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# EDITED TRANSCRIPT

CRUS - Q3 2019 Cirrus Logic Inc Earnings Call

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## OVERVIEW:

Co. reported 3Q19 revenue of \$324.3m.



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## CORPORATE PARTICIPANTS

**Chelsea Heffernan** *Cirrus Logic, Inc. - Director of IR*

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

**Thurman K. Case** *Cirrus Logic, Inc. - CFO, CAO & VP*

## CONFERENCE CALL PARTICIPANTS

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**Charles Lowell Anderson** *Dougherty & Company LLC, Research Division - VP and Senior Research Analyst*

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

**Matthew D. Ramsay** *Cowen and Company, LLC, Research Division - MD & Senior Technology Analyst*

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

**Thomas James O'Malley** *Barclays Bank PLC, Research Division - Research Analyst*

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

## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Cirrus Logic Third Quarter Fiscal Year 2019 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.

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### Thurman K. Case - *Cirrus Logic, Inc. - CFO, CAO & 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 third quarter of fiscal year 2019 at approximately 4 p.m. Eastern. The Shareholder Letter discussing our financial results, our earnings press release, including a reconciliation of non-GAAP financial information to the most directly comparable GAAP information, along with the webcast of this Q&A session, are all available at the company's Investor Relations website at [investor.cirrus.com](http://investor.cirrus.com). This call will feature questions from the analysts covering our company as well as questions submitted to us via e-mail at [investor.relations@cirrus.com](mailto:investor.relations@cirrus.com).

Please note that during this session, we may make projections and other forward-looking statements that are subject to risks and uncertainties that may cause actual results to differ materially from the 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'll turn the call over to Jason.

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**Jason P. Rhode** - Cirrus Logic, Inc. - President, CEO & 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 Q3 FY '19 revenue of \$324.3 million, in line with our revised expectations. Revenue for the quarter was lower than originally anticipated, largely due to a reduction in sales of portable audio products shipping and smartphones. During the quarter, design win traction was solid, and we remained actively engaged with a variety of new and existing customers. While uncertainties surrounding the macroeconomic environment and smartphone unit sales continue to impact the industry, Cirrus Logic maintained a sizable cash position, no debt and an expectation that we will continue to generate strong cash flow going forward. This positions the company to remain focused on long-term growth and invest in strategic initiatives that we believe will fuel new opportunities.

Before we begin the Q&A, I'd also like to note that while we understand there is intense interest related to our largest customer, in accordance with our policy, we do not discuss specifics about our business relationship.

Operator, we're now ready to take questions.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) Your first question comes from Matt Ramsay with Cowen.

**Matthew D. Ramsay** - Cowen and Company, LLC, Research Division - MD & Senior Technology Analyst

Just realizing the environment out there and that's all in the Shareholder Letter, where you really, I guess, backed away a little bit from the growth commentary for fiscal '20. I wonder, Jason, if you just feel like it's a unit dynamic that's changed your view there? Because I know you guys have talked about feeling comfortable about growth. I imagine the unit expectations are now lower for fiscal '20. But anything different on the expectation for new content gains through the year that we should be thinking about?

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

Sounds like you've got it spot on; it's purely a unit volume expectation. And obviously, we have no monopoly on the truth of what that will end up being. In a flat unit environment, we would grow straight up, we would grow. We've got a good content story this year, we're making great progress on the Android side of things. We've got incredible traction with our new integrated amplifier that's out there. We're shipping amplifiers to a wide array of the top 10 handset manufacturers. Literally everything that is under our control, or has been under our control, we feel like is going extremely well. The design wins are there, the products, the execution across the board going extremely well. But obviously, we are not alone in telegraphing pretty significant weaknesses. And so as far as where the number will actually end up for the overall year, we're just -- we went off the circus ride because it's just had a -- if you laid out the full hypothetical of how many real wars and trade wars and other levels of crazy in the world economy then maybe we'd be able to get close. But it's definitely a challenging time. But as we said kind of in the opening remarks, that's where it helps to be as stable and conservative as we are on the financial side, because not that we necessarily expect another 2008 but that was one of the best things that ever happened to the company, we were able to take advantage of weak financial times with our strong financial position and so that would certainly be our approach again. So anyway, nothing other than the whole macro-economy imploding or having the potential to do so appears to be impacting our results. And other than that, Mrs. Lincoln, how was the play, I guess.

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**Matthew D. Ramsay** - Cowen and Company, LLC, Research Division - MD & Senior Technology Analyst

Jason, that's kind of what we were assuming as well that nothing has changed on the content story. Thurman, just really quickly on OpEx, I know you have some puts and takes there. I would anticipate you guys would continue to invest for future growth, but I mean, what kind of flexibility do you have on the spending line?

**Thurman K. Case** - Cirrus Logic, Inc. - CFO, CAO & VP

Well, as we talked about in the letter that the Q3 -- the Q4 number, the middle range of guidance has some things like payroll taxes and other things in that. But given that number, which the midrange of guidance is \$103 million, we would expect that number to be flat as you move through on a quarter-over-quarter basis in FY '20. But noting that you can't see some volatility but that should help you with where we plan to be on an OpEx standpoint.

**Operator**

Your next question comes from Tore Svanberg with Stifel.

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

So Jason, I'm going to stay away from macro and unit questions. But I was intrigued by something you said in your Shareholder Letter about closed-loop controllers and systems. Could you elaborate a little bit on what that is? It appears that, that's a new market that you're looking at but if you could give us some specifics, that would be great.

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

Sure, thank you. Thanks for the question. It's actually a, I guess, it's a broader term that we're using to cover some markets that we're already in but then also some markets that we expect to be in going forward. So for example, for many years, of course, the differentiation that the company provides is around signal processing. It tends to be more and more in our wheelhouse as things get to be very low power and always on. It also -- another area or differentiator that can move things into our wheelhouse is low latency. And so for applications, and a really good example of exactly this is haptic, where something in the system is sensing a physical interaction with a handset. And then, our amplifier -- our haptic amplifier does some signal processing and then drives a linear actuator to provide tactile feedback to the user. So that's an example of a closed-loop controller, high voltage, very low power, either always on or instantly on interaction and very, very low latency to drive a user experience. So we got into haptics because of our audio amplifier business but the fact that we started participating in the haptic market made us -- really, kind of opened our eyes to the opportunity that we're -- that we have the opportunity to provide more and more of that system over time but also that there are other areas that are similar in -- from a technology perspective, and in some cases, in the same types of products that we're in today. So that's a bit of a long-term, kind of, forward-looking statement beyond haptics. But there are meaningful new opportunities for us that fall into that category and they are squarely in the category of things we don't tend to talk about ahead of time.

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

Very good. And on the topic of haptics, you also mentioned you're starting to see demand or interest in your technology outside of the smartphone market. Can you also elaborate on that? I mean, is this kind of like in the automotive area or is it sort of in smart home or...

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

There is definitely some potential for more haptic-type things in automotive. But no, this -- the near-term thing for us would just be in additional consumer form factors, whether it's wearables or even tablets, other consumer devices. In some cases, it's because of a similar type of interaction

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to what people have with the phone, meaning that a touchscreen that you want to provide some feedback through. But additionally, there's just -- there's a lot of opportunity to eliminate physical buttons or in the case of where there still might be a button, but at least have it not move in reality. There's a lot of interest in that across many of the applications we serve. So that's the kind of things we're referring to in haptic. Shorter term, our overall amplifier business, the audio piece is larger in the shorter term, the growth opportunities are larger in the short term for audio. But haptic in smartphones is definitely following up close on its heels and then these other applications are kind of in early innings but we're really excited about them nonetheless.

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### Operator

Your next question comes from Blayne Curtis with Barclays.

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### Thomas James O'Malley - Barclays Bank PLC, Research Division - Research Analyst

Guys, this is Tom O'Malley on for Blayne Curtis. Just a quick one on a broader opportunity into the future. You guys have talked about voice biometrics in the past. In your slide deck, you laid out a pretty sizeable opportunity there as you move into 2020, 2021. Can you talk about when you may actually see some revenue contribution there? And does that potentially layer in later this year or is that still more of a 2020, 2021 story?

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

Well, I mean, we don't have it modeled as a meaningful financial driver for this current fiscal year, but I would say, engagements are accelerating there. We're talking to exactly the types of customer that we want to talk to about it. There's more from a technology investigation and evaluation of the actual product itself going on than there has been, so we feel like we're making really good progress. As I think we've talked about on previous calls, that's by far the sorts of things the company has done over time, voice biometrics and the design-in process associated with it, it's by far the most complex things we've done in a very long time. It's not because we do a great job with the engineering team that the company is going to decide to add voice biometrics to the roadmap, that's a decision that in most companies, I would imagine, goes all the way to the top. So we're a little reticent to call product timing, we've got aggressive goals for getting it in as soon as we possibly can. I feel like the metrics that we track about engagements and the evaluations and so forth are going well and increasingly so -- but yes, I'd rather not call a specific time frame other than to say we -- I mean in meaningful modeled in the current calendar or fiscal year.

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### Thomas James O'Malley - Barclays Bank PLC, Research Division - Research Analyst

Okay, understood. And this is more of a Thurman question. So looking into June, obviously, last year on a slightly higher revenue base, you guys were tracking out like a 49% gross margin, obviously, there's moving parts there. What do you think your -- what is your confidence this year on gross margins? Obviously, the unit story is in flux, you're not guiding the year, but how should we think about your seeing some Android opportunities roll on, some of the unit stories are weaker, how should we think about margins kind of trending here into this year?

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### Thurman K. Case - Cirrus Logic, Inc. - CFO, CAO & VP

Yes, for us, when you look at how we see it going forward, the 48% to 50% type of range for gross margins is sustainable for us and so that's how we're looking at and that's how you can look at it. We'll still try to certainly optimize those margins as we move through the year.

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

Yes, just a little color. I mean, obviously, margins are one of those things where short of making your customers annoyed, you'd like them to be as high as possible, but that customer bit is kind of important. So that's the range we expect to be long term. We can drift up or -- we can drift above it or below it a bit here and there and -- but that's kind of the range you could expect it to be in.



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### Operator

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

### **Charles Lowell Anderson** - *Dougherty & Company LLC, Research Division - VP and Senior Research Analyst*

Another follow-up on sort of new adjacencies for you guys; it sounds like we'll hear about them shortly since they're going to be sampling in first half. But I wonder if maybe you could speak to the gross margin profile of some of those new products and categories? And also on the operating margin side too, will there be sort of future requirements there if you move into adjacent markets that aren't necessarily smartphone? And then I've got a follow-up.

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

Sure. So I mean, well, I will say just because we're sampling something doesn't necessarily mean we'll give you a whole lot more detail about it. There's certainly plenty of things that we sample without talking about them before they're shown up in teardowns and whatnot. So -- but on the margin front, we're really deliberate about not getting into new businesses where we don't expect that we can support the kind of margins and the margin range that the company needs. Our business model works there in the upper 40s; it doesn't really work much below that. We provide a pretty high touch white-glove experience for our customers, a lot of design support and everything else. And so I think it's unlikely that we would pursue anything that would be meaningfully different than that margin. Obviously, our customers always have a goal of it being 0, and we also have a goal of it being a lot higher than that, but we feel pretty confident anything new we're engaged in, we can maintain it in that range. And then, the follow-up?

### **Charles Lowell Anderson** - *Dougherty & Company LLC, Research Division - VP and Senior Research Analyst*

Sure, so in the nonportable audio, I think that's been a pretty stable piece of business between \$40 million, \$45 million the past few years a quarter, dipped down in the mid \$30 million this quarter. Just wondering was that sort of a macro situation there? And is that sort of the new baseline for that segment? Any more color there?

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

Yes, it can move around a bit. We haven't seen anything meaningfully different from a long-term perspective. Certainly, things -- I think you've seen just about every one of our peers, even the entity mile-wide big giant guys have guided down pretty significantly. So clearly, there is a macro effect going on that's impacting just about everything. How much of that is what got into the specific numbers for our nonportable business is, I don't have a real good way to guess about that. But it likely had an impact because there's nothing really different from a product offering or customer-engagement perspective that I could point.

### Operator

Your next question comes from Rajvindra Gill with Needham & Company.

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

The question on the boosted amplifier market -- business. In the letter, you said you were going to anticipate revenue in fiscal year '20 that would increase meaningfully. I was wondering if you could talk about your market share position there, how it's changed -- how it's going to change this year versus last year. I know that there have been some opportunities for market share gains against -- I mean, at some top handset OEMs. The --



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your low-power 55-nanometer amplifier seems to be kind of ramping. So any kind of comment on that market and kind of the size of it and how we should think about that going forward?

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

Sure. So market share numbers in the audio space are really difficult because it's hard to make sure you're on an apples-to-apples basis with whoever put together the reports for what the underlying volume is. But by and large, we're -- we've made progress last year shipping our audio amplifiers in Android. Obviously, we have very dominant market share in the other primary platform for handsets. The -- but in Android, we're really just getting started, so prior to last year, it was essentially 0. Last year, we've got a fair number of base hits and we're now, as I said, supplanting a pretty good cross-section of the top 10 handset manufacturers out there. But I would still say, our market share is comparatively low. So if you take the entirety of the high end and maybe the mid-tier Android space, the low end probably still just as content with making sound come out as cheap as possible. But the rest of that, the mid-tier and up has either -- is either transitioning or has transitioned from an audio amp that either integrated into a PMIC or somewhere else in the system to a boosted amp from ourselves or someone else that provides much, much louder sound and higher speaker quality and protects the speaker from damage and so forth. That could either be a mono amplifier or increasingly even in the mid-tier customers are talking about doing stereo or some sort of pseudo-stereo. And -- so that is kind of -- we're still very low on the market share perspective, and we expect to make a pretty meaningful dent in that in really, late this quarter and throughout FY '20. We're definitely engaged in some design wins and opportunities for the amplifier stuff that are more than base hits, which is really gratifying.

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

That's helpful. Just staying on those lines, I remember last quarter you talked about you expected additional flagship devices in China to launch with your integrated DSP amplifier over the next 6 months. Is that still the case, given the weakness in the China handset market this year? Just any color there will be helpful.

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

Yes, so for us, the weaknesses is hard to see because a lot of it is such new opportunity in China handsets. We've actually seen pretty significant upside for some of the models our China customers are producing. So we -- again, like I say, it was -- it's only a little over a year that we've had the integrated DSP amplifier on the market, and now we're shipping it to a wide array of customers and in an increasing number of models within China. So there's the -- whatever is going on in the economy, they are still designing phones and maybe, in some cases, I guess, there's the possibility that some of them are shipping less well than they maybe were the previous year. But for us, it's all new anyway. So for us, it just looks like the business. And in some other cases, they're significantly outperforming the forecast that we had in mind. So we're pretty excited about that in China and then, obviously, there's some pretty meaningful opportunity in Korea that we're excited about as well.

**Operator**

(Operator Instructions) Your next question comes from Adam Gonzalez with Bank of America Merrill Lynch.

**Adam Gonzalez** - *BofA Merrill Lynch, Research Division - Research Analyst*

Just wanted to talk about the linearity of growth in your business outside of your largest customer. Can you maybe talk about what kind of sequential growth we can expect going into the March quarter? And perhaps, as we move throughout fiscal '20, are you still on track to get that second 10% customer that you were talking about or is -- has that been pushed out?



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

No, I guess, I wouldn't use linearity in the context of our -- well, any of our business at the moment. But no, we are -- we were absolutely on track to get back to having a second 10% customer. Again, we -- I think we've spelled out in the letter that we expect really good things to -- new design wins to ramp to real material volume within this current quarter, and then we'll see how those products do when they're on the market. More broadly speaking, the rest of the Android space, we continue to do well with the amplifiers. And then, over time, we expect to do more and more with the haptic throughout the year as well. So I think, it's -- we're a long way from anyone could be able to consider us truly diversified, but we actually do expect, over the course of this year, to make pretty meaningful progress on that front. So that's very gratifying. Pointed out I think on the last call that our experience is building anything new takes -- in our build business, really takes about 5 years from when you really undergo it, I mean. And we did the Wolfson acquisition in 2014, and we certainly enjoyed the business that came along with Wolfson. But as far as taking the 1 plus 1 equals 3, so to speak, of the acquisition prospect, it's really this year that we should start to enjoy the benefits of that and we very much see that coming true. Amplifiers are part of that, haptics are part of that, longer term voice biometrics is a big part of that. So we're very excited to see all that stuff coming true.

**Adam Gonzalez** - BofA Merrill Lynch, Research Division - Research Analyst

Got it. And then just as my follow-up, just a higher-level question. I just wanted to go back to the comment you made earlier about how Cirrus could be able to grow in a flat type of smartphone-unit environment. Just wondering what your take is on what the content multiplier might be for the company? That is, if smartphone units are down, it looks like 5% this year, can Cirrus outgrow by 500 basis points, 600 basis points? Any color here would be helpful.

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

Yes. So I'm trying to figure out how to answer that without circling back and accidentally giving guidance for the year, which is if we wanted -- if we felt comfortable doing, we would just do that. So it's kind of a broad mix as a bunch of moving pieces. There are sockets that we've been in, where we've got incremental improvement over the course of the year. There's design wins that we've talked about and still expect to ramp within the current quarter, where it's a handset that we were in previously but now we're in with additional products. And also in that context, we're really excited about our audio amps. So it's kind of a broad mix if you think about it from a content perspective. In handsets we were already in, kind of a broad mix of incremental content in some cases, meaningful new content or different products from us in others. And then longer term, we're pleased with the progress we're making in FY '20 or we expect to make in FY '20. We wish it were against a little healthier backdrop economically speaking. We have no -- obviously, no way of imagining what the economy might be doing in FY '21. But I would say the content play in FY '21 is probably significantly larger. We currently expect it to be a significantly larger content play in that time frame. Obviously, that far out, there's still work to be done and there's always opportunities for things to go sideways. But I would say, broadly speaking, the plan of record is for -- on a normalized unit volume basis, probably a larger amount of growth in the FY '21 time frame.

**Operator**

Your next question comes from Chris Rolland with Susquehanna.

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

Jason, a quick question for you. So I think in the letter, you mentioned speaker identification versus voice biometrics, and were you describing a different product when you said speaker identification. Are there different -- is there a different time to market for speaker identification, different ASPs, et cetera, or were you really talking about the same product?



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

No, I think we were probably trying to avoid using the exact same words 3 times in the same paragraph or some of those usual things that you worry about when you try to write a document that's pleasant to read. So no, speaker ID could be used interchangeably. I think there are probably some customers when they say speaker ID, they maybe mean something a little less forensic grade than what we're usually talking about when we're talking about voice biometric. Just -- but, so no, we didn't mean anything by that. But since you brought it up, there are an interesting array of things that we can do with voice biometric and the related technologies. Our first and foremost target is, we want to secure the hands-free interface for handsets at a grade that is something that I would turn it on, on my phone to be able to access my e-mail, which for me, is kind of the gold standard for if I really trust something or not and I think that's pretty broadly true for IT departments around the world. So we think that's the single most compelling use case for the hands-free interface of a handset and without voice biometric, it's not really a practical thing to do or a sensible thing to do. So that's what we're targeting first. Outside of that though, there are a lot of opportunities to enhance the user experience in things like connected home, where a lot of people might be willing to stipulate that anybody using the device is friendly. And so you don't necessarily -- there are lots of people who still would wish to do but there -- you would not necessarily have to have forensic-grade security on it; you may wish to just accurately predict that -- very accurately determine that it was, say, you that tried to order 100 pounds of chocolate off of Amazon versus your 4-year-old. That might be a -- that most likely would be a different grade of security required versus securing a CEO's e-mail, for example. So that wasn't what we were trying to imply with the differentiated terminology there but there are a wide array of opportunities that fall under the voice biometric umbrella.

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

Great. Sorry for the over-analysis there. Perhaps one for Thurman then. Inventory up and DSOs up way more and staying there. So I understand you're supporting a new customer but still kind of seems like a lot there, particularly on the DSO basis. And then net payables were up too and just wondering what was going on there too?

**Thurman K. Case** - *Cirrus Logic, Inc. - CFO, CAO & VP*

I mean, we saw that -- we've said that we saw slower volumes as we went through the quarter, and our guidance or our discussion on Q4, we expect it to be -- the Q4 inventory to be relatively flat to where we ended in Q3. In that though, you have to take into account, that we are supporting ramps during the Q4 period. And all of that said, we are very comfortable with our inventory levels, and we don't see any issues with working through that inventory. Although, it was a little higher this quarter.

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

Just to expand on that a little bit, but it isn't really what your question was, but I just always see the always enjoyable business press talking about inventories and whatnot, so just a highlight. Generally speaking, a huge percentage of our business is direct with our customers. We don't have a whole lot of business that goes through distribution and such business that does go through distribution is generally pretty lean on inventory. So we don't see a big glut of inventory out there in other pools, where we have to burn that off before we can book new orders. Obviously, if our customers hold inventory either of raw stuff from us or finished goods, that's a different issue. But at least there is one less, kind of, pocket in the chain of inventory to -- for us to worry about in a way that can impact revenue and then, as Thurman said, we're not overly concerned about inventory write-offs or obviously inventory.

**Operator**

(Operator Instructions) Your next question comes from Tore Svanberg with Stifel.



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

Thurman, I just had a follow-up on OpEx. So I get the \$103 million guidance for March but R&D was down quite a bit in December and SG&A was up. So how should we think about the split going forward?

**Thurman K. Case** - *Cirrus Logic, Inc. - CFO, CAO & VP*

Well, we -- when we -- when I talked about our run rate moving forward on the total OpEx, I think in general, if there is any growth in any area, you would be looking at SG&A staying flat and given where that will get you at the end of the year, then R&D will remain generally flat to where we were from a run-rate basis in Q4.

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

Yes, we really don't break it out.

**Thurman K. Case** - *Cirrus Logic, Inc. - CFO, CAO & VP*

We don't break it out.

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

Looking forward, and I think Thurman's guidance on that is prudent from a -- roughly speaking, it should be flat. Obviously, we're keenly aware of the overall environment and we'll, just like we did last year, continue to work on OpEx, and we'll update you on that as the quarters roll through.

**Operator**

We have no further questions over the phone at this time. I will now turn the call back over to Chelsea.

**Chelsea Heffernan** - *Cirrus Logic, Inc. - Director of IR*

Thank you, operator. We had one question that wasn't answered today. Given the macro uncertainties, how should we think about the first quarter?

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

We strive very hard to give accurate guidance for the current quarter, and I hope we've done so. In this particular case, because it is pretty unpredictable, I would certainly expect that -- I would certainly assume that the softness continues carrying into Q1. But as far as exactly any sort of color to provide beyond that, I -- our crystal ball is just not that good. The entire world seems to have gone slightly bananas at the same time, and that impacts our ability to guesstimate such things. So assume it's soft, and as usual -- and actually one of the ways, it's pretty fundamental. The way we run the company is think like an optimist but act like a pessimist. So we'll model it closely as being soft and take the appropriate action without putting ourselves in a pinch as we try to prepare for a really rosy future and some of the other things that we see coming down the pipe. So hopefully that's helpful, and we'll update you quarter-by-quarter as we go through.

**Chelsea Heffernan** - *Cirrus Logic, Inc. - Director of IR*

Great. Thanks, Jason. There are no more questions.

## JANUARY 30, 2019 / 10:00PM, CRUS - Q3 2019 Cirrus Logic Inc Earnings Call

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

Okay. In summary, despite the current market dynamics, more customers are seeking sophisticated signal processing components that deliver a better user experience across our target markets. With an extensive intellectual property portfolio that we are leveraging into a robust product roadmap, an outstanding team of engineers, supply chain and operations support, we continue to invest in key technologies we believe will drive meaningful opportunities in the coming years. If you have any questions that were not addressed today, you can submit them to us via Ask the CEO section of our Investor website. I'd like to thank everyone for participating today. Goodbye.

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