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Cirrus Logic, Inc. (CRUS)

Q2 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Cirrus Logic Second Quarter Fiscal Year 2023 Financial Results Q&A session. At this time, all participants are in a listen-only mode. After a brief statement, we will open up the call for questions from analysts. Instructions for queuing up will be provided at that time. As a reminder, this conference call is being recorded for replay purposes.

I would now like to turn the conference call over to Ms. Chelsea Heffernan, Vice President of Investor Relations. Ms. Heffernan, you may begin.

Chelsea Heffernan

Vice President-Investor Relations, Cirrus Logic, Inc.

Thank you and good afternoon. Joining me on today's call is John Forsyth, Cirrus Logic's Chief Executive Officer; and Venk Nathamuni, Chief Financial Officer.

Today at approximately 4:00 PM Eastern Time, we announced our financial results for the second quarter fiscal year 2023. The Shareholder Letter discussing our financial results, the earnings press release, along with the webcast of this Q&A session, are all available at the company's Investor Relations website.

This call will feature questions from analysts covering our company. Additionally, the results and guidance we will discuss on this call will include non-GAAP financial measures that exclude certain items. Reconciliations of these non-GAAP measures to their most directly comparable GAAP measures are included in our earnings release and are also available on the company's Investor Relations website.

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 the Shareholder Letter issued today, which are available on the Cirrus Logic website and the latest Form 10-K, as well as other corporate filings registered with the Securities and Exchange Commission for additional discussion of Risk Factors that could cause actual results to differ materially from the current expectations.

I would now like to turn the call over to John.

John Forsyth

President, Chief Executive Officer & Director, Cirrus Logic, Inc.

Thank you, Chelsea, and thank you, everyone for joining today's call. As you've seen in the press release, Cirrus Logic delivered record second quarter revenue and earnings per share. The September quarter also marked the fifth consecutive quarter in which we have set a revenue record for the corresponding fiscal period. I'd like to thank all of our valued customers, our partners throughout the supply chain, and the entire Cirrus Logic team for their hard work, and collaboration in achieving these outstanding results.

Before we discuss the results in greater detail, I'd also like to provide a progress update on the key elements of the strategy that is currently driving our momentum.

The three pillars of our strategy are, first, maintaining our leadership position in smartphone audio by delivering world-class products and outstanding execution to leading customers in the market. Second, expanding the reach of our audio components and technologies in key profitable applications beyond smartphones. And third, leveraging our world-class mixed-signal engineering expertise to build a growing footprint of products outside of audio, in what we call our high performance mixed-signal product lines.

We've already seen meaningful contribution from products in this category, and we believe this area presents significant opportunities both within smartphones, and in other markets that can contribute meaningfully to future growth.

This quarter, we continued to execute successfully on all three of these strategic vectors. In audio, against a backdrop where demand for our amplifiers and codecs remained strong, and in excess of the available supply, we not only continued the development of our next-generation 22-nanometer smart codec, but also began initial development of a next-generation custom boosted amplifier. These are exciting and vitally important products for us and for our customers.

Our 22-nanometer codec development will bring a new level of performance and power efficiency to audio, sensing, and other signal processing use cases, and our next-generation boosted amplifier will bring significant performance, efficiency, and architectural advantages to our customers' products.

I'd also like to point out that given that these types of products typically enjoy a long lifespan in production, we believe these new product development initiatives help to provide us with good longer-term visibility regarding our business, and optimism about their potential for sustained revenue contribution.

Looking beyond smartphones, we've spoken previously about the laptop market, and its potential as one of the areas where we see an opportunity to expand the reach of our audio components profitably.

And I'd like to distinguish between the near-term softness in the PC space that we're all aware of, and the secular drivers that we believe are meaningfully expanding our serviceable available market in laptops in the long run. These include a greatly increased emphasis from our customers, and end users on higher quality audio experiences due to the growth of remote, and hybrid working, a transition to thinner and lighter form factors, a drive to greater power, and thermal efficiency, and an evolution towards a more smartphone like audio architecture that leverages multiple boosted amplifiers.

This quarter, we engaged with multiple customers in design activity around our first amplifier designed specifically for this market, and we also started sampling our first SoundWire enabled codec specifically designed for laptops. We continue to believe this area can represent a valuable expansion of the market for our audio products and technologies.

Moving onto our high performance mixed-signal products, we're proud of the progress we've made growing HPMS revenue, which represented 38% of total revenue in the September quarter. With the launch of a new generation of smartphone devices this fall, we've also been delighted to see an increase in adoption of our camera controllers, which play a vital role in helping to deliver outstanding camera experiences.

I have spoken previously about the consistent year-on-year expansion of value that we've seen in the camera space since the introduction of our first product. And looking forward, we believe we have opportunities to deliver further innovation and continue this trend in the future.

Turning to power, we are currently also developing new power -related products and technologies that will expand our range of solutions in battery health, metrology, charging, and other areas, and we believe these investments can position the company to expand our footprint in the power area in the coming years.

In summary, we made exciting progress this quarter on strategic initiatives that we believe will contribute to sustained multiyear growth and our engagement with key customers around future products and opportunities remained extremely strong. With both a compelling lineup of existing components shipping today, and continued investment in innovative audio, and high performance mixed-signal products, we believe we are well-positioned to drive further growth and product diversification in the coming years.

And with that, let me now turn the call over to Venk to provide an overview of our financial results for our fiscal second quarter 2023, as well as guidance for our fiscal third quarter 2023.

Venkatesh R. Nathamuni

Chief Financial Officer, Cirrus Logic, Inc.

Thank you, John. Fiscal second quarter revenue was $540.6 million, which was a September quarter record and, as John mentioned earlier, represents the fifth consecutive quarter of record revenue for the corresponding fiscal period.

Revenue was up 37% quarter-over-quarter and up 16% from a year ago. Our strong performance during the quarter resulted in revenue above the high end of our guidance range, and was driven by higher smartphone unit volumes associated with our customers' new product ramps.

On a year-over-year basis, the revenue performance was driven by higher ASPs, an increase in smartphone unit volumes, and high performance mixed-signal content gains.

I would like to highlight the outstanding execution by the supply chain organization, and the entire Cirrus team in helping deliver these strong results.

Turning to gross margin, non-GAAP gross profit in the quarter was $271.6 million and non-GAAP gross margin was 50.2%. This was roughly in line with the midpoint of the guidance range we had provided. On a sequential basis, gross margin was down, primarily due to higher reserves, product mix, and increased supply chain costs. The year-over-year change in gross margin reflects an increase in supply chain costs that came into effect in January 2022 and to a lesser extent, higher reserves.

Non-GAAP operating expenses in the quarter were $123.9 million, up $4.4 million sequentially. I'd note that operating expenses came in below the midpoint of our guidance range, despite higher revenue as higher variable compensation was more than offset by lower product development cost and employee-related expenses. We intend to continue to invest strategically in new product development while controlling discretionary spending.

Non-GAAP operating income was $147.7 million in the second quarter or 27% of revenue. And finally, on the P&L, non-GAAP net income in the second quarter was $114.5 million or $1.99 per share.

Let me now turn to the balance sheet. Our balance sheet continues to remain strong and we ended the second quarter of fiscal year 2023 with approximately $428 million in cash and cash equivalents, and we had $300 million undrawn on our revolver. Our ending cash balance was down roughly $25.8 million from the prior quarter primarily due to cash flow from operations offset by stock repurchases during the quarter.

Specifically, we generated cash flow from operations of $36 million during the September quarter which is a seasonally slower quarter for cash generation due to the timing of product ramps.

We have no debt outstanding and inventory was $165 million, down $10 million sequentially, and days of inventory was 56 days in Q2, down 27 days sequentially as we shipped product to support our customers' new product ramps.

And turning to cash flow, as I mentioned earlier, cash flow from operations was $36 million in the September quarter. Free cash flow for the quarter was $25.7 million.

In Q2, we utilized $50 million to repurchase roughly 583,000 shares of our common stock at an average price of $85.78. As of the end of Q2 fiscal year 2023, we had $586.1 million remaining in our share repurchase authorization. We executed an additional $25 million in stock buybacks subsequent to the quarter end to repurchase roughly 376,000 shares at an average price of $66.46 as part of a 10b5-1 trading plan.

We expect to continue to return capital in the form of stock repurchases which we believe will provide a long-term benefit to shareholders going forward.

And now on to the guidance, for the fiscal third quarter of 2023, we expect revenue in the range of $520 million to $580 million. We expect gross margin to range from 49% to 51%.

Non-GAAP operating expense is expected to be flat sequentially in the range of $120 million to $126 million as higher product development cost is offset by lower SG&A expense. We will continue to control discretionary spending, but invest strategically in product development to drive long-term growth.

On the tax front, as we have previously discussed, due largely to a tax rule effective this year that requires companies to capitalize and amortize R&D expenses rather than deduct them in the current year, we continue to expect our fiscal 2023 non-GAAP effective tax rate to be approximately 23% to 25%.

We maintain our expectation that under this rule, our effective tax rate will decrease and may return to a normalized range in about five years as additional years of R&D expenses are amortized for tax purposes, absent any changes to the legislation. However, there appears to be strong legislative support for delaying or eliminating this rule, which we are watching closely. I'd note that without the impact of this rule, our non GAAP effective tax rate would be in our more typical mid-teens range.

In closing, we had a strong Q2 fiscal year 2023, as we executed well to deliver these results. Going forward, we will continue to focus on the best opportunities to enable the company to grow both revenue, and profitability over the long term.

And finally, before we begin the Q&A, I'd like to note that while we understand there is intense interest related to our largest customer, in accordance with Cirrus Logic company policy, we will not discuss specifics about our business relationship.

With that, let me now turn the call over to Chelsea to start the Q&A session.

Chelsea Heffernan

Vice President-Investor Relations, Cirrus Logic, Inc.

Thanks Frank. We will now start the Q&A portion of the earnings call. Please limit yourself to a single question and one follow-up. Operator, we are now ready to take questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Rajvindra Gill with Needham. Your line is open.

Rajvindra Gill
Analyst, Needham & Co. LLC

Q

Yeah, thank you for taking my questions, and congrats on really strong results in a tough environment. Just a question on the seasonality in the business, it's been kind of quite volatile this year kind of deviating from normal patterns. I am just wondering how we are thinking about seasonality on a go-forward basis and how we're also thinking about the potential supply chain volatility with your – [indiscernible] (00:15:28) with your top customer just in general. So any thoughts on kind of seasonality and supply chain delivery would be helpful to understand. Thank you.

John Forsyth
President, Chief Executive Officer & Director, Cirrus Logic, Inc.

A

Yeah, thank you. I'll add a few comments and invite Venk to add a little more color, if he wishes. I think one of the characteristics of the climate this year on the supply side has been that most of the supply chain has been running pretty close to capacity and so that has meant, I think that the things are being a little more linier than they would be typically. Obviously, we have big seasonal ramps and builds for product launches and there just hasn't been the headroom in the supply chain to have that kind of acceleration of production. So, I think that has led to linearity, coupled with the fact that just demand is very high and has continued to remain high relative to the available supply in general.

Not really sure how that looks as we go further out beyond the quarter we're guiding. I would say that from the supply chain perspective, we still regard our sales and the situation in the supply chain as being supply-constrained, primarily around wafer supply and that's certainly going to persist the rest of this year. We see that persisting well into calendar 2023 as well.

Venkatesh R. Nathamuni
Chief Financial Officer, Cirrus Logic, Inc.

A

Yeah, thanks, John, you answered most of the questions that Rajvi raised. So, Rajvi, first of all, thanks for your nice comment. So, in terms of just the seasonality question that you asked, as you know, over the last several years, especially the last couple of years, it's been difficult to predict what is normal seasonality and what's not, just given the changes in customer ordering patterns and the economy overall. [ph] But (00:17:21) I would say that perhaps in the last few months, there is probably some semblance of normalcy coming back, but then, of course, now we have to deal with the macro uncertainty and so forth. So, in general, it's hard to call out in a specific seasonal patterns and clearly, as John alluded to earlier, we're seeing a good demand, especially as it relates to the new product launches from our customers and we're fulfilling that demand and we'll just take it one quarter at a time as it relates to seasonality going forward.

Rajvindra Gill
Analyst, Needham & Co. LLC

Q

Yeah. Thank you for that. And just for my follow-up, I am wondering, John, how are you thinking about some of the trends that have been helping your business, namely, your expansion into the fast charging market, number

two, kind of increased attach rates for camera controllers and kind of, lastly, your expansion into the midrange audio amplifier. I am just wondering if you could talk a little bit about those kind of segments [ph] and end (00:18:18) markets. Thank you.

John Forsyth
President, Chief Executive Officer & Director, Cirrus Logic, Inc.

A

Thank you. Yeah, there are a number of strings to that bow. I think the big picture is that we have been [ph] doing (00:18:27) content expansion rather than relying purely on whatever happens with the units and that's been on multiple fronts, so both. Expanding within audio, I mentioned the growth we've had in the laptop market there and the opportunity that we see, but also significant expansion of the range of products that we're bringing to mobile devices. So those include, yes, charging products, as you said, in fact, a number of technologies around the batteries. So, we brought to market our power conversion and control chip last year which is additional technology focused on battery health, and then going forward, we've signaled that we have – we believe we've got multiple other opportunities to expand content outside of the audio space in the high performance mixed-signal area and that's something where we believe that gives us visibility and reason for believing that we can deliver year-on-year growth as we go forward.

Operator: Your next question comes from the line of Christopher Rolland with Susquehanna. Your line is open.

Christopher Rolland
Analyst, Susquehanna Financial Group LLLP

Q

Hey, guys. Thanks for the question. I guess, there is a couple of new products that you guys mentioned in the letter, I think you continue to engage with a strategic customer around a new HPMS component. Also, additionally, you guys continue to develop your 22-nanometer new codec as well. I guess first of all, I mean, any more detail around the HPMS component and then kind of the economics around this, how does that change in terms of ASPs or cost overall for you guys as well?

John Forsyth
President, Chief Executive Officer & Director, Cirrus Logic, Inc.

A

Yeah, it's a little early to give much color on the additional HPMS content, because I will say that actually, I think we referred to another [ph] customer of (00:20:44) new product as well. So, obviously, the 22-nanometer codec, additional HPMS content, but also kicking off the development of our next-generation custom amplifier. So we have – that's what we're talking about. We have other stuff in the pipeline as well, as you would hope and expect. It'll be a little while before those come to market. We have signaled that we're working towards a timeline in bringing some additional HPMS content to market in the back half of next year. It's a long road between now and then, so – as you'd expect, we will give more color as we get closer to the time and the plans get locked.

Venkatesh R. Nathamuni
Chief Financial Officer, Cirrus Logic, Inc.

A

And if I may, John, just to add to what you just said, I think one of the things that's evident in our results and also in our guidance is the fact that we're continuing to increase our content in these end customers' products and we have talked in the past about having some good long-term visibility and multiyear visibility in terms of content gains. So, a lot of that is coming in the high performance mixed-signal area and we feel good about where we stand related to increasing content over time.

Christopher Rolland
Analyst, Susquehanna Financial Group LLLP

Q

Great. And as a follow-up, given the kind of weak Android background that we have out there, I was surprised that your percentage of revenue from your non-biggest customer out there was strong as it was. I was wondering if maybe you can talk to that kind of strength or you might be seeing strength, is this all amps or is this new products? I know you've been talking up some custom PC products as well. Where is that strength outside of your largest customer coming from?

John Forsyth
President, Chief Executive Officer & Director, Cirrus Logic, Inc.

A

Well, I'm not going to tell you that the Android market is strong. I think we're all well aware of the challenges around different parts of that market, but I will say that our approach in general is always to work with what we see as being the strongest customers with the strongest products. And so, we have seen content gains in Android this year in flagship phones and that's meant that we've done than perhaps some have in the current climate and that's specifically around getting haptics solutions into flagship phones in addition to our audio devices. So, we've been doing well there. It's a tough market, but as I said, we continue to focus on customers and products and sockets where we believe they are the strongest and demand is going to be the most resilient in the current climate.

Operator: Your next question is from the line of Tore Svanberg with Stifel. Your line is open.

Jeremy Kwan
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Hi, good afternoon this is Jeremy Kwan for Tore. Let me add my congratulations on the record results here. I guess, first question would be on the new laptop content. I noticed on the presentation, the ASPs were in the range of, I think, up to a $1.50. Is there a reason – I guess, can you call out any differences between that and maybe their smartphone counterparts, is it maybe just early stage of integration cycle here? Anything you can call out would be helpful. Thanks.

John Forsyth
President, Chief Executive Officer & Director, Cirrus Logic, Inc.

A

Thanks, Jeremy, and thanks for the nice comment there. It's actually to do with the multitude of different socket opportunities that we see over time in the laptop market and I will reiterate. This is very much a greenfield space for us. So, we see our SAM expanding there significantly in the coming years, even with a very conservative set of assumptions around what happens to the market overall in terms of unit, but to give you some color to that, the kinds of sockets that we see as representing constituent parts of that addressable market would be, on the audio side, we've got boosted amplifiers and codecs, but you may see two, four or in some cases, even more than four boosted amplifiers. So, you have multiple opportunities for content expansion there. In addition to that our fast charging-related IP has given us opportunities for sockets really either side of the battery there in the laptop. So, again, we see a potential for multiple sockets around that. And then, of course, as devices get thinner and lighter, the trend will be more towards haptics and moving away from mechanical touchpads and the like and again, that provides a content opportunity.

So, if you look five years out or four years out, I guess calendar 26, we see a SAM there based on those opportunities that I've outlined of somewhere north of $1 billion. I would say about two-thirds of that is probably in the audio space and roughly a third of it in the HPMS space.

Jeremy Kwan
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Great, thank you, that's very helpful. I guess, the other question would be, I think, Venk, you might have mentioned the year-over-year results were driven by higher ASPs, units and HPMS content gains, also wondering if you could maybe give us rough breakdown of the various impacts, if specific numbers aren't available, could you maybe rank order those impacts? Thank you.

Venkatesh R. Nathamuni
Chief Financial Officer, Cirrus Logic, Inc.

A

Yeah, Jeremy, again, thanks for your nice comment. And yeah, as I mentioned, the year-on-year change was driven primarily by those three factors that you mentioned. We have stated that in the order of significance. So, in general, [ph] you could assume (00:27:07) that we benefited from the increase in unit volumes and over time, we'll also see a content gain story, but I think it is consistent with we have stated.

Operator: Your next question comes from the line of Matt Ramsay with Cowen & Company. your line is open.

Ethan Potasnick
Analyst, Cowen & Co. LLC

Q

Yeah, hey, guys. This is actually Ethan Potasnick on for Matt. I just wanted to kind of piggyback on the prior question, maybe ask it a little differently here. I guess, going into the back half of the year, I think we had the expectation that results at your primary customer would be primarily driven by unit growth rather than any socket or content expansion. So, given the results and guide, is that how we should still think about it or were there maybe additional wins either within the phone or maybe other products at your largest customer that drove the upside here?

John Forsyth
President, Chief Executive Officer & Director, Cirrus Logic, Inc.

A

I think the story is primarily around phones to your [ph] latter (00:28:18) question there. I would say it's worth keeping in mind that when we have a significant content expansion as we did with the addition of the power conversion and control solution that came into the generation of devices launched last year that we do have a tailwind from that as we go into the second generation of devices as well. So, it continues to contribute to the revenue growth.

Ethan Potasnick
Analyst, Cowen & Co. LLC

Q

Okay. Understood. And then, as my follow-up, just wanted to get a little more clarity on visibility on the stated demand through the remainder of fiscal 2023 here. If I recall correctly, you guys have previously said growth expectations might be more modest, is that how we should think about it through the remainder of the year?

Venkatesh R. Nathamuni
Chief Financial Officer, Cirrus Logic, Inc.

A

Yeah. Hi, this is Venk. So, at a high level, obviously, given what we just announced, and the guidance we have provided, takes into account a couple of factors, right. We clearly have a good indication from our lead customer in terms of what the demand patterns is, but there is also an other element of the business which is more tied to the general market and such. And so – and given some of the macro concerns we have taken that into account as we provided the guidance. But at this point, we want to stick with just guidance for the current quarter and not

looking beyond. We will certainly update you at that time. But it's probably fair to assume that we do see the content gain that John alluded to. That's something that we see as a multi-year story, but we'll give you more specific guidance on the next earnings call.

Operator: Your next question is from the line of David Williams with The Benchmark Company. Your line is open.

David Williams
Analyst, The Benchmark Co. LLC

Q

Hey, good afternoon. Thanks so much for taking the question and congrats on the excellent results. First, I wanted to ask maybe just on the revenue side. Just kind of curious what maybe the puts and takes were this quarter. I'm just trying to understand, maybe if the surprise was more on the supply side, or maybe on the demand side, and maybe any color you can provide on the ability kind of [ph] flat (00:30:47), up, and down as we think about the business going forward?

John Forsyth
President, Chief Executive Officer & Director, Cirrus Logic, Inc.

A

Certainly, the demand for the components going into smartphones in particular was strong, and stronger than we were forecasting back when we guided. And that demand did tend towards more devices, which had the greater amount of our content in them than we expected when we guided, so really very strong demand story. I will say that on the supply side, the team has worked incredibly hard with our supply chain partners to kind of try to catch up, and keep up with that, and keep bringing in shipments, but the majority of the impact here was – relative to our guide was demand-led.

David Williams
Analyst, The Benchmark Co. LLC

Q

Okay. Thanks for the color there. It's certainly helpful. And then, I guess, secondly, as a follow-up for me is, just, are you seeing anything in Asia or China specifically in terms of some of the COVID restrictions? [ph] And some things (00:31:54) we're hearing there, is there anything you're concerned with as we kind of think about the December quarter?

Venkatesh R. Nathamuni
Chief Financial Officer, Cirrus Logic, Inc.

A

Yeah. Yeah. We've been reading all those reports about COVID restrictions in China and such. And we're constantly in touch with our contract manufacturers, as well as our entire supply chain. And clearly, what we have provided you in terms of guidance takes into account some of those uncertainties, but we're constantly monitoring the situation, but we don't have any special insight into it beyond what we just hear from our contract manufacturers, as well as our entire supply chain. And we've taken that into account as we have guided for the December quarter.

Operator: [Operator Instructions]

Chelsea Heffernan
Vice President-Investor Relations, Cirrus Logic, Inc.

A

This will be our last question.

Operator: Your final question comes from the line of Blake Friedman with Bank of America. Your line is open.

Blake Friedman
Analyst, BofA Securities, Inc.
Q

Hi, this is Blake on for Vivek. Thanks for taking my question. Just maybe as a follow-up to a question earlier, I know just looking at the data that kind of your Android and other businesses have been surprisingly resilient [ph] what seems like versus (00:33:07) a broader market, but I was just curious, as it's kind of still a weaker demand environment in general, can this change the tone or timeline of implementation of engagements?

John Forsyth
President, Chief Executive Officer & Director, Cirrus Logic, Inc.
A

I mean, the demand environment there certainly has been softer, but I would maybe reference some of the color I have given on previous calls regarding the nature of our engagement with Android, because I think that might be a key to what you're seeing there in the results as well. We've been supply-constrained through all of last fiscal year and this fiscal year-to-date. That's meant that we've been very selective out of necessity about which sockets and customers we've been able to chase, and so we don't let anybody down. So, we have been – we just had to be very selective there. And given the products we're providing into smartphones are generally the performance leaders in their class, we've been at the top end of the market and have typically been shipping into sockets where the customer is very committed to having flagship – leading performance in their flagships. So, I think the fact that we've been doing anything but overserving that market over the past year just because of the supply constraint has meant that there has been a resilience there as the weather has changed.

Blake Friedman
Analyst, BofA Securities, Inc.
Q

Great. And then just kind of quickly focusing on your cash balance. I know kind of following the Lion Semi acquisition, we're kind of back at those similar levels. So, just kind of curious how you think about M&A just in this environment when valuations are lower, working more focused maybe through cash returns, [ph] sell-through (00:35:04), buybacks?

Venkatesh R. Nathamuni
Chief Financial Officer, Cirrus Logic, Inc.
A

Yeah, thanks for the question, Blake. So, essentially, our cash balance, as I mentioned on the prepared remarks, is in pretty good shape. And we've stated all along that our primary uses of cash, and the number one is to drive the growth in the business through investment in R&D. And then number two is to do M&A, and three, is to use it for share buybacks, and such. So, as it relates specifically to your M&A question, clearly, the market is now in a situation where there's a lot of price discovery aspects that are still uncertain just given how the market has performed. And for us, we want to be very selective about what M&A we pursue and we'll do it based more on strategy as opposed to just purely from the standpoint of what the current market conditions are. And so, we continue to look at M&A opportunities on a regular basis, but we will pull the trigger for the appropriate opportunity at the right time. But our primary uses of cash are in that order, number one, to invest in R&D, M&A and then to cash buybacks. And as you've seen over the last few quarters, we have been very regular buyers of our stock and we'll continue to use that as an additional tool in terms of how we deploy our cash balance.

Chelsea Heffernan
Vice President-Investor Relations, Cirrus Logic, Inc.
A

With that, we will end the Q&A session. I will now turn the call back to John for his final remarks.

John Forsyth

President, Chief Executive Officer & Director, Cirrus Logic, Inc.

Thank you, Chelsea. So, in summary, in the September quarter, Cirrus Logic delivered record second quarter revenue and earnings per share driven by strong execution across our three areas of strategic focus. And those are continuing our leadership in smartphone audio, broadening sales of audio components in key profitable applications beyond smartphones, and deploying our mixed-signal expertise to expand into new adjacent high performance mixed-signal areas. We're more excited than ever about the opportunities that we see in front of us and thank you for your continued interest in Cirrus Logic.

Before we close, I would also like to note that we will be participating in the Barclays Conference on December 8 in San Francisco. Please check our Investor website for the details.

If you have any questions that were not addressed, you can submit them to us via the Ask the CEO section of our Investor website. I would like to thank everyone for participating today. Goodbye.

Operator: Ladies and gentlemen, this concludes today's conference call. You may now disconnect.