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# EDITED TRANSCRIPT

CRUS - Q1 2018 Cirrus Logic Inc Earnings Call

EVENT DATE/TIME: AUGUST 02, 2017 / 9:00PM GMT

## OVERVIEW:

Co. reported 1Q18 revenue of \$320.7m and GAAP EPS of \$0.64.



AUGUST 02, 2017 / 9:00PM, CRUS - Q1 2018 Cirrus Logic Inc Earnings Call

## CORPORATE PARTICIPANTS

### Chelsea Heffernan

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

**Thurman K. Case** *Cirrus Logic, Inc. - CFO, Principal Accounting Officer & VP*

## CONFERENCE CALL PARTICIPANTS

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**Christopher Graham Hemmelgarn** *Barclays PLC, Research Division - Equity Research Associate*

**Matthew D. Ramsay** *Canaccord Genuity Limited, Research Division - Principal and Senior Analyst*

**Rajvindra S. Gill** *Needham & Company, LLC, Research Division - Senior Analyst of Microcontrollers, Analog & Mixed Signal; Consumer IC & Multi-Market*

**Tore Svanberg** *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Cirrus Logic First Quarter Fiscal Year 2018 financial results Q&A session. (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 K. Case - *Cirrus Logic, Inc. - CFO, Principal Accounting Officer & VP*

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 fiscal year 2018 at approximately 4 p.m. Eastern. The Shareholder Letter discussing our financial results, the earnings press release, including the 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 our projection. 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.

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

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 Q1 revenue of \$320.7 million and GAAP and non-GAAP earnings per share of \$0.64 and \$0.81 respectively. Overall, demand for our products was in line with our expectation ahead of new product launches in the back half of the year. We are pleased with our progress in Q1, as design activity across the portfolio was strong, and we expect the new devices utilizing our products in smartphones, digital headset and the smart home to continue be introduced throughout the year. More importantly, we made significant progress in new product development as



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we take that numerous components over the last several months that we believe will expand the company's product portfolio and enhance our competitive position and key markets including our first 28-nanometer voice biometrics chip and the 55-nanometer boosted amplifier with integrated DSP for the China and mid-tier markets. We also take out of our first hi-fi codec with integrated USB interface that targets the USB-C digital headset, which allows the company to address the product customer base and enables us to simplify design in process of that helps OEM deliver digital headsets and adapters to market faster and more efficiently. Customer interest has been strong driven by the products ultra low power consumption and class leading analogue performance and size. We expect design activity to accelerate as we move throughout the fiscal year.

Highlighting some of other product achievements over the past several months, we are pleased to have ramped production of the recently introduced hi-fi DAC and a boosted amplifier with a customer in China for a flagship smartphones introduced this summer. Commercial production of the first adaptive ANC headset using our innovative technology increased in Q1 and the product is available for purchase in Europe, Asia and United States. We are also shipping in smart home products to date including a new Tier 1 digital assistant uses our high-performance ultra- low power stereo codec to deliver high fidelity audio playback. Further, we were happy to announce our new Amazon Voice Capture Development Kit, which enables a wide range of consumer OEMs to bring Alexa enabled smart home products to market faster and more efficiently, while providing a superior user experience.

We are excited about our opportunities in FY '18 and we are optimistic about the company's future as a leading provider of innovative audio and voice technology. With many of our target markets in the early stages of development, we have numerous multiyear growth factors that are expected to fuel opportunities in the coming years.

Before we begin the Q&A, I would also like to note that while we understand that there is intense interest related to our largest customer, in accordance with our policy, we did not discuss specifics about our business relationship. Operator, we are now ready to take questions.

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question is from Tore Svanberg from Stifel.

**Tore Svanberg** - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Just a few questions. The first question is just on the language in your shareholder letter and maybe I'm reading too much into this, but you do talk about product ramps in the back half of the year. I think last year you talked for the end of the year. So am I reading too much into that? Is it just how the language is?

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

Yes, I would -- -- you're probably reading more than into it than it was intended. I think it's a -- we're not intending to give anyone any outlook about exactly when, what is going to get launched? As usual, we're plugged into a launch cycle for a lot of our business that is geared around the fall to late fall timing leading up to Christmas. As always pretty hot timing here. So it's intended to be pretty similar.

**Tore Svanberg** - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Very good. And you also emphasized the short order lead times. Is that something that is a bit different this time around? Or is this pretty consistent with how it's been in the past?



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

Well, it's intended to just highlight that there is a lot of -- -- that gets read into how we do 1 quarter or the next quarter, when in reality for the company, it's very common, especially when we're in a scenario like it's frequent in the case as we transition from September to October, where we are ramping really heavily across the quarterly boundary and there can be a shipping holiday in China or there can be somebody reshuffling the way they book orders through a CM that moves a meaningful fraction of our quarter from -- -- into the current quarter or out of the current quarter, which obviously has nothing to do with the health of our business but obviously the financial community can get wrapped around the axle of about that from time to time. So nothing new, we just only like to call that out in the fall because it doesn't make predicting the exact relative transition from Q3 -- from Q2 to Q3 especially challenging.

**Tore Svanberg** - Stifel, Nicolaus & Company, Incorporated, Research Division - MD

Very good. And you also mentioned [half tick] functionality being sort of a new opportunity for you, just the way I guess the architecture is from your phones. Can you just elaborate a little bit on that? And is that going to be another nice content boost for future smartphones?

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

Well, we're certainly looking at the opportunity. It's something that's got a lot of interest from customers. It turns out that an LRA type of a linear actuator rather than the typical vibration motor, can really provide a much more realistic kind of tactile sensation as a physical button replacement. When you think about something that where a button gets pressed as often as a handset, it's nice to have them not actually move because that can be a failure point. There's a lot of interest in that, there's now a lot of solutions out there are really all that satisfying, and interestingly enough, it looks an awful lot driving an audio speaker. It's in an inductive load, it's a power level where our boost amplifiers really provide an advantage of being able to accelerate and stop this mass that's in the LRA, very rapidly. And then, obviously, power matters because the things needs to be on a pretty good fraction of the time, latency in terms of being able to power a full chip. So it placed a lot of our strengths, it's very similar from a product line perspective, the audio amps we have today. And also allows us to play a role in the algorithm and a way to form development. So it placed a lot of the company's strength. We'll see how that goes with a lot of interest from a wide array of customers in that technology to that.

**Operator**

The next question is from Christopher Rolland with Susquehanna.

**Christopher Adam Jackson Rolland** - Susquehanna Financial Group, LLLP, Research Division - Senior Analyst

So on digital headsets, I think you guys said a TAM for 1 billion plus units within 3 years. Any idea in terms of your goals of market share, kind of who your competitors are there? And then also, you mentioned a robust pipeline of digital headset adapters, what are FLASH adapters, to common ears. So does that mean that we should think about these wins as in-box considering you could adapters in there? Or could they just the standalones?

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

No, I mean, we certainly have a goal of shipping in-box with a variety of things, but no, there's definitely companies that are interested in having standalone adapters in really in both directions. There's kind of a need to go from traditional headsets to new digital ports and vice versa. Probably people are starting to have the experience of traveling with the digitally enabled headset and getting on the airplane and realizing you don't have an easy way to plug it in the airplane. So there's interest, like is often the case in audio, there's interest from customers of all sorts in doing a lot of creative things, some of which we don't even think about when we kick off a chip. As far as the portfolio and the pipeline, we see good adoption of the products that we have out there today and then additionally with the new products where we have integrated the USB interface. We see that as really enabling a wider array of customers, lowering the barrier to adoption, making a little simpler design and process. As far as where we're going to end up market share, it's early days and hard to call that. Like any audio market, they would probably be a pretty good piece of the



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market that is below the level of kind of care about that we would target. There is typically a low margin in most of any of our market segments that is just not especially interesting to us. So we're targeting working with premium customers that are trying to deliver premium audio and voice experience and we expect that to be a pretty good fraction of that overall headset market. So we think we are increasingly low position to service. It's something we continue to remain very excited about.

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**Christopher Adam Jackson Rolland** - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

And then also in your remarks, you talked about ramping a Hi-Fi DAC and a boosted amp with a flagship Chinese customer or a flagship handset from a Chinese customer. Maybe you can elaborate a little bit? And is this expected to be high volumes skew? How are you kind of doing it? And is it kind of the first of many to come with the (inaudible)? How do kind of describe that relationship?

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

I'd say it's a great relationship. I mean, it's tough to characterize anything that's huge outside of the kind and #1 and #2 guy in the handset space, there is a lot of -- there are a lot of units sold there. It takes us aggregating up a relatively large number wins across a bunch of customers, but we got more of those opportunities and that's a really nice dynamic to have incorporated in our business along with the traditional business where it's been a couple of home runs. So it's nice to have that basic component. The D/A Converter itself is driven by a really remarkable transition over the past couple of years, where in the Android space, companies are really keen on trying to differentiate in any way they can. The core chipset is sometimes pretty well locked down. The Android folks don't want you monkeying around too much with the software aspect of it. So that went around the edges in increasing audio performance is been something over the past couple of years in China that's really taking off.

We've shipped other products into that application previously but they weren't optimized for a handset, so in this case what we're delivering is really kind of studio grade audio performance handset level powers. It's a bunch of really remarkable that innovation that went in the product and it's a nice price point that enables our customers to achieve specs, I mean, obviously great sound quality as well but also achieve specs whether they're published by GSM Arena or CNET or any of these type of outfits. They've got publish specs that are measurable that they can try to differentiate their products on. So yes, we expect to win a number of sockets in China both with the customer we're shipping to today and a handful of others. This is a good opportunity. That amplified win is a good entree in that customer with the amps as well. So yes, we would expect that relationship to continue to go well and we expect to continue to add customers in that market.

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**Operator**

Your next question is from Matt Ramsay from Canaccord.

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**Matthew D. Ramsay** - *Canaccord Genuity Limited, Research Division - Principal and Senior Analyst*

Jason, I want to maybe expand on Chris's question there around amplifiers a bit. Going down the 55-nanometer, it seems to me that might enhance the competitive position that you guys have into what largely is a Qualcomm baseband market in China and the Android community. How is that gone as that product come out? And do you see that pipeline opening up for the same type of amplifier content as you might have for some of your larger customers?

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

Yes, I mean, what enables us to do is bring the amplifier as more of a whole product to that market. And what I mean by that is, our traditional chips were architected and optimize around serving customers to have a lot of design capability and have a lot of ability to impact things on the APs and as such in many cases, the speaker protection algorithm that we provide runs on somebody else's processor and then the amplifier has its own standalone device. And we have -- we've shipped that in Chinese handsets, China handset customers, such as the announcement that we're talking about here. But in a lot of cases in China, there's a lot of value placed on having devices be much more of a black box. If you're selling



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the amplifier, they really want to turn up with an amplifier that you send sound in and it kind of behaves the way you expect and you don't need to run a lot of software or run across multiple vendors, work with silicon. So it's enabling similar price point to what we've been able to do today, but significantly more DSP functionality. And I think that's going to make it very difficult to compete with for some of our competitors who are typically and significantly order line routes. So it's another case where a mixed signal type of device, you have to be careful about applying the same sort of rules of economics as it relates to migrating down the various geometries, because, for example, the power transistors in an amplifier like that clearly are not 55 nanometer transistors. They just have to be on the same die with the same 55-type transistors we use in our smart codecs. So we can implement very high performance DSP capability alongside some very large power transistors, which is a great tool to have in the tool belt. We think it's going to do very well for us going forward and will enable us to implement a lot of digital features built-in to the amplifiers themselves in a way that is a lot more black box kind of turnkey for the customer. So it's really -- it should be a win all the way around.

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**Matthew D. Ramsay** - *Canaccord Genuity Limited, Research Division - Principal and Senior Analyst*

Got it, got it. That's really helpful. And maybe a bigger picture question in the headset market. You've seen with the introduction of some of these Bluetooth or variance of Bluetooth-enabled wireless earbuds that there is a market developing there. And another question you talked about the billion plus units in digital headset potentially over time and some share there. How do you bifurcate the market between wireless and wired? And what implications might that have on your ability to grab revenue there in a market where you can and can't pull power from the phone over the wired?

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

Sure. Well, I mean, we see digitally enabled headsets taking over the markets over the next handful of years, whether that's wired, with one of these modern digital interfaces, or with over Bluetooth our BTLE interface. For different reasons, it is really nice to have a headphone that you have with you that you know is going to work whether there's no battery or remember to charge and we think that will remain valuable and viable piece of the market for years. That said, wireless is certainly interesting. There's been finally some good products turning up on the market. We think there's good opportunity for us in those over time as well. Certainly working on devices that are applicable more and more to that space. Things today -- if you were going to make a stereo Bluetooth headset today, it tends to be a pretty premium product, so if you're going to look at devices like ours, you're going to want to incorporate something like noise cancellation. Our noise canceling device that we have today, it doesn't -- its interface agnostic. It doesn't care whether it's USB-C or some of the other interfaces, or Bluetooth. But as that market matures, we'd expect to come up with some more products that are a little more specific to the type of headset involved and certainly the growth in feature rich Bluetooth headset is a potentially very good thing for us as well.

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**Operator**

Your next question comes from Charlie Anderson from Dougherty & Company.

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**Charles Lowell Anderson** - *Dougherty & Company LLC, Research Division - VP & Senior Research Analyst of Mobile Computing*

I just want to ask about voice biometrics chip. Congrats on getting that taped out. I saw that you're talking about sampling in the fall and I think was another reference in the Shareholder Letter to meaningful revenue contributions several years away. So wonder if you guys can talk about expectations for the product as customers start to sample it and sort of the timing?

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

Well, yes, sure. Yes, we are extremely excited to get that device out. That was a huge, and is a huge, development across multiple sites and a lot of disciplines that have come together through the company from a variety of sources. So a tremendous job by the team and the group that put that together. It's a new market, it's a technology that on the market, in an embedded form factor, doesn't exist today. So there is always caution around, how quickly that kind of been takes off. But I can say that the demand, the interest level in it is extremely high. We have a robust demo of it available



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in a format where the algorithm is either running in FPGAs or in the cloud somewhere and we mockup the performance of the device and it is extremely compelling as things stand today. So we've already demonstrated the capability to do the kinds of things we wanted to such as false accept and false reject trade-offs that are involved in any sort of biometric. The remaining challenge is just to continue to improve how robust it is in a noisy environment, and we've made good progress on that. We did a good small acquisition that we talked about on our last earnings call that was geared towards improving our performance there and that's continuing to work out well. So we'll get the device on the market this fall and get it out to some key select customers that we worked with, learn from and hopefully make progress together. But just generally speaking, if you launch the first device of its type in our market, then turning that into revenue couple of years down the road is actually pretty remarkable progress. So that's kind of the benchmark we're aiming. Could be sooner than that, could be later than that, but as long as we're hitting the milestone that we can control and get in front of the right customers and getting feedback, incorporating that and rolling out the rest of the product line, then we feel like we are covering the thing that we could control and good things will turn out of that.

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**Charles Lowell Anderson** - *Dougherty & Company LLC, Research Division - VP & Senior Research Analyst of Mobile Computing*

And then as a follow-up to it was nice to see the Alexa reference design. I wonder your expectations around that? And then also, I think most of the products in the market today are wired. As we think about that end market evolving over time, is it more like wireless battery-powered devices? How do you see that evolving just based on the some of the conversation with customer right now? Do they want to have more of the battery-powered products? Just kind of what you're seeing right now?

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

Sure. I mean -- I think the short summary is that voice as an interface, and in particular, now that it's been demonstrated, how impactful it can be when it's done well. Yes, I think voice as an interface is expected broadly to be just a really huge driving force in the industry. We've got a lot of roles that we can play in that, improving the performance of loud algorithms by doing things cleverly embedded in the device to improve the performance and noise, whether it's incorporating embedded biometric security. There's a variety of things for us to do there that we think can expand our opportunities in those devices, and it's clearly that in the long-term will be pretty ubiquitous. That said, the volumes today while impressive, are the kind of content levels that we expect and then weighing that against the handset volumes. The volumes today are not huge. We're just positioning ourselves to be a partner of choice with the customers that we expect are going to really move the needle there over the long-term. So it's really more important that we get kind of any content in these various systems and then learn and grow with the customers that we really think are going to move the needle. As far as -- and then to just be specific about your question on the battery powered. Certainly, there is things that we can do in a wall powered socket that we think are producing advantages for our customers. But where Cirrus Logic really kind of earns our keep is in doing that kind of algorithm, that kind of audio and voice performance but doing it in an ultra- low-power, low latency kind of an application. So as those assistants migrate over and are applicable in a wider array of form factors, then we think the opportunity for us grows over time.

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**Operator**

(Operator Instructions) The next question is from Rajvindra Gill from Needham & Company.

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**Rajvindra S. Gill** - *Needham & Company, LLC, Research Division - Senior Analyst of Microcontrollers, Analog & Mixed Signal; Consumer IC & Multi-Market*

Question on the OpEx. So the OpEx kind of spiked as you take out several products, voice biometrics, audio amplifier, et cetera. Are we kind of done with the R&D Spike? How should we think about R&D going forward?



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

Well, you're always going to see R&D spikes when we have an additional tape outs in a particular quarter. So you'll see that go up and down. It's not linear for the year. But we do expect to continue investing in R&D and will grow that area of our business ongoing, but SG&A will continue to remain flat and that's really the profile we look at.

**Rajvindra S. Gill** - Needham & Company, LLC, Research Division - Senior Analyst of Microcontrollers, Analog & Mixed Signal; Consumer IC & Multi-Market

Okay. And Jason, so the whole voice becoming a major interface for consumer devices is becoming, I think, pretty much dominant. I wanted to get a sense of how you're looking at the market from a competitive landscape? You obviously saw a competitor -- not a competitor, but a company in the space by connection, and so they're looking at it from their perspective. You have other smaller competitors who are doing always -- -- on voice processing, targeting smart speakers, digital personal assistant. So it's a pretty big unit TAM that's available. So I wanted to get a sense of how you're looking at it competitively? How you can leverage your expertise in audio into this market?

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

Yes, sure. We do think it's a big and growing opportunity that's always going to bring competition with it any market that's worth serving is pretty likely to have any -- have a meaningful amount of competition. That said, we really try to focus on running our game and staying aware of what competitors are doing but not getting overly hung up on it. We've got a good game plan, we think -- we know we're spending more R&D dollars on audio and voice, than anyone we're aware of. The real competitors that we come up against just tend to be just a different kind of breed. Obviously, we come up against Qualcomm pretty frequently and they're a good option for people that want to wrap plastic around the reference design to move on. We are typically targeting folks that are going to differentiate around what we're doing. And there are competitors out there that are trying to serve those same spaces. We think we're head and shoulders above a the lot of them. There's always competition, we never want to get complacent or taken for granted, but we think we're really well positioned versus the other folks in our space, whether it's in voice as an interface or any of the other audio and voice areas we participate in.

**Rajvindra S. Gill** - Needham & Company, LLC, Research Division - Senior Analyst of Microcontrollers, Analog & Mixed Signal; Consumer IC & Multi-Market

Just last question. You saw Lenovo break the Qualcomm bundle. Are you now seeing that with other Chinese OEMs in the future?

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

We've certainly seen -- yes, we've seen good opportunity to do that in China and elsewhere, both with MediaTek -- both with Qualcomm and MediaTek. So yes, I think the barrier to being able to do that has decreased over time. I think our capabilities for supporting have increased. I think too, the market has matured to where the customers in those geographies that got a lot more capability of doing their own work and not completely be in under their [AP] vendor's TAM. So it's an interesting mix of what value the customer's try to bring to the market and what capabilities they have and what our role to play in that is, but we certainly see an increasing opportunity to participate regardless of where the AP is coming from.

**Operator**

Our next question is from Blayne Curtis from Barclays'.



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**Christopher Graham Hemmelgarn** - Barclays PLC, Research Division - Equity Research Associate

This is Chris Hemmelgarn on for Blayne. I guess, first a few questions for you. On the DAC front, you mentioned that the number of attractive premium products coming out, you guys see some interesting opportunities there. Do you think you're at a place where you can hit the size and the power envelope required to fit ANC into a product like Apple's AirPods today? Or -- And if not, when do you think you can get there?

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

Well I'm not going to comment on the specific product.

**Christopher Graham Hemmelgarn** - Barclays PLC, Research Division - Equity Research Associate

The product in the form factor, a fixed 5 hour-ish battery life, et cetera, that type of premium.

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

Sure. We think we can fit into Bluetooth headsets of all sorts, whether it's ANC or some of the other stuff that we've got as well. I think there's a lot of capabilities that can be brought to bear that down. There's applications where people don't want to incorporate ANC because they're worried about getting you run over while you're crossing the crosswalk. But whether it's fitness or all manner of other things there's good opportunities for us to participate in Bluetooth headsets, whether it's over the ear or in-ear or wire -- the wire yoke thing that goes around your neck with the battery unit. We've got good applicability in that space.

**Christopher Graham Hemmelgarn** - Barclays PLC, Research Division - Equity Research Associate

So you're basically already at a point where you can hit what's needed to deliver good battery life and very premium small form battery products?

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

Yes, I don't think there's a form factor concern for us.

**Christopher Graham Hemmelgarn** - Barclays PLC, Research Division - Equity Research Associate

Okay.(inaudible).

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

Small and really low-power is kind of what we like to do.

**Christopher Graham Hemmelgarn** - Barclays PLC, Research Division - Equity Research Associate

That is your specialty. Kind of the [outset] to that, on the biometric side, you guys you mentioned earlier on the call, you 've always talked about how wired speakers and smart home products or other products are necessarily going to be your, not forte, but optimal products for you. Given all the IP and the development you've done in voice biometrics, do you think that opens up some of these wired product to you guys in coming years?



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

Yes. I mean, I think it's a lot of the same kind of connected home type assistant products that we are participating in a number of today. The target -- the initial target for voice biometrics is handsets and handset-related things, but certainly, as the home -- wired home device market grows for voice as an interface. I mean, it's yet -- voice biometrics is yet another one of these technologies that you have to be a little bit careful of even bringing up in a meeting with customers at this phase of the game because it just kind of derails the meeting as it's all they want to talk about. The incredible thing about voice as a biometric is that it's the only one of the biometrics that you don't have to touch or orient or aim at your face. There's a lot of good reasons why the heart of it needs to be embedded in the device rather than operated in the cloud, not that there are no good reasons to run biometrics in the cloud as well. It's just different. And the really cool thing about voice biometric is that in any of these assistant kind of home products, you don't even necessarily need to the user to change behavior to get value out of it. There's a lot of the applications and use cases that people use voice as an interface for today that just simply get better or that the device manufacture can make a more rich experience to have it even less friction oriented than some things today. So use cases where you don't necessarily know, can it read by my email or not? I don't know. Hey you read my e-mail? Oh you have to unlock me do that. Well, it's annoying. It's yet another friction point that decreases adoption. So just having a biometric capability in any of these voice as an interface type devices, whether they're wired or not, becomes a big, big deal and the way to get the latency and the real -- it should be the same, similar latency to what you have on the fingerprint today which there's no number that's slowing off from how quickly respond to what you said. So that -- the latency and power are a lot of times are 2 linchpins for the things that we want to invest in and in varying degrees that's present in a lot of the applications for voice biometric.

**Christopher Graham Hemmelgarn** - *Barclays PLC, Research Division - Equity Research Associate*

If you don't mind, I'll squeeze in one last question probably more for Thurman than for you Jason. You -- I know you guys paid up all your debt and you still generate very healthy cash flow. Could you elaborate a bit on how you prioritize using that? I know you moving a big chunk of cash into long-term securities. Do you envision stepping a buyback significantly?

**Thurman K. Case** - *Cirrus Logic, Inc. - CFO, Principal Accounting Officer & VP*

Well, we'll continue to our ongoing investment in R&D for sure and we've been looking at and adding small technology acquisitions over time. We expect to continue to do that in order to really enhance our development process and accelerate our product roadmap. After those then, then we'll look at our share buybacks. But we continue to look at those on an opportunistic basis.

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

I just add to that. We'd love to find another big one that was as transformative as Wolfson has turned out to be. That's hard to find. It's hard to get all of the stars to align as perfectly to make that sort of thing possible. So it's probably more likely that we find small tuck-ins of the sort that we've done a number over the past year. But certainly got our eyes open and we like to have a buy back authorized and then just execute on that opportunistically from time to time and we think that strategy works out well for us.

**Operator**

(Operator Instructions) There are no additional questions at this time. I will now turn the call over to Chelsea Heffernan.

**Chelsea Heffernan**

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



## AUGUST 02, 2017 / 9:00PM, CRUS - Q1 2018 Cirrus Logic Inc Earnings Call

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

Thank you, Chelsea. In summary, Cirrus Logic delivered solid results for the June quarter. While we are pleased with our progress in Q1, we are even more excited with our product development accomplishments as we believe these components will help the company capitalize on a positive market trend that are expected to fuel demand for our compelling technology for many years to come. Cirrus Logic extensive expertise in delivering sophisticated products expand the audio and digital divide, coupled with our diverse product portfolio and innovative roadmap positions us uniquely as a leader in a rapidly growing audio and voice markets. I would also like to note that we will be presenting at the KeyBanc conference in Vail on August 7, the Oppenheimer Conference in Boston on August 8, and the Canaccord Conference in Boston on August 9. The live webcast of this event will be available at [investor.cirrus.com](http://investor.cirrus.com). If you have any questions that were not addressed today, 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.

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**Operator**

This concludes today's conference call. You may now disconnect.

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