

THOMSON REUTERS STREETEVENETS

EDITED TRANSCRIPT

CRUS - Q1 2017 Cirrus Logic Inc Earnings Call

EVENT DATE/TIME: JULY 27, 2016 / 9:00PM GMT

OVERVIEW:

Co. reported 1Q17 revenue of \$259.4m.



JULY 27, 2016 / 9:00PM, CRUS - Q1 2017 Cirrus Logic Inc Earnings Call

CORPORATE PARTICIPANTS

Thurman Case *Cirrus Logic, Inc. - VP of Finance/Treasurer & CFO*

Jason Rhode *Cirrus Logic, Inc. - President & CEO*

Chelsea Heffernan *Cirrus Logic, Inc. - IR*

CONFERENCE CALL PARTICIPANTS

Tore Svanberg *Stifel Nicolaus - Analyst*

Matt Ramsay *Canaccord Genuity - Analyst*

Charlie Anderson *Dougherty and Company - Analyst*

Rajvindra Gill *Needham & Company - Analyst*

Blayne Curtis *Barclays Capital - Analyst*

Tom Sepenzis *Northland Securities, Inc. - Analyst*

Christopher Longiaru *Sidoti & Company - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Cirrus Logic first-quarter FY17 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 our analysts.

(Operator Instructions)

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 Case - *Cirrus Logic, Inc. - VP of Finance/Treasurer & CFO*

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, our Director of Investor Relations.

Today, we announced our financial results for the first quarter of FY17, at approximately 4 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.

This call will feature questions from our analysts covering our Company, as well as questions submitted to us via email 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 and the latest form 10-K and 10-Q, as well as other corporate filings made with the Securities 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.



JULY 27, 2016 / 9:00PM, CRUS - Q1 2017 Cirrus Logic Inc Earnings Call

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

Thank you, Thurman. Before we begin taking questions, I'd like to make a few comments. For a detailed account of our financial results, please read the Shareholder Letter posted on our Investor Relations website. Cirrus Logic delivered revenue of \$259.4 million in the June quarter as demand for our portable audio products drove sales above the high end of our guidance.

As a leading supplier of innovative audio and voice solutions, the Company's strategy in mobile phones is to continue to maximize our opportunity in flagship devices, expand our business with OEMs 3 through 10, and drive features and content from flagship into mid-tier devices. Beyond the mobile market, we intend to migrate the technologies we have developed for handsets into a number of emerging applications, including the smart home and wearables, with the adoption of digitally connected headsets driving our largest opportunity initially. Finally, we are investing in MEMS microphones and other signal processing intensive technologies, such as voice biometrics that we believe will significantly broaden our served available market in the coming years.

These strategic initiatives have positioned the Company to exceed our revenue growth target at FY17, and are expected to contribute to further growth over the longer term. Before we begin the Q&A, I would also like to note that while we understand there's 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.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Tore Svanberg, Stifel.

Tore Svanberg - *Stifel Nicolaus - Analyst*

Yes, thank you. Congratulations on the solid results. Just looking at the first question, the September quarter guidance, does that reflect ramps with multiple customers? Or maybe you could elaborate a little bit more on what's behind the strong growth, please.

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

Well, we don't want to spill any specifics regarding customers that have got products that may or may not be on the way, so it's a little bit challenging. Obviously, any consumer-facing Company has got multiple customers, and you're going to ramp for a busy holiday season, so that's always reflective of things that are going on. That said, the growth story for us is really pretty much what we've been saying for the last year, that we expect really good things from multiple of our new products, in addition to just strengthen our core existing business.

So, we expect big new things from, in particular, headsets and amplifiers, certainly there's a mix of new products and a mix of things that you would just expect to sell well for the holiday season. I will note we're not expecting, or at least we are not facing on any outlandish unit growth in the mobile market. We've got something of a content story this year, as we've talked about in the past.

Tore Svanberg - *Stifel Nicolaus - Analyst*

That's helpful. And could you also talk a little bit more about the MFi reference design, just help us understand a little bit how that works. Obviously, I know it's [different] design, but in a typical design, how would that actually go about?



JULY 27, 2016 / 9:00PM, CRUS - Q1 2017 Cirrus Logic Inc Earnings Call

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

Actually, I would love to, but the terms of what we are allowed to talk about per the MFi license is actually pretty limited, other than to other licensees, so suffice to say what you see in the -- what you saw on the press release is all very good. It gives MFi licensees a lot of options for things that they can then go build around that interface, and that, obviously, is very good for our business to the extent that that kind of product takes off.

Tore Svanberg - *Stifel Nicolaus - Analyst*

Very good. So maybe I can try this one, then, you talked about penetration into the mid-tier market already this quarter, how should we think about that going forward -- could you potentially get some pretty rapid penetration and gain share quite quickly, or you expect this to be a bit more gradual over time?

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

Well, obviously, there are an awful lot of mid-tier devices sold in the Android space. They are typically fragmented among a bunch of models, so we're not modeling that as driving our revenue through the roof anytime real soon, but it is the case that if we do well with particular customers, and if that trend continues, then that can aggregate over a number of models and a number of customers to turn into something that's really pretty meaningful.

The ASPs, of course, for a smart codec that's been right-sized for the mid-tier are lower than for-sale flagship, but still, the unit volumes are really pretty significant in total. So, it's great to see signs of progress, it's only been just maybe a little over year since we've had devices that are applicable to the mid-tier-to-handset market, and so, we are excited to see the progress we're making there with multiple accounts, and we expect that that's kind of a trend that will play out over a handful of years.

Tore Svanberg - *Stifel Nicolaus - Analyst*

Just one last question --

Operator

Matt Ramsay, Canaccord Genuity.

Matt Ramsay - *Canaccord Genuity - Analyst*

Good afternoon. Congratulations from myself as well.

I guess a couple of questions, Jason, maybe you could talk about a little bit generically, the difference between maybe the supply chain around your products that might go into headsets versus the traditional products that have gone into the handsets themselves, particularly around lead times into the supply chain. I'm just trying to get a shape of how things could ramp as the headset products ramp with potentially multiple vendors over time, does that change the lead times we should think about, relative to when phones traditionally launch and how that relates to your revenue? Thanks.



JULY 27, 2016 / 9:00PM, CRUS - Q1 2017 Cirrus Logic Inc Earnings Call

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

That's a very good question. It's certainly the case that even, actually, even leaving aside the headsets, if we sell multiple components into the same end product, say an amplifier versus a Smart Codec, versus a microphone, even those can have individually different lead times, depending, are they mounted on the mainboard? Are they stuck on a ribbon cable that then ends up having to get built into a subassembly, and so that can change things by weeks or even a month in some cases.

Certainly, in the case of handsets, those are typically the most efficiently-produced products on the planet, I guess I would say, so that would probably be -- handsets would probably be especially gearing towards an initial ramp, would probably be on the low end of the spectrum, lead time wise. Those products, or things we ship are pretty efficiently turned into finished products.

But I usually -- that's probably as good a place as any to try to insert the usual caution about trying to correlate what we are doing and the timing of what we expect revenue-wise with what any one of our customers might be doing. There's an awful lot of moving parts there, and even when we're looking at the numbers all the way behind the scenes and try to correlate it out, there's often a lot of variability in there. It is pretty difficult to correlate, so hopefully that's a little bit of color that could be useful.

Matt Ramsay - *Canaccord Genuity - Analyst*

That's really helpful, thanks. And then as my follow-up, obviously good to see some of the mid-tier progress, and also with the OEMs 3 through 10.

When I talk to investors, often it's a conversation around what the different OEMs might be doing and it occurs to me that the big competition is come from a relatively dominant base band supplier that integrates their own audio, and I would just be interested to see how you're aligning with the different chipset vendors that are now making forays into the LTE market, whether those are vertically integrated or merchant suppliers and how you feel you're aligned with the different vendors as that market diversifies a bit. Thanks

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

Sure. I mean, any diversification in that market would be more than welcome from our perspective. The first, I would say the highest priority for us or the least painful path to production for us is if a company has their own applications processor, it's really not much about the radio, but if they've got their own AP, that's good, because then they're less beholden to others.

That said, our chips can and have been used in production with multiple different AP vendor -- APs from multiple different vendors, and it's really the customer's decision, the AP vendor may or may not like it. And to some extent, they do try to make that as difficult as they can, but we've proven we can support that in production. There's multiple handsets on the market where our codec is adding value right next to somebody else's AP.

So, you know, if you're trying to make an inexpensive phone as quickly and easily as possible, then probably wrapping plastic around the reference design is the way you would go, but increasingly, especially in the Android space, these guys are desperate for something to diversify their products with, and for whatever reason, especially in China, audio has become one of those things whether it's distortion performance or noise or advanced voice features always-on voice, or -- everybody thinks I'm kidding when I say it, but karaoke so you can sing along with your phone for whatever reason you would want to do that.

That's actually a big deal there, and we've got really tricky audio and voice signal processing algorithms that go along with that and make that possible. So, if you're trying to differentiate on audio and voice, we're a really logical place to turn.

Operator

Charlie Anderson, Dougherty and Company.

JULY 27, 2016 / 9:00PM, CRUS - Q1 2017 Cirrus Logic Inc Earnings Call

Charlie Anderson - *Dougherty and Company - Analyst*

Thanks for taking my questions and congrats on my side. Jason, I think when you guys first came out with ANC, the ANC solution for headset, it was unclear exactly how OEMs would adopt it, it was so new to the market. And I think as the year went on it, you guys talked about kind of just the complexity of it, made it sound like it was going to take a little bit longer and it was going to be more the mainstream codec, and I wonder, as we think about FY17, is that still how you would characterize it or it did in fact some people come through with ANC a little bit quicker than you are thinking?

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

I'd say your first characterization is correct. Which probably ends up in total being better, really, you know, definitely true that manufacturers have -- they're cautious as it relates to building noise-canceling headsets, because they are complex and in particular testing in a very high volume is complex as well. That said, we have got multiple customers that are designing with the product we fully expect there to ultimately be headsets on the shelves with what we believe is the best noise cancellation solution out there, so we're very excited about that.

It's not driving a meaningful number for us this year, and the neat news is just how big of a deal that just generally digitally connected headsets have become. We've already seen multiple Android handsets that are shipping that eliminated the headphone jack, and either ship with or have as an accessory a USB headset or an adapter of some sort.

And I think, you know, it's kind of -- I don't know, I think to most of us in this space that are pretty technical, we look at things like the augmented reality games that all of a sudden are on the news 24/7, and I don't know what, frankly, I don't know what outside of noise cancellation all of our various customers are going to do when they've got digital signal processing capability and power right in the headsets themselves, but there's all manner of things that can be done in addition to noise cancellation, and I just think it's going to end up being a really cool segment. It's pretty rare that there exists one-plus billion unit market out there that traditionally has zero silicon content, and suddenly has a strong reason to have an interface device and some level of conversion circuitry and earphone drivers and microphone pickups and whatnot, so that's a really remarkable opportunity and we're very well situated to capitalize on that.

Charlie Anderson - *Dougherty and Company - Analyst*

Great. And then, Thurman, I just had a follow-up from you, I think on the guidance into September quarter, I think there's maybe a \$7 million or so uptick in OpEx, I wonder if you could characterize what's driving that.

Thurman Case - *Cirrus Logic, Inc. - VP of Finance/Treasurer & CFO*

The uptick in September quarter is really driven primarily by employee expenses. We're seeing much higher revenue and better Company performance, and a lot of that is associated with bonus activity and things like that, that is the majority of it.

Charlie Anderson - *Dougherty and Company - Analyst*

Perfect. Thanks so much.

Operator

Rajvindra Gill, Needham & Company.



JULY 27, 2016 / 9:00PM, CRUS - Q1 2017 Cirrus Logic Inc Earnings Call

Rajvindra Gill - *Needham & Company - Analyst*

Yes, thank you, and congratulations as well. I just want to get a sense of your view of the adoption of digital headphones and ultimately ANC in the Android market, smartphone market. I know a lot of it is dependent on how fast the Android smartphone transition to USB-C, which will facilitate a digital headphone, but wanted to get your thinking on where we are with that particular market.

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

Well, like I referred to earlier, we are excited to see there's already models on the market that have switched over to USB-C completely, and either ship with -- either ship with or have available accessory USB-C headsets or adapters, one or the other, or both. The interesting thing is that as the core chipsets stand today, that's quite a painful thing to do, just the way the USB-C stack is handled and routing of audio and uses of voice interface is kind of clumsy in the handsets themselves.

So, we see that getting sorted out over the next 6 to 12 months in a way that makes it significantly easier for handset manufacturers to go that route, and so we would anticipate that would gain a lot of momentum over that timeframe. And, like I say, I think we're extremely well-positioned to capitalize on that.

Rajvindra Gill - *Needham & Company - Analyst*

And on the annual growth rate, now that -- just based on the June numbers, September numbers, given everything constant, you're on track to grow 21% this year. Do you have any updated thoughts on your annual guidance, and do you have any kind of thoughts on the seasonality of the business versus, say, last year?

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

Well, yes. So, that's a good time to get into that. We don't give annual guidance generally, I mean, we certainly last year tried to -- or over the last few quarters tried to give a hint just because everybody was projecting doom and gloom and whatnot, and we had a pretty good sense of our content story, and so that -- we needed to try to help people get in the right ballpark.

But really, our crystal ball gets a little bit fuzzy once you look past the current quarter for a lot of reasons, which is why we don't provide guidance beyond the current quarter. We highlighted in the Shareholder Letter one reason, the timing of orders, especially the September to October timeframe, even if you assumed everything was all lined up evenly through the weeks of a quarter, that's 1/13 of a quarter, and the last week and the first week of each respective quarter, so just a little bit of timing change can move things around a lot.

And obviously, the September/October timeframe is a really busy time of year, so it's not at all unusual to have a disproportionate amount of the quarter in those couple of weeks. So, that, in a way, that doesn't really have any impact on our business, it doesn't make any difference to us if something ships last week of September or first week of October, but obviously for the financial community it can cause you guys to get quite wound up.

Also, one thing contrary to kind of what people might conclude from what you read in the media or elsewhere on the Internet or God forbid, TV, until a new product is actually on the market, nobody really knows how many consumers are going to turn up and buy it. So, while an initial ramp is reasonably predictable, you know, once a product is on the market, customers have got to revise what they're doing up or down to get everything all aligned, and we've seen great examples of that, mostly for the positive, historically, but last year, not so much.

So, it's really difficult to say with any real accuracy, and then, of course, we've got Hillary and the Trumpocalypse coming in November, so there's that you have to figure as well. So, given all that, we've certainly declined to provide guidance itself, but if you have got to have something for your model, I would kind of look at the last handful of years for September to December, and just pick something on the low end of that sequential



JULY 27, 2016 / 9:00PM, CRUS - Q1 2017 Cirrus Logic Inc Earnings Call

growth -- low end of that spectrum, just to be conservative. Then I suppose as long as we're talking about things like that, it's a good time to remind everybody out there to read the risk factors that Thurman was referring to in our latest 10-K.

Rajvindra Gill - *Needham & Company - Analyst*

Last question from me. You talked about how your Company's not as dependent on units as much as before, can you talk a little bit about that and any way to quantify that -- what would have to happen with units in order to where you would see an impact on the revenue?

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

So, a little bit off of what I would say. I mean, obviously, we're dependent on units, if we get designed into something and nobody buys one, then that's definitely bad. Our point was that we have a perfectly reasonable growth expectation this year, given even without a meaningful unit growth, in the handset space.

Now, we can all, like I just said, nobody really knows, including our customers, really, but nobody really knows who's going to buy how many of what, but our point was merely that we can grow even if unit volume does not. Obviously, it's definitely our strong preference that unit volumes grow a lot, that would be great.

Operator

Blayne Curtis, Barclays.

Blayne Curtis - *Barclays Capital - Analyst*

Hi, guys. Thanks for taking my question, and great results. Jason, not to put you back on the spot with this question, but your December has ranged a whole lot.

I think you'd have to go pretty far for it to be down, but it's been up 60%, I think, the low end of the recent history is still double-digit, so I just wanted to make sure, obviously, people are going to have to model something, and you don't have to answer to it, but I think that's what people are getting at is -- is there any difference in your seasonality, you talked about phones build faster, or maybe headsets not as much, but is there a difference in your seasonality, or is it still going to be that double-digit growth in December?

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

That is certainly within the realm of possibility. It's like I said, if I was trying to write a model, I would pick something on the low end of what we've seen historically, which, frankly, is double digits, and stick that and use that for now. There are some nuances to things that are different this year that relate to your comment, but I think it's a pretty wide range of outcome, based on how big of a home run things are that get launched this fall. If you kind of look at it from what's happened historically and pick something conservative, and that's probably the right route.

Blayne Curtis - *Barclays Capital - Analyst*

Great. Appreciate that.

And then, just, you mentioned the known second sourcing on the Android side, and it was down for you in the June quarter, but then you kind of mentioned some of these (inaudible) [type C wins] and such. Can you just, as you look into September, how much -- what is the trajectory of the



JULY 27, 2016 / 9:00PM, CRUS - Q1 2017 Cirrus Logic Inc Earnings Call

kind of the Android camp, and if you can maybe make a comment on just the accessory market as a whole, are you seeing any growth into September there?

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

I would say in the -- there's a lot of good things going on in the Android camp, both in the handsets and related accessories. I would characterize most of them as being pretty much base-hit oriented, so it's a lot of good little things that are adding up over time, not a huge needle move or anything in one quarter, but something that, as I say, over the next, as quarters go by and we add more models to the mix, that's a really healthy dynamic for our business. So, neither -- outside of our second large, second and third largest customer, none of them are huge yet, but they're definitely moving in the right direction.

Blayne Curtis - *Barclays Capital - Analyst*

Yes. Thanks.

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

Sure. Thank you.

Operator

Tom Sepenzis, Northland.

Tom Sepenzis - *Northland Securities, Inc. - Analyst*

Thanks, and congratulations. I'm just curious, in terms of the handset manufactures 3 through 10, can you just talk a little bit about maybe when you expect to see some great traction there. I think in the Shareholder Letter, you said 18, I'm guessing that you meant fiscal and not calendar?

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

Yes. I mean, we're -- the folks in Chicago continue to do a real nice job for us, along with their new friends elsewhere. We're seeing really good progress in China. Like I say, that's just been in the last year we've had devices that are really applicable to the mid-tier. We've got a very, very, very high performance new D to A convertor outlet, designed specifically for handsets, lots of folks in China are very keen on getting their hands on that. So, yes, we would certainly expect to see additional customers, as well as additional business with existing customers in China over the next 12 months.

Tom Sepenzis - *Northland Securities, Inc. - Analyst*

Thank you. And do you have any concern over constraints and with all the new avenues for growth here, just in terms of delivering over the next 6 to 12 months?



JULY 27, 2016 / 9:00PM, CRUS - Q1 2017 Cirrus Logic Inc Earnings Call

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

Well, it's always, you know, I think our supply chain team is as good as it gets in the [fabless] industry very mature team, we know what we're doing. That said, we, like happened a couple of years ago, our industry, there was a product that hit the ball out of the park and the whole industry was completely out of capacity, all the way through June, and if that sort of thing happens, there's not much we can do about it.

We always try to make sure, it's a balancing act, making sure that -- we want to make sure that if somebody has upside, we want to at least not be the supplier that is constraining them, and I think we're well-positioned to be in that case. And then on the other side, we want to make sure we don't have so much laying around that we get stuck with inventory, and we don't currently have any real concerns there either. So, I wouldn't characterize it as one of our biggest constraints, but it's certainly something we have our eyes on in case things take off.

Tom Sepenzis - *Northland Securities, Inc. - Analyst*

Great. Thank you very much.

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

Sure. Thank you.

Operator

(Operator Instructions)

Tore Svanberg, Stifel.

Tore Svanberg - *Stifel Nicolaus - Analyst*

Yes, thank you. Just had two follow-ups. First of all, could you talk a little bit more about the amplifiers.

I know you're at a lower note now, 55-nanometer. Just wonder if that's allowed you to potentially accelerate your share gains.

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

We expect it will do, but just to be clear, 55-nanometer is still a work in progress. So, we've got, frankly, fairly huge team working on moving all the IP down to 55, getting that out as kind of essentially a 55-nanometer amplifier platform device that's got all the IP in it that we need, and then we've got a roadmap from there that will get cookie-cuttered out into a wide range of additional products.

But your point is exactly right. The 55-nanometer process coupled with an amplifier lets us do stuff that we don't think many of our competitors are going to have the wherewithal to go do, so we can imbed just an incredibly small DSP along with our amplifier that let the device be much more self-contained.

Additionally, given that our Smart Codecs are in 55-nanometer gives us avenue as cost pressures mount and things in the mid-tier, or if we start to try to push our devices even further down the model ranges, that gives us an avenue to combine the Smart Codec and the boosted amp in a way that could be beneficial from a cost perspective. So, there's a lot of really good things that we expect 55-nanometer to bring to the amps. That said, that's all still in the future, we're still chugging along with 180 being the bulk of our shipments in the amplifier space.



JULY 27, 2016 / 9:00PM, CRUS - Q1 2017 Cirrus Logic Inc Earnings Call

Tore Svanberg - *Stifel Nicolaus - Analyst*

That's helpful. And then the other question is, maybe a bit more specific on the supply chain for your MEMS microphone business, maybe you could update us on where you stand on ramping of capacity for that business. Thank you

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

Sure. Well, we're still in a mode where with the design wins we've got today, we are able to supply them, it's a multi-phase strategy between us and what we would define as a real major victory, but nonetheless, I think it's a good game plan that the team has. So, we are bringing up working with additional vendors in Asia as outsource foundry, it's again, it's a process that we own, a silicon nitride process that the UK team had developed, so we're bringing up additional foundry that can run that.

We are shipping tens of millions of units of microphones, we're learning a lot about what goes bump in the night there, we're taking input from lots of customers about what are the attributes of being a preferred vendor and what would it look like to really knock a cover off the ball there. And I think the team has done a great job of learning from that exercise that we've brought in PhD, big brain guys from just about everybody that has made MEMS in the past, added them to the team to really round out the capabilities we've got, and then over time as we prove that we can actually take a microphone to production, and not have a lot of issues or surprises, if we can develop the microphone business to be the same level of reliability and no surprises that our customers would come to expect from us on the silicon side, then that lets us go do proprietary things that don't require a second source.

So, that's kind of where we are. I wouldn't describe capacity as one of our, the biggest challenges that we've got a front of us right now on mics.

Tore Svanberg - *Stifel Nicolaus - Analyst*

Thank you. Congratulations, again.

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

Thanks, Tore. I appreciate it

Operator

(Operator Instructions)

Christopher Longiaru, Sidoti.

Christopher Longiaru - *Sidoti & Company - Analyst*

Hi, guys. Thanks for taking my question. I have been hopping around, so I apologize if I have something that's been covered, but just in terms of the MEMS mics you guys have talked about, kind of the bottleneck being in test, and you've been expanding there, can you give us any idea of kind of how your -- the evolution of your thinking on that expansion has gone over the course of the quarter, if you're seeing more interest, anything along those lines?



JULY 27, 2016 / 9:00PM, CRUS - Q1 2017 Cirrus Logic Inc Earnings Call

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

Yes, I think we've got plenty of interest in the mics there. They are high performance, they're very, very small, it's a compelling form factor, particularly for, ultimately, when we are, when the ANC headset stuff is hitting primetime, that's obviously if you're imbedding a microphone in an earpiece that matters a lot from a size perspective. So, there's plenty of interest.

Test capacity is one factor, manufacturing and reliability, and really, the entire supply chain process is something that we just want to ring out very, very carefully and make sure that, as I said on the previous question, we just want to make sure we're in a position where customers can expect the same level of no surprises that they have come to expect from us on the silicon side. So, it's -- test is certainly a thing that we need to continue to refine, but it's production capacity and all manner of challenges. My hats off to the folks that already shipped MEMS mics, that's a hard, hard thing to do, but I think we've got real good opportunities to be a meaningful player in that game over the long term.

Christopher Longiaru - *Sidoti & Company - Analyst*

And that's great. And then just, historically, you've talked about kind of with your Tier One flagship phones kind of what your current content on average was possible content, can you give us kind of an idea of how you're seeing that on the mid-tier side?

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

A mid-tier Smart Codec in and of itself is on the order of about 50, there's certainly interest in the amplifiers for mid-tier as well, so you can imagine a mid-tier amp probably not want in quite as much power as much whatever goodness is the flagship guys would be interested in, but still, on the order \$0.50, we've got good opportunities to get the microphones in there over time as well, and then, so that all nets out to still some pretty meaningful content all of which is new business for us.

Christopher Longiaru - *Sidoti & Company - Analyst*

And does that sort of, I guess, you've historically been tied to one customer, then you had -- that year where you added a second customer in large quantity, and it sort of evened out your seasonality. Do you have that expectation long-term? I know you talked about it this year, but just in general, going forward.

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

Long term, I think that it's just generally good for us to develop business with customers that want to differentiate on audio, and that has the side benefit of the more of them there are, the more naturally, that's just going to get spread out, and that probably makes us easier to analyze, and makes it certainly a long-term healthier business to have a wide range of those customers different times of year, different models that may or may not be successful. It just adds a lot of diversity into the business mix, which has got to be a good thing.

Christopher Longiaru - *Sidoti & Company - Analyst*

All right. Thank you for taking my questions. I'll jump out, guys.

Jason Rhode - *Cirrus Logic, Inc. - President & CEO*

Sure. Thanks, Chris.



JULY 27, 2016 / 9:00PM, CRUS - Q1 2017 Cirrus Logic Inc Earnings Call

Operator

(Operator Instructions)

There are no further questions at this time. Ms. Chelsea Heffernan, I turn the call back over to you.

Chelsea Heffernan - Cirrus Logic, Inc. - IR

Thank you, operator. There are no additional questions, so I will turn the call back over to Jason.

Jason Rhode - Cirrus Logic, Inc. - President & CEO

Thank you, Chelsea. In summary, we are pleased with our June quarter results as strength in portable audio sales drove revenue above our guidance. On an annual basis, we anticipate sales of our boosted amplifiers and digital headset components to fuel FY17 above our long-term target model of 15% year-over-year growth.

We continue to be encouraged by a variety of audio and voice trends that have begun to influence the mobile and smart accessory markets. With an extensive portfolio of innovative products and a comprehensive roadmap, we are excited about our ability to extend our leadership position in these emerging markets and drive future growth. I would also like to note that we will be presenting at the Pacific Crest Conference in Vail on August 8.

And the Oppenheimer Conference in Boston on August 9, and the Canaccord Conference in Boston on August 10. A live webcast of these events will be available at investor.Cirrus.com.

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

This concludes today's conference call, you may now disconnect.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2016, Thomson Reuters. All Rights Reserved.