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# EDITED TRANSCRIPT

CRUS.OQ - Q1 2022 Cirrus Logic Inc Earnings Call

EVENT DATE/TIME: JULY 28, 2021 / 9:00PM GMT

## OVERVIEW:

Co. reported 1Q22 revenue of \$277.3m.

## CORPORATE PARTICIPANTS

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

**John M. Forsyth** *Cirrus Logic, Inc. - CEO, President & Director*

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

## CONFERENCE CALL PARTICIPANTS

**Andrew Tyler Hummel** *Oppenheimer & Co. Inc., Research Division - Equity Research Associate*

**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*

**Ruben Roy** *WestPark Capital, Inc., Research Division - Research Analyst*

**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 First Quarter Fiscal Year 2022 Financial Results Q&A session. (Operator Instructions). As a reminder, this conference call is being recorded for replay purpose.

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. - VP of Finance, CFO & Principal Accounting Officer

Thank you, and good afternoon. Joining me on today's call is John Forsyth, Cirrus Logic's Chief Executive Officer; and Chelsea Heffernan, our Director of Investor Relations. Today, we announced our financial results for the first quarter of fiscal year 2022 at approximately 4:00 p.m. Eastern. The shareholder letter discussing our financial results, the earnings press release, including a reconciliation of non-GAAP financial information to the most directly comparable GAAP information, along with the webcast of this Q&A session are all available at the company's Investor Relations website at [investor.cirrus.com](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.cirrus.com](mailto:investor.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 expressly disclaims any 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 and shareholder letter issued today, which are available on the Cirrus Logic website and the latest Form 10-K 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 John.

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### John M. Forsyth - Cirrus Logic, Inc. - CEO, President & Director

Thank you, Thurman. Cirrus Logic delivered Q1 FY '22 revenue of \$277.3 million, up 14% year-on-year, driven by higher smartphone volumes in Android, content games in smartphones and an uptick in sales in laptops. During the quarter, we made great progress in both accelerating our

sales momentum and executing on several of the strategic initiatives that we believe will position the company for sustained growth in the longer term.

We increased penetration of our Android customers, ramped shipments for the leading laptop OEM, supported the adoption of new content in anticipation of product launches in the latter half of the year and advanced the development of a number of exciting new devices that are expected to fuel future revenue growth.

We also made very positive headway in the high-performance mixed-signal category. Within this product line, our largest single area of both investment and growth opportunity remains power. The company's first-generation power conversion control IC, which we are currently ramping brings new technology and system-level capabilities to smartphones and adds significant diversity to our product and intellectual property mix.

To further broaden our product portfolio in this space, we recently acquired Lion Semiconductor. Doing so extends our footprint into the rapidly growing wired and wireless fast charging market and brings considerable long-term growth potential. We also believe the addition of battery-centric charger products is highly complementary to our power conversion and control investments.

With Lion component shipping and volume in both flagship and mid-tier Android smartphones, the acquisition aligns well with our current target end markets while bringing meaningful opportunities for further diversification.

With our continued leadership in audio, our innovations in high-performance mixed signal areas such as haptics, camera controllers and power and our continued investment in building strong and enduring customer relationships, we believe we are well positioned to achieve sustained growth in the coming years.

In addition to this progress in executing our growth strategy, I would also like to highlight that the company recently published its first environmental, social and governance report, which can be found on our ESQ website. In doing so, we've formalized our ESG strategy, setting out both short- and long-term commitments in the areas of sustainability, diversity, equity and governance that matter most to our customers, our employees, our stockholders and the communities in which we live and work.

We also put in place structures for accountability to monitor and report on our progress in these areas in the coming years. And to continue the theme of energy efficiency that unites so many of our products, we also reported on the company's energy usage and emissions for the first time, establishing a baseline carbon footprint to help identify opportunities for improvements and to set science-based emissions reduction goals for the future.

Before we begin the Q&A, I would also like to note that while we understand there is intense interest in 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). First question from the line of Tore Svanberg of Stifel.

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

And congrats on the results, especially that strong guidance. Don, could you just talk a little bit more about your ambitions in power? I know initially when you sort of got into the space, I think you were working on a completely new function or a new application. But now obviously, you're

extending your reach into charter top technologies. So help us understand a little bit the long-term strategy in power, how ambitious you are going to be in perhaps going after other subsectors of the power management space.

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**John M. Forsyth** - *Cirrus Logic, Inc. - CEO, President & Director*

Absolutely, Tore, and thanks for the time. Yes. So I previously talked about the 3 main growth vectors for us. One of them is continuing to drive strength in smartphone audio, one of them pushing -- broadening our audio reach beyond phones. And thirdly developing more volume and revenue in adjacent mixed signal areas in the beginning, focused on smartphones.

And our initial areas in those mixed signal adjacencies were around haptics and then the closed-loop controllers for cameras and then latterly, and more recently, the power conversion and control product that we've been working on.

Obviously, what we have been working on up until now, we believe is highly differentiated. It's -- we're not interested in getting into the vanilla theme game, but it's also custom silicon. So we're very limited in what we can say about it. But we have talked about it being relatively about it being involved in power conversional control and relatively close to the battery.

In a complement to that, of course, we want to continue to grow the offerings we have in the power space and broaden out to the general market to grow the addressable market in that area.

So Lion is a piece of the jigsaw in that picture where what it brings to us is some highly differentiated technologies that serve the current appetite and growing demand for fast charging as well as broadening the addressable market and having a lot of potential applicability for other markets beyond smartphones in the future.

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

And as my follow-up, this is the first time I've heard you guys be as excited about the notebook market. I mean I know you've had the wins in the past, but it sounds like you're starting to hit a bit of a bigger stride here. So if we think about the content opportunity in notebook, I know it's probably a little bit less perhaps than what it is in the smartphone. But beyond amps and haptics, are you starting to get design wins in other of your products as well in the notebook market?

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**John M. Forsyth** - *Cirrus Logic, Inc. - CEO, President & Director*

Yes. Exactly. We are thinking about that. I appreciate that market, the laptop market has been itself pretty buoyant over the past 18 months on the back of the pandemic. But I think a lot of the growth we've been seeing is entirely new to us and is partly causing -- or part of the reason for our excitement there is that it's spread across a number of products, Tore, so we've talked about the haptic devices being -- replacing the mechanical track pads, but actually, our laptop product sales cover audio domain as well.

So at this point, we are designing in or shipping haptic drivers, codecs and audio amplifiers into laptops. If you look back to where we were just over a year ago, we had 1 of the top 5 laptop OEMs as our customers today were either shipping or designed into 4 out of the top 5, and we've seen a very significant growth rate to date, even though we have much more coming down the track. So I think it's particularly exciting to us. I've spoken previously about the fact that we do believe there's a real convergence in a lot of ways between both the architecture and the needs in the laptop segment and the smartphone segment, and that obviously fits extremely well with the strength of our product portfolio.

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

Just one last quick one for Thurman. Thurman, any details you could share with us on the supply commitment agreement with GlobalFoundries? Any numbers that you can share with us?

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

We're not -- as you saw in the 8-K, we didn't release the numbers. We have -- we did talk about the prepaid and the reservation fee, which we can talk about in terms of pricing for -- that we got on in certain areas and so forth, that's a bit sensitive in terms of competition and other things for us to talk specifically about.

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**John M. Forsyth** - Cirrus Logic, Inc. - CEO, President & Director

So what I'll add to that, Tore, that I'm particularly excited about is that, that agreement secures for us in a time of really overwhelming demand and a lot of challenge to meet that demand, that secures for us a very significant increase in our wafer supply and allocation in the coming year over what we've seen this year. And that's against the baseline where what we have this year is up meaningfully on last year as well. So it really -- it's very supportive of continued momentum and supportive of the strategic growth initiatives that we've talked about.

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**Operator**

Next question from the line of Ruben Roy of WestPark Capital.

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**Ruben Roy** - WestPark Capital, Inc., Research Division - Research Analyst

John, I wanted to follow up firstly on the laptop discussion you were having with Tore. Just kind of wanted to dig in a little bit more. In the shareholder letter, you're talking about particularly strong design momentum. You talked about getting into more Tier 1 OEMs, et cetera. You also have some discussion about operating expenses going up as you're expanding your power-related products team.

You've got the Lion acquisition. It sounds like there's real need -- I would say, real-time need for new product and expansion into laptops. Is this an area then kind of as you look out 12, 24 months, the laptop market as sort of a primary area for the power products? Or is it going to be a mix between smartphones and laptops?

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**John M. Forsyth** - Cirrus Logic, Inc. - CEO, President & Director

I think that's a really great question. But up until now, we've really talked about the laptop opportunity as being related to our audio products and the haptics products. But in particular, the Lion acquisition and the technologies that come along with that focused on enabling really fast charging seem to have, for sure, a lot of relevance and appeal in the laptop market as well.

So that -- the primary target for the Lion products today has been the smartphone market. Part of that is just reflective of the fact that, that was a relatively small team. And so you can see our desire to invest in the power space to scale up to meet the demand that Lion were seeing and we see for those fast charging solutions.

Initially, that revenue associated with power is going to be driven mostly by smartphones, but I do believe there are going to be significant opportunities in the laptop space for the power and charging solutions as well. I mean it's a very compelling idea to me. I would love -- I mean who wouldn't love to have a laptop to charge really quickly. I think that's a very easy thing for a consumer to get their head around.

So that will, in time, put us in a position of having a very compelling broad spread of content across audio haptics and power and charging targeting the laptop market to hopefully help continue our growth there.

**Ruben Roy** - *WestPark Capital, Inc., Research Division - Research Analyst*

Okay. And as a quick follow-up, just on Lion. I don't know too much about the company, but it seems like most of their revenues that you guys are expecting kind of over the next year coming from the Android smartphone market. Is that correct, number one. and number two, can you give us an idea of what the partial quarter of revenue contribution will be for the September quarter?

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**John M. Forsyth** - *Cirrus Logic, Inc. - CEO, President & Director*

First of all, yes, you're right. The revenue is all driven by Android devices there. And that's going to be the case to begin with, with the Lion technologies. We haven't broken that out by quarter, but what we have said is that \$60 million would be the rough contribution over the remainder of the fiscal year between deal closure and the end of the fiscal year, deal closed on July 20.

So you've got a couple of months of the present quarter and then the back half of the fiscal year to cover that \$60 million. From the point of seasonality typically, typically Lion's largest quarters are going to be the December and the March quarter, just given the nature of the customers that they're selling to. So you should be able to triangulate from that to something that's in the right ballpark.

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**Operator**

Next question from the line of Blayne Curtis of Barclays.

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

This is Tom O'Malley on for Blayne Curtis. Thurman, in the release that you guys put out, you kind of talked about a gross margin trajectory into fiscal year '23 that's below your long-term rate. Is that related to the new agreement with GlobFo? Or can you talk about what's driving that gross margin profile down in the fiscal 23rd year?

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

Well, I mean, we did mention in the letter that we've seen -- we are seeing supply constraints, and we are seeing increased prices, and we've talked about that for a while. As we move into -- as we get into fiscal year '22 for us, which is the beginning of the year, the costs associated are going to, and we expect to increase. And it's not just with one particular supply partner. I mean, this is across the board, and there's a lot of complexities in that.

And really, this was just a directional kind of comment that we wanted to make that our longer-term model has been 50%, and we've talked about that for a long time. And this can take us under that. But all of that said, we'll be working and doing things to maximize our margins, just as we always have. So that's pretty much where we are there.

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

And then, John, not to beat a dead horse, but helpful on the \$60 million that we saw before, but maybe that's just Thurman as well. Can you help us understand the cost profile? Obviously, a pretty significant step up into the September quarter. I would expect with the addition of the new business, you see some ramp up there as well in December and March. Can you help us kind of frame what the cost increases may look like from an OpEx perspective for the rest of the year due to Lion?

**John M. Forsyth** - *Cirrus Logic, Inc. - CEO, President & Director*

Yes. I'll let Thurman add a little more color in a second, but just to paint the picture there. The Lion team is about 35 folks, but we're also having -- experiencing a pretty significant revenue acceleration on their side. And so given the opportunities in front of them, we would like to -- we decided that we would like to expand our R&D in the power space, and we're able to have a really strong hiring period in addition to the Lion acquisition.

So over the past few weeks, we've managed to bring in something close to 60 engineers focused on the power and charging space for us to help with that initiative, which is -- which we're really excited about. But that's the bulk of what you're seeing there in the cost step-up in the guidance we've given. I'll let Thurman add a little more color.

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

Yes. And to note on that, I mean \$3.5 million of that was nonrecurring additional costs. So that's not a way to look at the run rate. You could take the guidance that we've shown and pulled that out. And we would expect, as we see a full quarter of these expenses, we should see a step up next quarter in overall OpEx and through the slight increases, but that's really what the primary of what's driving it is the increase in headcount and the cost associated with it. And we continue to invest beyond this. So the year is not over, and we'll continue to invest in product development.

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**Operator**

And next question from the line of Ananda [Barowa] of New Capital.

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**Unidentified Analyst**

I apologize. I jumped on a few minutes after the call start. I was in another call. So this has actually been asked already. But is there an opportunity or can you frame the opportunity, potential opportunity for closed-loop controller technology in the Android space going forward or at some point in the future?

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**John M. Forsyth** - *Cirrus Logic, Inc. - CEO, President & Director*

Our initial opportunity around that has been in the custom silicon space. as you know. And we continue to see plenty of opportunity to enhance that and grow the feature set and grow value in that part of our business over time. And at this point, that's the major focus for us. And maybe in time, there are opportunities outside of that in the general market. But right now, we're just concentrating on the biggest opportunities in that space in front of us, and they're very much in the custom silicon today.

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**Unidentified Analyst**

That's really helpful. But is that also imply that nothing would necessarily precludes you in the future from going -- from entering the Android space?

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**John M. Forsyth** - *Cirrus Logic, Inc. - CEO, President & Director*

I wouldn't say nothing because we always have to make some pretty difficult choices about which opportunities we select relative to the pool of R&D resources we have, for example. But we're very excited by the path that we're on with that product in particular. -- it's obviously something that the team is incredibly proud to be a part of enabling such a compelling camera experience. And to see that over time, continue to grow in value and hopefully be as prominent in our customers' marketing and promotion as it has been to date would certainly help continue to drive our revenue and success.

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**Unidentified Analyst**

That's really helpful context. I appreciate that. And I guess just a quick follow-up is with regards to the guidance. And again, I apologize if this was addressed before I jumped on. But could you just talk about what the drivers, the incremental drivers of the guidance are? It's a really nice guide up. So I would just love to get the sort of the order of magnitude contributors to that.

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**John M. Forsyth** - *Cirrus Logic, Inc. - CEO, President & Director*

Yes. In particular, the guidance is reflective of us getting into the typically the strongest quarters of the year, ramping a lot of new content this year with our power conversion and control IC. And then obviously, going through the second cycle of our closed-loop controllers for the cameras, which as that moves into its second cycle is obviously going to be prevalent across more models represents more volume.

And all of that adds up to a pretty large number just in that space alone. In addition to that, as we've signaled, we have a very positive path of revenue momentum in Android and in the laptop space as well. Android is meaningfully up on last year. But admittedly, last year was not the strongest year for Android across the board. The entire Android market was all over the shop last year.

So even if you compare it back to FY '20, our previous half -- the quarter we've just reported on is still up by about 30% relative to what we delivered in Android there. So Android still has pretty good momentum as well, and that's also still reflected in the guidance for the coming quarter.

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**Operator**

Next question from the line of Matt Ramsay of Cowen.

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

John, I apologize, there's a bunch of calls going on tonight. So if this is already asked, I apologize. I was pleased to see that you guys did the Lion semi acquisition. I wonder if yourself or Thurman might talk a little bit about the valuation that you were able to acquire the company for.

I get the thesis around expanding IP and products that you can potentially leverage with your customers. But I was surprised anyone could buy anything for 3x revenue in semis these days. So it'd be interesting to hear your perspectives on how that process went and the really attractive valuation you were able to buy the company for.

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**John M. Forsyth** - *Cirrus Logic, Inc. - CEO, President & Director*

Thank you, Matt. Yes, we also feel that the valuation is really solid relative to what the opportunity we see there is in both the near term and the long term. I mentioned they're on a great train from a revenue growth perspective. It's a really solid team that has built some very, very good customer relationships. So we're excited about that.

The -- yes, the process of getting there, I guess, and getting to the valuation that everybody was happy with is always a complex stance. I think there was -- all sides recognize that it was a particularly good fit here. There's a lot of complementarity between what we were doing and what the Lion team was developing and bringing to market.

Thurman, I don't know if you've got any other particular color to add to that. It's difficult to get into real specifics of how we landed on that figure with the investors. But I think all parties got really, really positive by the opportunity. And we've had a very solid relationship with the Lion team for a couple of years now, and they were certainly extremely excited to join up and become part of Cirrus.



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

Appreciate it. I guess for my follow-up question, I know some folks had already asked on the call about gross margin in fiscal '23 that you guys outlined in the shareholder letter. I wonder if -- I know there's some products on the come and you guys haven't announced timing for some of those yet, but there's some work being done on 22-nanometer. There's also an increased shift in mix toward maybe non-smartphone opportunities and mixed signal. If you could just like walk us through maybe a little more detail on what's driving some of those margins? Or is it all on the input cost side? Is there no mix element to it?

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**John M. Forsyth** - Cirrus Logic, Inc. - CEO, President & Director

It's really on the cost side, Matt. The -- some of the movements we've seen over the past few quarters has been, as we've noted at the time more related to product mix. But anything new we have coming to market is broadly supportive of the corporate model. And if you're going to have margin challenges, obviously, the kind you would prefer to have is where you're working on costs because people don't want to buy your stuff.

We have a lot of demand for our products, but a fairly complex supply environment where we anticipate some continued headwinds that are taking us potentially below the 50 mark. So we wanted to get out in front of that and just message that to you. The demand side is very, very robust and the new products that we're bringing to market continue to be supportive of the overall business model -- the corporate model that we've set at.

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**Operator**

Next question from the line of Duksan Jang of SIG.

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

This is Chris Rolland, actually from SIG. Thurman, you talked about some supply constraints, are these with potentially your own supply chain? Or are you looking kind of downstream or upstream. We had some comments last night about the handset supply chain and perhaps some constraints there, if you could elaborate at all, that would be great.

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**John M. Forsyth** - Cirrus Logic, Inc. - CEO, President & Director

Well, maybe I could jump in on that. When we talk about the constrained supply environment I would take that pretty simply. We could just sell more stuff than we are currently selling. If we could get more through foundries, get more to our sets and so on, but principally, it comes out a way to supply. Chris, that's really the limiting factor on our sales.

And the way to think about that in relation to our customers is -- and the general shape of our business is when it comes to our largest customers and the major strategic relationships we have, we have -- we've put a lot of effort, and we have a very experienced team working on the long-range planning associated with that, securing capacity, working deeply with our customers and our foundry partners to ensure that we have everything we need for our biggest products, and our biggest customers. The demand which we are working to supply as much as it can, but invariably, is how stripping wafer supply is more on the kind of short-term, relatively short spanning horizon parts of the business with a bunch of our other customers.

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

Understood. And John, while I have you, looking forward, call it 1 to 3 years or something like that. What are the products or the product categories that you're most excited about to drive incremental growth for Cirrus here. And if there are new products that you haven't disclosed yet, could that be a driver as well?

**John M. Forsyth** - *Cirrus Logic, Inc. - CEO, President & Director*

We're very excited about a whole host of things on our road map, which for obvious reasons, I will really limit the amount of detail I share. But to give you the broad strokes, we really believe there's opportunity to continue with the success we've been having in the audio space in smartphones and expand that to other areas. I mentioned earlier in the call, just how receptive we found customers in the laptop market in particular to some of our audio and the haptic solutions. That will continue to drive the audio business for us.

We've seen good progress over the last year, especially in tablets as well and then in wearables. We have audio and other technologies in most of the AR/VR products that are out there. So if that market ever really catches fire, I think we'll be very well positioned.

But alongside that, we are very, very excited about what we can do in the high-performance mix signal space. We've had notable success with the closed-loop controller but now we're bringing to market in the back half of this year in our power controlling -- conversion control, I see something that has meaningfully higher value on a pay as unit basis than the closed-loop controller, and that's something that we can build on.

So in the conversations we have with customers around that technology, there is a lot to do there. So we have a very big to-do list. We have more test IP and development, test vehicles and a very rich road map of products that I think bringing the Lion team into the service picture has only added to that. They have a really compelling set of fast charging solutions.

I think being able to explore how that complements our product portfolio today and also the possibilities for integrating that with other products that we have as we go forward. It's really exciting. That's going to continue to grow our content with OEMs in the Android space and with other parts of the general market, and that's going to be really positive from a revenue perspective.

**Operator**

Next question from the line of Rick Schafer of Oppenheimer.

**Andrew Tyler Hummel** - *Oppenheimer & Co. Inc., Research Division - Equity Research Associate*

This is Andy Hummel on for Rick. To start, I just want to touch on the annual growth guidance. It sounds like you guys are still expecting acceleration. I know last year -- or last quarter, you talked about acceleration for the year kind of on an organic basis. And now you're layering in buying, which my math is about a little over 4 points of growth. That kind of puts you guys in a firm double-digit growth for the year, and it sounds like a lot of other things are going well on the Android and laptop perspective.

But could you guys just give any other color on how you're thinking about growth for the full year? And I'm sure wafer supply factors now that as well. But what other puts and takes are there that are factoring into that growth.

**John M. Forsyth** - *Cirrus Logic, Inc. - CEO, President & Director*

Well, I think your summary was pretty spot on and actually the initial comment we made, which we reiterated in this quarter's commentary was that we're anticipating accelerated growth for the full fiscal year. So we have 7% growth in fiscal '21. We anticipate to be ahead of that for the full fiscal year '22. And we made that comment yes before we layered Lion into that. So we're still feeling very upbeat about that, even with some relatively conservative assumptions about the market.

Obviously, there's a lot of variables that we don't control. But from the point of view of your comments on the supply chain, any supply chain overhang on that. When we're guiding, we're really taking everything into account. So the guidance for the quarter reflects what we have confidence that we can supply and where we have most of the material for the quarter is obviously going to be implied by the time that we guided.

But then as we look further out, we feel on very firm footing with our foundry partners and the rest of our supply chain when it comes to making those comments about growth. We're in a great position. And then obviously, entering into a strategic supply agreement for -- with the foundry partner for wafer supply that represents a pretty significant chunk of our business gives us added confidence in the ability to grow next year given that, that's a significant step-up in our wafer allocation as we go into calendar '22.

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**Andrew Tyler Hummel** - *Oppenheimer & Co. Inc., Research Division - Equity Research Associate*

Okay. Great. That's really helpful. And then as we think about the ramp, the new power control IC with your biggest customer this fall, I think you mentioned in the past that it's not going to be included in full portfolio of the ramp. But is there any way to think about which models aren't going to include it? Is it just the higher end? Is it go thick or broader than that? Is there any other color you can add on that product?

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**John M. Forsyth** - *Cirrus Logic, Inc. - CEO, President & Director*

Yes. I think the way to think about it is, okay, number one, if we did know when we wouldn't tell you because we don't disclose the details of customers' products and thoughts, but I said a couple of things, elsewhere, which I think I can hit on now. Number one, that we think this is naturally a product, which will have a one-to-one relationship with the devices that it's in. And with phones, there's a reason for one being in every phone. It's about \$1 each, and we're making a lot of them, which would be broadly consistent with the wanted one attach rate from the get-go.

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**Operator**

(Operator Instructions). Next question from the line of Rajvindra Gill of Needham.

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**Rajvindra S. Gill** - *Needham & Company, LLC, Research Division - Senior Analyst*

Congratulations on the acquisition of Lion. I think that's a really good acquisition. Just staying on that business, wondering if you could give us a sense in terms of its historical growth rate. You had mentioned for Lion that it's going to generate about \$60 million. You mentioned that there's a lot of business there that the ramp is accelerating. Any sense of terms to what it was historically? And how do we think about that ramp going into the next calendar year? What is going to be the main driver, is it mainly going to be increasing the attach rates of these power ICs in the Android market? Or is it going to be expansion outside of Android.

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**John M. Forsyth** - *Cirrus Logic, Inc. - CEO, President & Director*

Yes. So first of all, I'm not sure the historic growth rate is especially meaningful given they're a pretty small company that has been a very recent rapid growth in the fast charging market. So obviously, the gradient of that curve looks incredible. But if you took that and drew a straight line on it forever, that would be normal. So really, just over the past 1.5 years, they've seen -- or a couple of years, they've seen an incredible acceleration of demand -- and that's really driven by the fact that, especially at the higher end of Android devices, there's a lot of competitive differentiation around the speed of phone charging and the user experience that goes along.

So in the coming year, I would say that, that is still going to be driving most of the revenue and design wins for the products that the Lion team developed, it's -- there's still plenty of headroom in the Android market for continuing that momentum alongside which we, of course, want to be developing products and taking the solutions to the market. So we think the technologies are pretty relevant.

And what I mean by that is that speed of charging and the amount of power that's going into the battery is still increasing meaningfully and still is going to go through a period where it's stepping up higher and higher, and that drives the demand for higher value content.

So if you look across the products that Lion is selling into and the kind of tiers of value associated with entry level and mid-tier and flagship level fast charging, it can be anything from \$0.50 right up to \$2.50 say a device at the top end of kind of differentiated, very fast charging.

So the targets and the performance bar at that top end is going to continue to move. So the primary goal will be to continue to serve that and to capture as much of that value as possible. And alongside that, as we've said, that we believe there are really great opportunities in other battery device spaces such as laptops and beyond as well.

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**Rajvindra S. Gill** - *Needham & Company, LLC, Research Division - Senior Analyst*

And Thurman, last quarter, there was discussion around the lead times being different for the camera controller versus the other components like the smart codec. And then the lead times for the camera controllers were shorter, and that caused a difference in terms of timing of revenue, which led to some differences relative to past seasonality. I'm wondering how we're thinking about the lead times for camera versus smart Kodak in the September guide?

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

Well, I think what we talked about last quarter is it was a different supply chain route. So we normally sell into the contract manufacturer directly, with the camera controllers we sell into a module maker who then sells that module in. So for us, it was an adjustment period of understanding what those -- what that process looks like.

We would recognize revenue as we sold it into the module maker and -- but that timing didn't always match up nor did the flow or the orders that we're seeing and the backlog that you were seeing. And that's all that we've said.

We're getting more -- we've gotten more comfortable with it. We understand this much better as we're working through the process. And so I wouldn't write anything into that. We think that that's not really going to change a lot of what you see from our results this year.

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**Operator**

Next question from the line of Tore Svanberg of Stifel.

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

John, I just had a follow-up on Lion and just kind of trying to understand the market opportunity. So you mentioned fast charging. My understanding, a lot of their businesses is in wireless charging. And I assume that their products are mainly in the device itself and not in the adapter where obviously, right now, there's a big move towards GaN. So if you could just elaborate on the market opportunity that would be great.

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**John M. Forsyth** - *Cirrus Logic, Inc. - CEO, President & Director*

Right. Yes. And you've got it absolutely right there Tore. GaN is appropriate for the world side. It's not appropriate for the phone side or the device side charging technology for a whole host of reasons.

But the switch gap architecture that Lion have on their seamless devices is the kind of leading edge of what you see in fast charging for smartphones today, and that can be used in conjunction with either wired or wireless tracking.

Wire charging is clearly more efficient. The efficiency metric on the whole is one of the key things about these products because if you look at what's the limiting -- what's the rate limiting factor for the speed at which you charge mobile device, one of the most critical things is heat dissipation, it's the thermal budget that you have to work with.

If you have very efficient power conversion then you're generating less heat, I mean you can put more power into the battery for a given thermal budget is one of the things where Lion has demonstrated leadership is in the efficiency of its charging technologies, and that also matters a lot in

the wireless space as well, which is kind of inherently less efficient. But again, something where the speed efficiency trade-off with Lion's technology is very attractive.

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**Operator**

(Operator Instructions). There are no further questions. I would now like to turn the call over to Chelsea Heffernan.

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

Thank you, operator. There are no additional questions, so I'll turn the call back to John.

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**John M. Forsyth** - *Cirrus Logic, Inc. - CEO, President & Director*

Thank you, Chelsea. So in summary, in the June quarter, we significantly increased sales in smartphones, laptops and other products, while also making great progress on several of our longer-term strategic initiatives. Those included the ramping of our Power Conversion control IC and the acquisition of Lion Semiconductor.

We expect these initiatives to drive growth of our high performance mix signal business, diversify the range of products that we offer and meaningfully expand our addressable market. With a strong pipeline of audio and high-performance mixed signal products ramping in the coming months, we continue to anticipate accelerated revenue growth in fiscal year '22.

I would also like to note that we will be participating in conferences hosted by KeyBanc and Oppenheimer this quarter. Please check our investor website for the details.

If you have any questions that were not addressed today, you can submit them to us by the Ask the CEO section of our investor website. And I'd like to thank everyone for participating in the call today. Goodbye.

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**Operator**

Again, that concludes today's conference. Thank you, everyone, for participating. You may now all disconnect.

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