MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Cirrus Logic First Quarter Fiscal Year 2014 Financial Results Q&A Session. At this time, all participants are in a listen-only model. After a brief statement, we will open up 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 call over to Mr. Thurman Case, Chief Financial Officer. Mr. Case, you may begin.

Thurman K. Case, Chief Financial Officer, Vice President of Finance and Treasurer

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 Investor Relations department. Today, we announced our financial results for the first quarter fiscal year 2014 at approximately 4:00 P.M., 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.

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.

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 Forms 10-K and 10-Q, as well as other corporate filings made with the Security and Exchange Commission for additional discussions 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?

Jason Rhode, President and Chief Executive Officer

Thank you, Thurman. Before we begin taking questions, I'd like to highlight a few of the things we discussed in our shareholder letter. In Q1, we delivered strong GAAP and non-GAAP operating profit of 20 and 24%, respectively, on revenue of $155.1 million.

We believe these results position Cirrus Logic at the high end of our peer group's performance, highlighting our ability to efficiently manage expenses while investing in critical R&D initiatives. Additionally, we are increasing our investment in technical marketing, as we evaluate and identify future product opportunities.

We continue to generate cash in Q1, exiting the quarter with approximately $272 million in cash, or $4.11 of cash per share. Cirrus Logic's ability to leverage our core engineering competencies in exciting markets where our innovative solutions are valued and help differentiate our customers' products has been a key element of our success.

Over the past year, we have concentrated on broadening our custom and general market product portfolios in portable audio and LED lighting. We are pleased with our progress in the June quarter, as we continued to see strong customer interest in our innovative products design to enhance the audio and voice experience for mobile phones. We are presently selling products into several additional mobile phone manufacturers and are in discussions with multiple others.

Design activity remains healthy in LED lighting, particularly with our new single-stage LED controller, as we continue to ramp with our existing customers and engage other OEMs. We believe innovation in these target markets is in the early stages, and we continue to work with an expanding list of market leaders in order to capitalize on our revenue growth opportunities.

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 relationships.

Operator, we're now ready to take questions.

QUESTION AND ANSWER SECTION

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

<Q – Vernon Essi>: Thank you. Listen, Jason, I was wondering, if you could give us a sense in the composition of sequential growth in the audio revenue outside of your largest customer?

It looked like it was up nicely, and you've mentioned in your letter shipping some catalog parts to smartphones at a major leading vendor as well as it looks like you're getting some on the Chinese front. Was this the reason for that growth, and can you just give us a sense for what sort of were the mechanics behind the revenue outside your largest customer in audio?

<A – Jason Rhode>: Yeah. I mean, that's a – a significant part of it is the additional mobile phone stuff with this new catalog product. Actually, it's a couple of catalog products. The one that we had been kind of alluding to on the last couple quarters' earnings calls is a new ultra-low-power A/D converter, four-channel device. It's optimized for a variety of multi-mic applications.

So that was a pretty good bit of it. And then there was some other devices that were brought online a little more rapidly than we had expected that are in some of these emerging markets – a little more nimble opportunistic suppliers, I guess, I would say, for some of our other catalog devices that have been around for a little longer.

And then, on top of those, I think, we had some strength in automotive, which is always nice to see, because it's a business that's near and dear to our hearts. We think that that's a good sign over the long term, as higher-end entertainment devices and systems proliferate their way down our customers' product lines.

So what used to be available only in their flagship model cars is now moving all – moving down to the entry-level models. So we think entertainment and audio, in particular, in automotive is something that for the long term is a good growth opportunity, albeit it's nothing flashier or a real dynamic. But it's a good investment over the long haul.

<Q – Vernon Essi>: And so it sounds like – I'm sorry.

<A – Jason Rhode>: So those are kind of some of the bigger items.

<Q – Vernon Essi>: And so if I – if we were to go back and, say, rinse out these newer parts that are going into incremental smartphones, would that other audio have actually grown or would it have been sort of flattish?

<A – Jason Rhode>: Yeah. So let's see. So if I look at non-portable audio, in total, automotive would have caused that to go up a bit.

<Q – Vernon Essi>: Okay.

<A – Jason Rhode>: But the new mobile phone stuff was definitely a significant portion of that growth.

<Q – Vernon Essi>: Okay. I mean, we're just obviously trying to track anything incremental here. So I appreciate getting into that level of detail.

<A – Jason Rhode>: Sure.

<Q – Vernon Essi>: And then, Thurman, the guide on the OpEx seems somewhat low. And how should we think about – and I think R&D is probably the biggest swing factor there. How should we think about that going forward? You guys have had a stable objective to spend increasing amounts there. Are you struggling to spend more or is there sort of a little bit of a change going on there at the OpEx level?

<A – Thurman Case>: No. I think that we've talked historically that OpEx for us can move around and particularly on the R&D side based on product development expenses and the timing of those expenses and so forth. So I wouldn't take the – you can't look at the guidance for this quarter and then assume that we're not able to spend enough.

We'll continue to invest in R&D and we would expect that to grow. And our product development expenses can be higher in some – in future quarters as we – as projects come to fruition and other things happen. So I think we're just – we were down in the last quarter and our guidance is a little bit lower than it has been. We are managing our expenses and particularly on the G&A side, but you would – we would expect that R&D will continue to increase.

<Q – Vernon Essi>: Okay. All right. Thanks a lot. I'll go back in the queue.

<A>: Sure. Just a little – just to add one bit of color on that, an increasing percentage of our expected tape-outs going forward are in a lot more advanced geometries. So, those can be a pretty significant pop individually on expense – on the expense line. So, as Thurman said, it can move around quite a lot quarter to quarter, just depending on what level of tape-outs we happen to have in a particular quarter.

<Q – Vernon Essi>: Okay. Thank you.

<A>: Sure.

Operator: Our next question comes from Andrew Huang from Sterne, Agge. Your line is open.

<Q>: Thanks for taking the question. This is John Chen [ph] in for Andrew. Can you talk about inventory management in the back half of the year?

<A>: Well, in real generic terms we expect inventory over the course of this quarter to be flat to down a bit. We had quite a lot of moving parts, so to speak, within this quarter and so that makes it, kind of, hard I think for anybody externally to really extrapolate and look and see what's really going on under – underneath that top level number. But as some of that settles out over the course of this quarter, we would expect to make progress towards a little more normal terms for us, which would be a bit lower inventory than what we had coming into the quarter.

<Q>: Got it. Thank you very much.

<A>: Sure.

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

<Q – Christopher Longiaru>: Hey, guys, congrats on the guidance.

<A>: Thanks, Chris.

<Q – Christopher Longiaru>: So my question actually has to do with your other business segment, industrial. Seems like it was up about 10% sequentially, is that just some of the kind of core industrial biz that you always had just coming back after kind of a couple years of weakness or is there some initial LED stuff on there? Can you give us a little guidance on how that's going?

<A>: We don't want to break out details, but definitely we're seeing good progress on the LED side and then there is definitely some – a little more – a bit of the older stuff as well that had a good quarter. So that's good news from – the older stuff is good news from a cash generation point of view and operating profit point of view and the LED stuff is great news from indication of continued traction in that product line.

This – the LED product line is a lot more of a base-hit business than I think people expect it to be, because there are – it's a pretty small number of suppliers of light bulbs out there that really make up the total volume, but if you dig underneath that, it's a really large number of SKUs at each of these vendors. So, even though we feel like we've got the premium product on the market, it takes quite a while to penetrate a significant fraction of some of these product lines, and it really is a business where you've got to win them product by product.

So it's good, steady progress on that and we continue to add a new business and we expect good things for that over the coming year and heading into next year, the volumes are really expected to start to take off. So it was a good quarter on a lot of fronts in LED.

<Q – Christopher Longiaru>: And just to remind us to, the gross margins on both those businesses are much higher than the corporate average, if I remember correctly. Is that still the case?

<A>: Well, LED is – our expectation and it's really – it's a good question over the long term. LED we expect to be supportive of the company average as that turns into a real business, but that is a significant area that we spend a lot of time working on making sure that we're adding enough value, taking enough passive components out of the Board making our system cost competitive.

There's no question we have the best solution on the market today in my mind. The question is just how far down the cost benefit curve can we push that solution by making our device be part of the lowest bill of materials cost as well. So that's a question that in my mind remains over the long term. Certainly the older industrial products such as seismic, for example, seismic is much higher than the corporate average, but it's also a pretty sleepy market.

<Q – Christopher Longiaru>: Right. Thank you for that. I'll jump out.

<A>: All right.

Operator: Our next question comes from Tore Svanberg with Stifel. Your line is open.

<Q – Erik Rasmussen>: Hi, thanks. This is Erik Rasmussen calling in for Tore. I just wanted to follow-up and I apologize if this was mentioned earlier, but one of the early questions though, was on R&D and it seemed like some – spending level seemed to be a little bit lower, but you feel pretty comfortable with supporting future design activity. It seems to be accurate, correct? And then just want to clarify that and then you mention that there could be some step-up in R&D in future quarters for potentially tape-outs. How big could those step-ups be and then I have a follow-on.

<A>: Well, we don't want to get too far ahead of ourselves. Our main goal is managing to our model, which is to deliver 20% operating. We don't get too hung up on, how the expense breakout lands on a particular quarter because it's not a good way to manage the business, but I think you can expect it to go up a bit over the course of the year.

We're continuing to hire and having great success in adding some truly exceptional talent over the last quarter and we expect to continue to do that, but we're trying to make sure that that remains heavily concentrated in the product development functions. Our team has done an amazing job over the past couple of years as our revenue grew much more quickly than we could keep up with.

From a hiring point of view they've done a good job in filling in behind that and getting our staffing needs shored up because we've got some really compelling investment opportunities in front of us and we're just trying to make sure that we've got all the right people on Board to be able to execute on those and I think the team has done a great job of doing that.

In terms of – in a particular quarter, I mean a full 55-nanometer tape-out is a pretty significant expense relative to our total OpEx, think on the order of $1 million. So you can definitely have some – if you have a couple tape-outs within a particular quarter and another like that it can definitely move the needle versus some of our older stuff where it's was kind of in the noise.

You have a couple of tape-outs and 180-nanometer or quarter micron and from a total expense point of view it really wouldn't even be noticeable. So it's just something that, we have to count for. We certainly have a good view of what will land in the upcoming quarters. We have a pretty good track record of taping out stuff when we expect to and it's something we take into account, of course, when we're formulating guidance.

<Q – Erik Rasmussen>: Thank you, Jason, for that. And just one other question, can you just comment in your shareholder letter you talked about your general market devices a momentum and design activity picking up there, can you just give us a little more color and what to expect the remainder of the year?

<A>: Sure. I mean, you know, we're excited to be ramping with another supplier of high quality phones. Like I said, it's a general market product that that product in particular is -- provides a pretty ubiquitous function. And it's really kind of part of an effort where we're targeting not only high fidelity audio which is, of course, always been the strength of the company. But also trying to broaden out, our appeal to focus that are trying to differentiate on the voice experience in some way or another.

So this particular product that we've launched yesterday publicly but obviously we've been working with various folks on it for longer than that, is a four channel that's optimized for voice microphone applications and I think the team did really a remarkable job of sifting through all the various feedback that you get from the market putting a compelling product definition together. And then the engineering team just executing to perfection on it and getting it on market in a timely fashion.

So we're shipping that with one customer today. We expect to be shipping it with others in the not too distant future. And then one of the more interesting trends has really been this emergence of interest from kind of the so-called white box phone manufacturers who, you know, I think approach the market in a little more opportunistic way than others may. You know, they're not so worried about making everything perfect, but they'll have a neat idea for a feature or function and find a way to implement it with existing parts and get it done in a hurry and get it on the market and see who salutes.

And so, as long as we're able to maintain an interesting compelling portfolio of catalog devices that's a good way to support that market because frankly the volumes in a lot of those cases wouldn't justify a custom product. So it's really an area we have to approach it with more catalog devices. And then longer term we're certainly hoping to add more significant functionality in these -- you know, in some of our catalog devices, you know, the areas where we can add a lot of value with our signal processing capabilities doing smart things with voices and background noise, echo cancellation and all sorts of these noise type functions that enhance a voice experience in some way or another.

Making the speaker phone louder is another good example. Those are areas where somebody making any phone actually can find a way to differentiate on those advantages. It doesn't have to be a media consumption centric device.

<Q – Erik Rasmussen>: Thank you. And maybe just adding to that on the white box side, how competitive is that market and are those design cycles -- what do they look like in terms of what you're used to currently?

<A>: Well, they're very quick, but the great thing for us is we've either got an interesting device for whoever it is, that's looking at them on the market and ready to go and they designed it in and their design cycle is – theirs to manage. We don't have to get anywhere near as involved as when we're doing a custom device for somebody. So the design cycles can be quite quick.

And they know it's an interesting approach. I certainly think that better results can be achieved if you're really spending a long time, three years ahead of time plotting things out and making sure everything is just so and perfect, but there's certain markets that aren't willing to pay for that, and it seems that certainly some of these white box guys have gotten a handle on how to get a product out quickly, ship a bunch of them and then move on to the next item.

<Q – Erik Rasmussen>: Great. And maybe if I could just sneak one more in here, how is your visibility? Normally you have long-term visibility based on the roadmaps at your largest customer, but has any of that changed? What is your visibility now, has it stretched or has it stayed the same?

<A>: Well, any time without getting into our largest customer, but any time we're doing a custom device, it takes us a year to design a new chip. It takes a customer a year to design the chip into their product, because everything we do is propriety. We don't make incompatible devices, so – and our customers, if we're in that kind of a relationship, end up having to spend quite a lot of time with us back and forth.

So I think we get quite good visibility about what sort of design activity we are getting in the custom space. Certainly in the areas where somebody is designing in a catalog device, it's a shorter amount of visibility, but it's still pretty reasonable given the nature of the fact that it's a proprietary – that we provide proprietary products.

It's not like, we participate in a lot of markets where we've got incompatible device with three other guys and whoever convinces the purchasing guy they got the lowest price wins, we try to stay out of that market.

We try to find places where we can add meaningful value for our customers to differentiate on and to some extent that limits the markets we can participate in, but again we're focused on finding revenue growth opportunities that contribute to a 20% operating business. So not everything fits that bill.

<Q – Erik Rasmussen>: Thank you very much.

<A>: You bet. Thanks.

Operator: Our next question comes from Frank Keller with Barclays. Your line is open.

<Q – Frank Keller>: Hey, guys. Thanks so much for taking the question. Just wanted to dig a little deeper into the catalog parts. So, Samsung [ph] new handset OEMs, could you maybe give us an idea as to the gross margin performance on these products. I mean, clearly it much be such a bad proposition as you describe better than expected gross from this customer in this quarter, but gross margin is around the midpoint of your range, so just trying to gauge how you guys are thinking about all that? Thanks.

<A>: Yeah. We don't breakout the margins of any of the products specifically. Like I say, we're looking for revenue growth opportunities that contribute to a 20% operating business and there's a number of ways to get there, either with scale or high gross margin on a low volume business works, too.

Mobile phones usually if it's – I think as I've said in the past with mobile devices if you're making any sort of investment at all, you better pick your customers carefully, because you can certainly go broke supporting the wrong one if it involves a lot of them, but in particular the new device that we're ramping is with what we regard as a great company and a great supplier of products. So we're excited about that. You know, again, I'm not going to get into the details on device by device margin, but it's certainly good for us and it's a good sign that our guys are targeting the right opportunities.

<Q – Frank Keller>: Thanks, Jason. So the other question, the shift to 55-nanometer is an effort to improve gross margins. You guys reducing cost for your customers presumably. So could you maybe highlight some areas -- you've talked about some of them on the voice side, are you guys going to add some more functionality in your solutions to maybe try to maintain the kind of dollar content that you guys have become accustomed to. Thanks.

<A – Jason Rhode>: Sure. Yeah, I think actually your second point, I think, really hits it on the head. Really I don't look at 55-nanometer as a margin play per se because the wafer pricing primarily is set by the big chip digital folks and it's all in a lot of ways on a relative basis and the assumptions that drive way for prices are usually based on the kind of shrink that you get relative to an all digital product. When it comes to a device like ours which is typically more than 50% analog or around 50% analog, the analog doesn't shrink. In some cases it gets better and so it actually if you're just building the very same product in 180 nanometer and 55 nanometer, you probably get some benefits by building a lower power, but actually the device cost would in a lot of cases would actually go up.

So, for us, to move something to 55-nanometer, there really needs to be a value proposition either a size constrained, or power constraint or hopefully the right answer is both of those plus the opportunity to add just a ton of signal processing capabilities that we wouldn't be able to do in an older node. And so that's really the focus of our efforts in 55-nanometer is much more smart products, products that are differentiated on doing a lot of voice-type signal processing, a lot more heavy-lifting than we've done in the past on some of these low power devices. And I think it's just kind of indicative of the era that we're moving into, the products that we've seen all our lives on the Jensen's and whatnot where you can just talk to your stuff and have it respond in some way. The Internet thing is going to be composed of a great many different kinds of things and some of them are going to be really small.

Voice is a good way to interact with different stuff. So it's an area that we're looking at and certainly more of the same in terms of being able to do great noise cancellation, echo cancellation, making speaker phones louder. You know, these are all areas where our signal processing can add a lot of value and if we can do the same device in 55-nanometer but add a lot more signal processing power, a lot more memory, that gives us capabilities we wouldn't have otherwise. So that's really the thrust of it is trying to add more value in the same kinds of sockets.

<Q – Frank Keller>: Thanks, Jason. One last one for Thurman, if I could. So just wondering about how you guys are going to be managing your tax profile going forward once you guys have run out of your deferred tax assets going forward. Thanks.

<A – Thurman Case>: Well, as we've said previously that for us we would really expect as we become taxpayers for that to be in the 35% range. We are looking at various opportunities in/or alternatives, but drastic measures in order to reduce our tax rate which would upset the business model has to be considered, also. So we continue to look at different alternatives and we'll manage that down the best we can, and still maintain integrity in what we're doing trying to run the business. So all that said, again probably be looking when we initially become taxpayers at a 35% tax rate and we'll be looking at as many alternatives as we can to get that down.

<Q – Frank Keller>: Thanks, guys. Appreciate that.

<A>: Thank you.

Operator: Your next question comes from Robert Burleson with Canaccord. Your line is open.

<Q – Bobby Burleson>: Hi, guys. Thank you for taking my question. Can you hear me?

<A>: Yes.

<Q – Bobby Burleson>: Great. Just a couple of quick ones. Can you just talk about what you think the Smartphone dollar content trends might be for Cirrus? From here I know that's moved around a lot depending on which ones the guys [ph] get and what's your best sense of what the trend might be going forward?

<A>: Well, with respect to things that we're in today I'm not going to actually speculate on that for a bunch of reasons, but there's a number of -- it's hard to put any color on it that's going to be helpful just in the sense that ship multiple devices and it's quite a wide range of content depending on, what sort of phone it is, but we think over time there's a lot of opportunity to continue to add more value as we're able to bring a lot more of the signal processing capabilities that we were just talking about with respect to 55-nanometer. We think there is a lot of opportunity to add more value over time. And so that's why we're focused on the 55-nanometer so heavily.

<Q – Bobby Burleson>: Great. And then it sounds like...

<A – Jason Rhode>: Yeah. There is just additional functionality that we hope to be able to bring to bear over the long term.

<Q – Bobby Burleson>: Great. Then it sounds like gross margin expansion on the 55-nanometer ramp isn't necessarily something we should conclude. But can you just give a sense for when the tape-outs hit you guys, hit R&D, and maybe when you expect volume shipments on the advanced node?

<A – Jason Rhode>: Well, I mean, we'll be taping out devices over the course of the rest of the year. It takes on the order – like I said earlier, it takes on the order of a year. Best case, if the customer is moving at a high rate of speed, it takes on the order of a year for a customer to design something new in and then get their product on the market. So these are the things we're working on that are on the horizon there, but they're very, very important for us.

<Q – Bobby Burleson>: Okay. Great. Thanks.

<A – Jason Rhode>: You bet. Thanks, Bobby.

Operator: [Operator Instructions] Our next question comes from Jeff Schreiner with Feltl & Company. Your line is open.

<Q – Jeffrey Schreiner>: Good day, gentlemen. Thanks for taking my questions. I was wondering, if we could talk a little bit about just kind of the current visibility into voice-enabled opportunities, as it relates to Cirrus maybe during fiscal year '14? And also trying to look at, maybe – if we can get any color about what's the potential voice-enabled revenue mix between maybe new customers or design – new design opportunities within existing customers. Any color, Jason, you can give there?

<A>: Well, we don't want to get into too much into the specifics of things that are coming. And there's an element of it, too, that is a definition question. So, for example, the socket that we're ramping today is this multi-channel voice A to D converter and it is obviously part of a voice system. So you consider that in the category of the question you asked? Or do we constrain ourselves more to thinking about where we Cirrus are doing more of the voice processing and the voice cancellation or whatever, what have you?

But noise cancellation is today a pretty significant piece of revenue. We expect that other technologies that we're able to bring to bear that are along those same lines will continue to be a significant part of the value proposition that we offer going forward. And then as well like this new A to D converter we've been talking about, just supporting those type of functions and those type of algorithms in a very low power analog way is a great opportunity as well.

A lot of our customers have their own algorithms and own ways of doing things. But, for example, if you want a microphone in a battery powered product to be on 24/7, that requires very, very low power analog signal processing upfront of any type of DSP that might take place later and that's a great opportunity for us as well.

So as the number of microphone channels in the world explodes, I mean, we see additional microphones going in -- anything that already had a microphone or two it in over the next few years probably end up with a few more in it and plenty of devices that never had one start to gain microphones over the last few years and that's a lot analog input channel, there is a lot more signal processing to be done and we think it's a big -- it's a quite important Vector for us going forward. So I really rather not give you any specifics on numbers, but it's a big investment for us. It's quite important.

<Q – Jeffrey Schreiner>: Do you think you'll have some? I mean I guess with this catalog product, you just kind of recognized what maybe considered voice in this quarter?

<A>: Oh, yeah, I mean, we shipped -- again it's a bit of a definition question. If we're in a mobile phone most of the time all of the voice and all of the audio goes through our device in some fashion or another. So we've added additional customers. That's really good. We've got a catalog – we have got a number of catalog products that can be used in that kind of type of application. That's good. And we're investing heavily in doing more of the heavy-lifting signal processing over the next couple of several years. So that's from a long term Vector point of view that's extremely important.

<Q – Jeffrey Schreiner>: Very helpful. Thank you.

<A>: Sure.

<Q – Jeffrey Schreiner>: And then can you talk about maybe just how many new customers were shipping products during the June quarter just companywide?

<A>: I don't have a good number for that. Our total -- I guess I would probably hazard a guess to the number you would care about. In total, we ship to hundreds of customers every quarter and so going down and looking a everybody that's new. I mean, of the significant ones there were multiple significant new customers that we count and track and we're paying attention to design wins, etcetera. So, it was – it's a very good quarter from a customer expansion point of view in my opinion.

<Q – Jeffrey Schreiner>: Okay. And just final question for me is just, when I look at R&D and the commentary obviously has focused around maybe what tape-outs for recruit we're going to be. But, Jason, how are you thinking about allocating R&D at this point right now between audio and industrial energy, given you do have kind of the brush more of the LED in industrial energy. But it sounds like there is lot of investments being focused upon for the long-term with you know, process and capabilities and what have you, maybe in the audio/voice segments. Can you help us out there?

<A – Jason Rhode>: Well in, terms of process, we have a strategic process that kind of runs in the background where we evaluate markets and areas that we want to allocate spending and then at a more day-to-day level the divisions have quite a lot of freedom to go do what they need to do.

But I mean, we're not such a big company. The general managers hire and determine. The marketing folks discuss this stuff all the time and our goal is always to make sure that we're putting our R&D dollars on the best opportunity at any given time, which is if you manage a bunch of engineering folks is smart as what we've got, you'll always have more opportunities than you can possibly staff, no matter how many people you have around. So the goal is really in staffing.

The best opportunity is not the ones that are merely good. And, you know, so we've got a couple of processes that play into that, but really it's a lot of – it's just a lot of time where we all spend talking about it, thinking about it and looking at the latest data we're getting back from sales and what our engineering guys can dream up and what business propositions marketing folks can wrap around them.

So, it's complicated, but that's really the fun part. That's the thing that keeps us all motivated and going is the opportunity to participate in some of these new emerging areas, working for really smart people and bringing new products to production. That's the fun part of what we do.

<Q – Jeffrey Schreiner>: Thank you very much.

<A – Jason Rhode>: You bet.

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

<Q – Vernon Essi>: Thank you. Thurman, why don't we just go back to the tax question just tactically? I wanted to double check. What is the deferred amount that's remaining right now?

<A – Thurman Case>: We have about $71 million.

<Q – Vernon Essi>: Okay. And then on the – I noticed – and this is very small detail, but you've forecasted a non-GAAP tax of 4%. Should we be taking that forward until the deferred assets complete?

<A – Thurman Case>: Right. If you just run – if you take the deferred tax asset and look at it as at a 35% rate, that's going to hit our GAAP P&L. And when that run – when we burn that off, that will become a real cash tax. Between them, that 4% is probably going to be pretty consistent.

<Q – Vernon Essi>: Okay. And then, totally, switching gears here, Jason, just to go back to LED, a lot of suppliers into the market have sort of – they're sort of indicating that there is – and I'm going to knock on wood when I say it – but sort of an inflection point in demand. I mean, we've been fooled several times in this market in the past handful of years.

I'm wondering, sort of, if you're seeing any signs of that. I mean, you just characterized it as a base hit kind of market and environment. But can you give us any more color as to what, perhaps, you're seeing in the dialogue with the end customers?

<A – Jason Rhode>: Yeah. We – I mean, we did see the total market growing rapidly as incandescents get phased out and people finally have a decent alternative to CFLs, which are pretty much universally reviled and but it turns out the individual bulbs themselves are – it's a very complicated design challenge. Obviously one of the goals of our chips is to try to make that design challenge easier than the other folks, but fitting all that power electronics stuff in the base of a light bulb that was never meant to have electronics in it at all, is a pretty neat trick.

And so for any one company you're kind of winning these light bulb sockets one at a time and so that does put a cap on how quickly you can grow the business with any one customer.

Obviously, we try to do things like I've reference designs and scale our support and everything else, but it is a business. We feel like we're doing quite well in. We're adding customers. We're shipping more volume, quite a bit more volume this quarter. We're excited about that but it's an area where there is a lot of blocking and tackling, but you are right.

I do think that there's an element where especially as our customers are in a position to get lower cost products on the market that actually work better so that they don't get a bunch of returns. They satisfy the customer from a color temperature, from a dimming point of view that we've seen individual models do better and better.

I would say prior to about a year ago the vast majority of the light bulbs, the LED light bulbs on the market were really pretty awful. And it wasn't a very good experience for consumers.

So you buy one of those and they were expensive. So it's not like you're running right back to the hardware store and buy a couple more. Now there's products on the market that are starting to be pretty good. We think it's the most reasonable proposition is to design though using our device, obviously, everybody's got their opinions, but we feel very good about having a very good solution to some of the problems that have really plagued that market, in particular the dimmer compatibility one and then as other economies of scale with the LEDs, the housings and what have you, people get a little bit bitter at figuring out all the things that go bump in the night and ramping new product. We definitely see opportunities for that market to take off.

<Q – Vernon Essi>: Okay. Thanks for the color on that.

<A>: Sure. Thanks, Vern.

Operator: That ends our question-and-answer session. I will turn it back to management for closing remarks.

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

Thank you, operator. The questions submitted via e-mail this afternoon were answered during the Q&A. I will now turn it back to Jason.

Jason Rhode, President and Chief Executive Officer

Thank you, Chelsea. In summary, we delivered strong operating profit and earnings per share in Q1 as we invested in compelling R&D projects and carefully managed our SG&A expenses.

During the quarter we continue to gain traction in portable audio and LED lighting as design activity was robust and we added new customers and expanded into more SKUs. In FY '14 we will continue to invest in innovative products and strengthen important customer relationships in both audio and energy. They're expected to drive revenue opportunities over the next few years.

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 call. This concludes the call. You may all disconnect.