that we can look to that would show proof of stemming these potential losses. I mean I know you've got a lot of development things in the pipeline but are there any milestones we can sort of look for prior to obviously big product launches in the second half of the calendar year that might give people comfort that there's more development in the works as opposed to sort of the mindset, which seems to be, this is on a steady decline from here? I know it's a tough question. You can't really talk too much about your customers but...?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Yeah, but I'll do the best I can.

**<Q – Vernon Essi – Needham & Company, LLC>**: Sure.

**<A – Jason Rhode – Cirrus Logic, Inc.>**: I mean obviously we can't get into specific wins and losses of products that may or may not come down the pipe but rumors of our demise have been greatly exaggerated as usual. We think we've got a really robust pipeline of design wins and continuing business going forward. Some of our product lines are more competitive than others, amplifiers being one of those. We don't expect to win every socket out there for amplifiers. Frankly, there are a number of suppliers of those type products, it's one of the less sticky sockets that we go after and in general some of them are quite inexpensive and those are of less interest to us.

So, we specifically really look for products where we can add a meaningful amount of value by putting signal processing capability and embedding those in our amps, and when we're successful doing that, we think there's a real good opportunity there. We've got pretty good visibility because of such a large percentage of our portfolio coming from catalog products, so you can certainly look towards our guidance. We're certainly expecting a good if unexciting year this year as we build a

platform towards a lot more growth in the further out years. So, I don't see, at least as far as we see it, a bunch of doom and gloom on the horizon. We're very, very excited about the position the company's in. And it's not a realistic expectation that we should just have a monopoly on every product category that we participate in.

**<Q – Vernon Essi – Needham & Company, LLC>**: Sure. And this sort of leads to the next question, you probably take a lot of questions about the 55-nanometer developments taking place, but can you give us a sense of the profile of how many parts, I mean however you want to sort of describe the quantity, what would fall into sort of the catalog versus custom bucket, just so we have an understanding of maybe what areas you might be targeting over the next 18 months?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Yeah. Well, I mean over the next six months to nine months, we're expecting it's on the order of half a dozen or so and a significant percentage of the new development that we're doing going forward is in 55-nanometer. Obviously there's some products that don't make sense to push too far down the product pipeline when you've got a significant amount of analog content. But it's a meaningful fraction of what we are doing going forward and obviously we're not stopping at 55, but that happen to be, from our perspective, a very good node for integration of our DSP capabilities and the analog technology.

I would say the waiting between custom and catalog, there's definitely both represented in that. We've got some great applications that are along the lines of these voice-based technologies that we think could be pretty ubiquitous. I think they mature first in smartphones and potentially have a lot of legs in other form factors: automotive, Internet of Things kinds of devices. I think that a lot of people mean a lot of things when they talk about the Internet of Things as a market. For us at the moment it's very specifically voice interface to your devices. A lot of our audio products can be used very well in those applications. And we certainly look for opportunities to more closely optimize those for that application going forward. So I think that puts some color to your question there.

**<Q – Vernon Essi – Needham & Company, LLC>**: Okay, I'm going to just follow into that, you brought up the Internet of Things, and that's – you opened that door.

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Sorry.

**<Q – Vernon Essi – Needham & Company, LLC>**: No, it's okay. Definitely an overused theme, but are you getting a lot of inbound requests from customers on that sort of integration or that feature set into what they are doing with their roadmap?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: I would say we're seeing some and it's a pretty interesting – yeah, I'd say we're seeing a healthy amount of demand or a healthy amount of interest in how do people address this kind of technology. I think it's something that a lot of people are waiting into very carefully because it has the potential to be hugely annoying not only for the user but for everybody around them. But at the same time a lot of things in the Internet of Things are going to be really small and you're not going to have screens or keyboards or whatnot and voices, potentially a very efficient user interface in those cases. So, I don't see anything incredibly explosive that we're participating in in the very short term, but I see a lot of opportunity for us going forward and that plays very well into the capabilities that we have as a company. So, we're pretty excited about it over the long term.

**<Q – Vernon Essi – Needham & Company, LLC>**: Okay, great. Thanks a lot, Jason.

Operator: Our next question comes from the line of Andrew Huang with Sterne Agee. Your line is open.

**<Q – Andrew Huang – Sterne, Agee & Leach, Inc.>**: Hello. Thanks, guys.

<A – Thurman Case – Cirrus Logic, Inc.>: Hi Andrew.

<Q – Andrew Huang – Sterne, Agee & Leach, Inc.>: I first had a general question on voice control. So first I wanted to hear your opinion on that technology, then maybe some reasons why you think the phone market would go in that direction and then I have a couple of follow-ups?

<A – Jason Rhode – Cirrus Logic, Inc.>: Well, I mean, I think we've already seen plenty of examples of some form of voice control in the phones that are out on the market. So relative to phones, phone is a connected device. There is a lot of sense in doing a lot of the processing in the cloud, but at the same time that I think anybody that's interacted with that kind of technologies has found that there are certainly areas for it to improve. The technology that we've acquired through the Acoustic Technologies deal certainly has the potential to improve that experience significantly by filtering out background noise for example and making these automatic speech recognition algorithms work more effectively in a loud environment, that's a key focus for us going forward.

So, I think the beachhead has already been taken in phones and there is a lot of good opportunities for us, whether it is in straight up signal processing, like the example I just gave you or simply the analog interface technology that we're a leader in keeping the microphone powered up with a very low power. So for example there is a voice recognition technology that's out there, voice wake-up technology that's out there through a third-party. We've got by far the lowest power implementation to that I'm aware of on the market. So, it's areas like that that I think are really going to be meaningful for us going forward in that voice interface area.

<Q – Andrew Huang – Sterne, Agee & Leach, Inc.>: Okay. And, I guess, I know it's going to be kind of hard to quantify it but do you think the dollar opportunity is bigger for voice control in the handset space or in everything else, in other words like home automation or in automotive like in terms of the dollar, I'm just trying to get a sense of the magnitude of the opportunity?

<A – Jason Rhode – Cirrus Logic, Inc.>: I wish I was wise enough to know what's the right answer to that. I certainly think there is a lot of opportunities sooner in mobile but I think a lot of those technology will mature in that space and then find its way out into other applications like automotive or all sorts of things for your home. So I think it's – I don't know what the right answer is there but I think there is a lot of opportunity in both of those cases and they play real nicely together.

So mobile has a really nice advantage in that the products are fairly well self contained so you can deploy the technology and get it right there. The home always brings with it the challenge of how do you get everything that you want to make home automation work, how do you get it all to play nice together. There is a number of companies out there that are doing interesting things in that space. But I think the earliest opportunity is most likely in mobile and then as the infrastructure gets a little more solidified in the home, there is some great opportunities there, certainly all of us that have bought a card that hooks up with our phones would like that experience to go a lot better, most of the voice experience that are provided in the automobile are really not what I think the rest of us would like to see.

<Q – Andrew Huang – Sterne, Agee & Leach, Inc.>: Okay. I was wondering about your success rate with mobile phone makers in China and one thing specific I wanted to ask about was maybe quantify the design cycle times with those customers maybe relative to the Tier 1 phone makers?

<A – Jason Rhode – Cirrus Logic, Inc.>: Well, we have seen a ton of interest there, a number of the mobile manufacturers in China are they've gotten to the point where they are big enough where their product lines are diversified. They're trying to come up with interesting ways. On the one hand, they're certainly pushing the pricing down the low end models, but at the high end they've got interesting products there. They are trying to do things that differentiate themselves relative to their

competitors and voice is a good application to that. They certainly move more quickly than some of the Tier 1 counterparts and there is good things and bad things that go with that. But, yes, they definitely can move a little more quickly. For us it accelerates things pretty significantly since for the most part what we're talking about is catalog devices that are already on the website, so we've short circuited that portion of the development cycle. We got to go off and develop a new device in order to capitalize on an opportunity.

**<Q – Andrew Huang – Sterne, Agee & Leach, Inc.>**: Okay. And then, just one last question if you don't mind, on LED lighting, first, can you talk about your expectations for market growth in 2014. And then, I was wondering if there were kind of any changes in your strategy relative to a year ago in that segment?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Sure, I don't have a great crystal ball for what the market is going to do in LED lighting, your guess is probably good or better than mine. But we do see as a significant growth market one of the dynamics that we've certainly experienced over the last year is that it's a lot more fragmented than we expected, every manufacturer has got a lot more SKUs; they're all trying out different things. I don't think anybody has really hit a home run of what light bulbs should ought to look like. Some of the things that we've seen develop over the last year certainly it's the case that some form factors are lot more discriminating in terms of dimmer compatibility than others and everybody gets excited about whatever the latest cheapest A19 form factor bulb is, but the fact of the matter is, especially in North America those are the least likely lamps to be connected to dimmers whereas things like MR16s and PARs are much more likely to be on a set of dimmers and therefore put a lot more value on dimmer compatibility.

So, one of the changes in direction for us is the next generation products that we're working on are a lot more programmable, lot more customizable, so that one piece of silicon can target a wide variety of platforms and do so at a very, very low bill of materials cost basis even to the point of being able to compete with the so called RCC solutions where there is literally no IC involved and at the same time improve the user experience significantly to simplify the product significantly for our customers as well. So it's an interesting market, it's always a bumpy road when you enter a new market with new technology, but we're slugging through it and I'm excited about the line of products that we've got coming out over the next year and so we will just see where that takes us.

**<Q – Andrew Huang – Sterne, Agee & Leach, Inc.>**: Thanks very much.

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Thanks, Andrew.

Operator: Our next question comes from the line of Jeff Schreiner with Feltl & Company. Your line is open.

**<Q – Jeff Schreiner – Feltl & Co.>**: Yeah, thanks for taking the questions. You talked about the Internet of Things. You talked about voice control. How important is the [ph] verbal (22:42) category for Cirrus?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: I think it will be important eventually. I don't see so many opportunities that are really needle movers in the short term, but I think in the long run it's a great opportunity. I do think that there will be voice opportunity. I think it's important to note that like any audio market, there's going to be applications where it's a very rudimentary amount of voice content, where it's may be voice in and out, transmits to – maybe it's a device that is operating as a satellite to a phone, et cetera, where really the opportunity's pretty limited because there's not much processing actually happening in the device. But on the other hand, I think over the long term there will be devices that maybe aren't even connected at all and so all of the processing has to happen within the device. So, I think in the long run it's a very important space for us. I think most of the products that have been launched to-date are still works in progress before they're really an amazing driver of volume from a silicon perspective.

**<Q – Jeff Schreiner – Feltl & Co.>**: And then, I was just wondering if there's been any tax planning that Cirrus has embarked in, in order to maybe offset the full payer tax status, is that something that the company is currently looking at right now or has been looking at? And if so, what's the status of that?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Sure. Well, I think Thurman pretty much answered that before. You should be modeling basically the standard tax rate for the U.S. until we've got an update otherwise. Certainly we're well advised by the experts in that space. It's a complicated topic, a lot of the techniques, et cetera, that people used to put in place, it's a lot more difficult to do today than it used to be and we certainly don't want to damage our ability to be a nimble company in the process of pursuing a somewhat lower tax rate. So, something we take very seriously, we want to make progress on that, but we really don't have anything to update you on at the time, so I'd just model the standard rate for the time being.

**<Q – Jeff Schreiner – Feltl & Co.>**: And then what impact, as you begin to tape out and release new products with the 55-nanometer? What impact is that going to have on Cirrus' pricing?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Well, it's interesting, the reason, as an analog and mixed-signal supplier, that you'd pursue 55-nanometer or that you'd pursue any advanced geometry is different than in the cases where you're marketing a purely digital product. The pure digital world is driven on the Moore's Law curve and you're driving into advanced nodes to push your costs down and so forth. As an analog supplier, in a lot of cases if you took the very same product and moved it down into advanced node, a lot of times it could make it more expensive very easily, if you look at a chip where it's 50% analog.

The reason that we pursue advanced geometry is it gives us the capability to embed a lot more signal processing capability and bring a lot more features to our customer base. So we see that as a good opportunity to bring higher value products to our customers to integrate other things that were maybe on the board, designs that used to be implemented in multiple different, either ICs or board level stuff or things that weren't in the products at all before. We see all of that being brought to fruition in 55-nanometer, and it's just a great node from an analog design point of view. We've got a great partner in that technology and we're really looking forward to the first wave of products hitting the market.

**<Q – Jeff Schreiner – Feltl & Co.>**: Okay. Thank you very much for your time.

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Sure. Thanks, Jeff.

Operator: [Operator Instructions]. Our next question comes from the line of Blayne Curtis with Barclays. Your line is open.

**<Q – Blayne Curtis – Barclays Capital, Inc.>**: Hey, guys, a couple questions. I just want to understand the 55-nanometer timing. You're Investor Letter, you said it takes about a year from tape out to get revenue. You also said revenue in 2015. You've been on this two-year cadence of products and you kind of broke that with this go-around last year with some reduced cost products. Are there any opportunities to increase content this year or should we think about the same product set until those 55-nanometer chips are in the market following year?

**<A – Thurman Case – Cirrus Logic, Inc.>**: I think it's a complicated year in that there's a variety of things that happen. There's certainly mix changes between different form factors, customers are launching new products all the time, either with existing products that we already have or other products that we've got in development. But, overall, this year we expect to be less exciting. From a revenue growth, we certainly expect to be very profitable and continue to build this platform that we can grow on from here in the coming years. So we don't see a ton of stuff that's up and to the right



this year, but at the same time, we are launching new products; we are continuing to make progress with the products that we already have in the either new designs or continuation of existing designs. So there's a lot of things going on. The biggest story for us this year, though really, in addition to just business as usual and making sure that we hold the ground that we've already taken is building this platform in 55-nanometer that we're able to really drive some meaningful growth going forward on in the coming years.

**<Q – Blayne Curtis – Barclays Capital, Inc.>**: Thanks, Thurman. And then Jason, [ph] you're messaging the note (28:41) on the amp positioning, obviously there was a well-known loss you had, and obviously you can't have 100% share I understand that. If you can just talk about where, what types of products your amps would fit in versus a more commodity amp. The stock that you lost is a pretty high-end tablet. Is it more phones where you think you have an advantage or maybe if you could talk about form factors or any sort of color as to where your capabilities fit in customer's product?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: I mean honestly it will be difficult to really get to the heart of it for anybody externally because at the end of the day, a really good engineer at any one of our customers has usually got multiple different ways to solve the problem and it just depends on a lot of things that which way is going to be the most efficient and most cost effective. But as a general trend, the type of value that we're adding with the signal processing in our chips is to help make an existing speaker, a given speaker a little bit louder to boost up the battery voltage so that you can get more power into the speaker, and that tends to add a lot more value, the smaller the form factor gets. If you've got a lot more air volume, it's kind of a universal rule in speaker design that if you've got a lot more air volume within the product to work with, there is almost nothing else that you can do that compensates for that. That's just by far the easiest way to make something louder and sound better is just devote a little bit more air volume to it and a little bigger speaker size, for example.

But in cases where that works against the form factor and the things that are getting smaller, things that are having your space encroached on by battery, then we add more value in those cases, and then all of that is against the backdrop of speaker manufacturers that are trying to make their speakers sound better and more efficient at the same time as well. So it's a pretty complicated dynamic. Obviously, the trend for us is, we know we're not going to win a 100% of the market in that space, but we're going to focus on the sockets where we add a lot of value and we're going to try to make it easier to use, our products, make them be more integrative with other kinds of signal processing capability, and hopefully tilt the odds in each of those cases a little more in our favor.

**<Q – Blayne Curtis – Barclays Capital, Inc.>**: Excellent. And then just finally for Thurman, you talked about the op margin target of 20% for this fiscal year. You obviously had the well-known reset in the gross margin profile. Op margin is below that level for March. Is that still a reasonable target going forward given the lower gross margin and the tape-outs that you guys have been talking about?

**<A – Thurman Case – Cirrus Logic, Inc.>**: Yes, I think we remain committed to the 20% operating profit level in the longer term and there is a lot of leverage that you can control and some things you can't control as much, but we're committed to that number.

**<A – Jason Rhode – Cirrus Logic, Inc.>**: One thing to add is we are a pretty seasonal business, so if you view us on a long-term basis at 20%, we're going to have quarters that are bigger where we're above that number, we're going to have quarters that are weak quarters seasonally where we might be below that number. It doesn't make a whole lot of sense to us to manage the growth of the company based on arbitrary expectations for a given quarter either.

I'll point that out because dynamic of the industry is sometimes we have smaller investors maybe don't understand the market as well, they maybe don't understand the time scales involved and we

absolutely run the company further to build value over the long run. That's how we view expenses. We, as Thurman said, we are very committed to that 20% operating model over the long term, but we are not at all shy about making investments where we can to help drive more growth in the future either. So the 55-nanometer stuff is a great example of that. It is very expensive. It is a strain in some sense on the company today, but we think it's a huge part of the value proposition that we will bringing to the market in the coming years.

**<Q – Blayne Curtis – Barclays Capital, Inc.>**: Is there any way you can wrap any numbers on 55-nanometer tape out expense? I am assuming it's sub-\$1 million, but obviously six of them? Is that hitting the June, September quarter and the right way to think about it is the few million dollars and then it steps back down?

**<A – Thurman Case – Cirrus Logic, Inc.>**: I mean, yes, per tape out, I don't want to get into specifics because it's competitive industry. It is sub-\$1 million but it's a lot, lot more expensive than 180 nanometer was, and additionally like I said before, it brings with it a lot of additional expense in terms of CAD tools that you have to support and you've got to be a lot more careful on qual processes and things like that as well. So it is tape outs, but it is other things in addition to that.

**<Q – Blayne Curtis – Barclays Capital, Inc.>**: Okay. Thanks, guys.

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Sure thanks, Blayne.

Operator: Our next question comes from the line of Christopher Longiaru with Sidoti & Co. Your line is open.

**<Q – Christopher Longiaru – Sidoti & Co. LLC>**: Hi, guys, thanks for taking my question.

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Sure.

**<Q – Christopher Longiaru – Sidoti & Co. LLC>**: My questions to – you talked about voice control and some of the design momentum you're seeing with mobile devices. How transferable is your technology to other areas? I think longer term we're going to voice control in a lot of other areas. I don't even know if you are even seeing interest at this point from other areas outside of mobile. Can you talk about kind of a long-term approach to that market?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Yes, I think it's very applicable outside of mobile. Like I said earlier, I think it develops first and becomes mature in mobile simply because a mobile device tends or at least has the opportunity to be kind of self contained and you just get that one device right, you have something you can use, whereas most things that we dream up, Jetsons kind of stuff for the home, there is not too many single applications where in and of itself it makes a lot of sense. Most of that feels kind of clunky.

For the home it feels like it really needs somebody to make sense of the overall infrastructure and knit it all together and then there is a lot of opportunities for individual nodes that we can participate in. Automotive, though, I think is ripe for development in this area. Like I said earlier, I don't know about everybody else, but I find that you've got this amazing phone and you could get in your car and connect it up over Bluetooth and suddenly a lot of people's hard work on voice and audio, et cetera suddenly gets a lot worse, so I think that could be thought through better. I think the technologies that we've got both things that Cirrus had developed previously, the mixed signal capabilities that we've got as well as the voice-based technologies that we acquired through the Acoustic Tech deal can really move that further down the field.

**<Q – Christopher Longiaru – Sidoti & Co. LLC>**: And then just how about in terms of just gaming; that's another option for that? Are you seeing anything in terms of gaming? I think that might happen pretty quickly.

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Yes, we recently see gaming headsets as an area where some of these voice technologies are definitely of interest. We've shipped a product into that space. We've seen interest there as well. So, yes, I would expect gaming to continue to be a good opportunity.

**<Q – Christopher Longiaru – Sidoti & Co. LLC>**: That's all I have. Thanks, guys.

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

**<Q – John Vinh – Pacific Crest Securities LLC>**: Hi, thanks for taking my question. First question I had was just if you could talk a little bit more about the China's smartphone business or some of your other kind of OEM customers in audio. Is there an opportunity for any of those customers either China or other OEMs to approach 10% of your audio revenues later this year?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Oh, I think that would probably be pretty aggressive. We're pursuing a lot of opportunities in different handset manufacturers, but to be honest, if you look at the smartphone market, there's number one, number two, and then there is a bunch of guys with 4% or 5% market share. So even if we were to clean sweep an individual account outside of number one or number two, it would be difficult for it to grow to the size that you just threw out there. But that's fine, I mean honestly 4% or 5% of the smartphone market it's a big number relative to the typical analog or mixed-signal markets and we really can't let the overall size of our business color the way that we go pursue these other opportunities. You never know what's going to be the next big thing in any analog or mixed signal business. \$1 million to \$5 million design wins are kind of the sweet spot of what you can expect to go after, and we need to be very efficient going after those.

**<Q – John Vinh – Pacific Crest Securities LLC>**: Great. And then for my follow-up, I had a follow-up on the operating margin question. I just wanted to clarify with all the tape outs that you guys have in fiscal 2015 given that you are investing in future products that are really targeted at calendar 2015, is it a possibility that your 20% operating margins could dip below that target for fiscal 2015? How should we think about that? Would you let it dip knowing that obviously you're investing in the future or would you still manage to that 20% operating margin target for the fiscal year?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Well, we're very specifically not giving any guidance for any particular year. We're just reiterating that that's our model and we think we'll do well and stand very close to that, maybe above it, maybe below it, but we're not specifically guiding the current year. But as I said a minute ago, we're not at all shy about making investments in areas that we believe in, in advance of winning opportunities that we see out there. So in short, we manage for the long run. We absolutely don't try to manage our expense on a quarter-by-quarter basis. Obviously, we pay a lot of attention to our expense. We don't want to waste money. We want to be very efficient about how we've deployed our expense and make sure that it's being invested wisely and that we're on track to seeing good returns for that.

**<Q – John Vinh – Pacific Crest Securities LLC>**: Great. Thank you.

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Sure, thank you.

Operator: [Operator Instructions] And I'm showing we have a follow-up question from the line of Jeff Schreiner with Feltl & Co. Your line is open.

**<Q – Jeff Schreiner – Feltl & Co.>**: Yes, Jason can you talk about what the ASP range or content is for a voice control design win, let's say, in smartphone?

<A – Jason Rhode – Cirrus Logic, Inc.>: It's kind of difficult to put a number on it because it could mean a lot of things. We've got wins that are related to voice control that are simply algorithm-based. There might not even be any silicon; it could be some stuff that was already going on from the Acoustic Tech era and that has a wide range of ASPs. You can use, like I say, one of our devices where what the value that we might add in the future could be something along the lines of keeping a microphone biased at a very low power level, so that you could listen 24/7 and respond to voice commands all the way up to a full blown, very complicated phone codec with noise suppression, noise cancellation, microphones, you name it, all being handled by that device. So it's a pretty broad range, in short.

<Q – Jeff Schreiner – Feltl & Co.>: Okay. Thank you.

<A – Jason Rhode – Cirrus Logic, Inc.>: Sure. Thanks, Jeff.

Operator: [Operator instructions]. And I'm not showing any further questions at this time. Let's turn the call back over to Chelsea for additional remarks.

<A – Chelsea Heffernan – Cirrus Logic, Inc.>: Thank you, operator. We will conclude the call with several questions that we've received via email. Can you comment on the volatility of the stock price?

<A – Jason Rhode – Cirrus Logic, Inc.>: Well I certainly don't have a good crystal ball there. We certainly hear from retail investors frequently about the stock. Nobody asked our opinion about what it ought to be obviously and it's not something that we have any direct control over. So our job is just to manage the long-term prospects of the company. We're very focused on making sure our investments are well placed and that we're doing the right thing to grow the company's revenue and profit over the long term and our expectation is that if we do a good job of doing that that the stock will take care of itself.

We are a volatile stock. I think it's likely that that continues to be the case. As I say, we don't have any control of that. I would pay a lot of attention to the corporate filings that we do. I would pay a lot of attention to in particular our forms 10-K and 10-Q, the risk factors that are in there. We've put a lot of time into those. They're real. A lot of them are not particularly specific to Cirrus, some of them are, but we are in a volatile industry and if you're investing in any semiconductor company, you really should do your homework about what you're getting into and make sure you're cognizant of the risks that are there. Obviously these are things we put a lot of time into making sure don't happen but it's not always up to us and it's not always under our control.

<A – Chelsea Heffernan – Cirrus Logic, Inc.>: Thanks, Jason. The final question today: have there been any discussions internally about announcing a stock dividend?

<A – Jason Rhode – Cirrus Logic, Inc.>: Well at any given time, we, our board, myself, Thurman spend time figuring out what's the most efficient and effective way to deploy our capital. Obviously our preference is if we can find valuable M&A that we can do that we think will actually work, great example being the Acoustic Technologies guys, which has worked out very well. We would love to find more of those but it's definitely a challenge to find an acquisition that would be a good cultural fit as well as good geographic fit and technology and all the rest of that and we don't really want to buy anything that doesn't work out well.

On a more ongoing basis, we've analyzed dividends versus buybacks and as a volatile stock along lines of the previous comments, I think you could argue the case for either one, but at this point thus far we felt like a buyback is more efficient way to go. But it's something that we reevaluate from time-to-time and I'm sure we'll continue to do so.

But I will note that over the past years we've taken a significant amount of shares off even in the last year taking I think on the order of about 5 million shares off. So, that's something we'll continue to do. We do have a fair amount of authorization remaining on the existing buyback as well.

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

All right, in summary, we delivered outstanding revenue, operating profit and earnings per share results for the third quarter. We're pleased to be on track to continue to achieve our long-term operating profit goal of 20%. While the next year will be a period of transition as we focus on the introduction of new customer and catalog products, we are excited about our opportunities to long-term growth.

I would like to also note that we will be attending the Stifel Conference on February 11 in San Francisco. We hope to see some of you there. 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. Goodbye.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may all disconnect. Everyone have a good day.

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