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Cirrus Logic, Inc. (CRUS)

Q2 2026 Earnings Call

CORPORATE PARTICIPANTS

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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 2026 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 Jeff Woolard, our Chief Financial Officer. Today, at approximately 4:00 PM Eastern Time, we announced our financial results for the second quarter fiscal 2026. The shareholder letter discussing our financial results, the earnings press release and the webcast of this Q&A session are all available at the company's Investor Relations website.

This call will feature questions from the analyst 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 all 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 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 current expectations.

Now, I'd like to turn the call over to John.

John Forsyth

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

Thank you, Chelsea, and welcome to everyone joining today's call. As you've seen in the press release, Cirrus Logic delivered record September quarter revenue of \$561 million, towards the top end of our guidance range, driven by demand for components shipping into smartphones. In a few moments, I'll hand a call over to Jeff to discuss the financial results for the September quarter in detail, along with our outlook for the December quarter.

Before we get to that, I'd like to make a few comments about the recent progress we have been making across key areas of our business. As we have outlined previously, our long-term strategy for growth at Cirrus is based around three principles. First, we seek to maintain a strong leadership position in our core flagship smartphone audio business. Second, we aim to expand the value and range of high-performance mixed-signal solutions with which we serve our customers in smartphones and similar products. And third, we aim to leverage our world-class expertise and IP in both audio and high-performance mixed-signal to grow and broaden our business in new markets.

I want to say a few words now about the progress we've made in the past quarter in each of these areas. In our flagship smartphone audio business, during the quarter, we experienced strong demand for our latest generation custom boosted amplifier and first 22-nanometer smart codec. These products, introduced in the fall last year, represent years of engineering effort and a deep and collaborative relationship with our customers. We are proud of the crucial role they play in enhancing the power efficiency and exceptional audio quality of our customer's latest products.

I think it is also worth highlighting a characteristic of this area of our business that isn't always apparent to those outside of the company. While we ship custom products into many consumer end devices, much of our custom silicon business offers returns over a significantly longer period than is typical of consumer products. For example, these latest generation audio components that I've referred to superseded our codec and amplifiers that had been shipping in high volume flagship phones for five and six years, respectively. We consider this longevity a significant strength of our business, as it provides solid long-term visibility and sustained revenue contribution, along with the ability to leverage our R&D resources in new areas that can drive further innovation and growth.

Outside of our custom audio solutions, we also continue to serve a number of customers in the Android ecosystem. This past quarter, a leading Android OEM introduced its latest flagship smartphone featuring two Cirrus Logic boosted amplifiers and a haptic driver. While the majority of our general market R&D investments are focused on developing products for new markets beyond smartphones, we continue to engage with customers on next-generation flagship smartphone products and expect additional designs from various customers to come to market in the future.

Looking beyond audio, we continue to diversify our revenue and expand our smartphone content with high performance mixed-signal solutions. Customer engagement around our camera controllers remain strong, and we were excited to see this technology stand out as a key differentiator in the latest generation of devices.

Today, we are engaged on a number of projects that we believe will bring even more feature and performance enhancements to this area in the future. Moreover, we also have several R&D programs that are focused on battery performance and health, and we continue to believe these areas represent an excellent opportunity for our mixed-signal expertise to bring innovation and value to our customers. Our third strategic priority is to leverage our audio and high-performance mixed-signal expertise into new applications and markets outside of smartphones.

We're making excellent progress here, especially in the PC market, where we are focused on continuing to grow our share across customers and product tiers. During the quarter, we saw strong design activity across our PC portfolio and expect a range of consumer and commercial laptops featuring our components to come to market over the next year, as the adoption of SoundWire Device Class Audio accelerates. After establishing early success in high end laptops, we are now expanding into mainstream programs to reach higher volume opportunities and capture a larger share of the addressable market. Building on our recent wins in mainstream commercial laptops, this quarter, we were particularly excited to secure our first mainstream consumer design, which is expected to ship next year. This success demonstrates the excellent progress we are making in our long-term strategy to grow beyond smartphones and positions us well for the continued momentum in the broader PC space.

Additionally, we're excited about the long-term opportunity that voice represents as a natural way to interact with AI-enabled PCs, and we increasingly see PC OEMs turning to voice as a means to enhance their products. In this area, we were able to leverage our audio and voice expertise, which has been developed and refined in the smartphone market over many years, to develop PC specific products that deliver enhanced voice capabilities and performance enabling features such as voice wake for AI applications, even while the device is in an ultra-low power standby state. Our first product featuring this technology is expected to sample to customers in the December quarter.

Finally, in the PC space, we have in the last quarter deepened and expanded our engagement across multiple PC platform vendors in order to accelerate our customers' time to market. We believe that our ability to provide consistent audio architectures and advanced features across multiple PC platforms is of great benefit to OEMs. Overall, we are very encouraged by the traction we are seeing in PCs and believe there is a meaningful opportunity ahead for us to grow in this market.

Beyond PCs, we are also seeing strong interest in our general market products, which serve a wide range of customers across professional audio, automotive, industrial and imaging end markets. These products typically have long life cycles and gross margins well above our corporate average, and moreover, can frequently leverage the world-class, low-power IP that we have developed in other areas of our business.

Our progress in this space was exemplified during the quarter in several areas. First, we gained design momentum with prosumer and automotive customers on all 14 variants of our latest generation ADCs, DACs and ultra-high performance audio codec, and expect new end products utilizing these components to come to market over the next 12 months. Second, we had increased engagement with automotive and professional audio customers on our latest timing product family, which began shipping last quarter. And third, we are now sampling a family of high-performance analog front end components targeting imaging applications, and the initial response has been positive.

We are proud of our execution to-date in these areas and will continue to expand our product portfolios in order to drive profitable growth opportunities in these segments. And that concludes the latest progress update on our long-term growth strategy.

So let me now turn the call over to Jeff to provide an overview of our financial results, as well as the outlook.

Jeff Woolard

Executive Vice President & Chief Financial Officer, Cirrus Logic, Inc.

Thank you, John. Good afternoon, everyone. I'll now walk through our Q2 financial performance and provide guidance for Q3, including tax updates. In Q2 fiscal 2026, we delivered revenue of \$561 million, which was toward the top end of our guidance range, driven by demand for components shipping into smartphones. On a sequential basis, revenue was up 38% due to higher smartphone unit volumes. On a year-over-year basis, sales were up 4%, primarily driven by higher smartphone unit volumes and sales associated with our latest generation products.

Turning to gross profit and gross margin. Non-GAAP gross profit in the September quarter was \$294.7 million and non-GAAP gross margin was 52.5%. On a year-over-year basis, the increase in gross margin was largely due to a more favorable product mix. This was partially offset by higher inventory reserves.

Now, I'll turn to operating expenses. Our non-GAAP operating expense for the second quarter was \$127.7 million, coming in below the low end of our guidance range. This was due to lower product development costs, mostly driven by shifts in project timelines. Employee-related expenses were also lower than expected.

On a sequential basis, OpEx was up \$8.2 million, primarily due to higher variable compensation, product development costs, mostly due to tape outs and facilities-related costs. This was partially offset by a reduction in employee-related expenses. On a year-over-year basis, operating expense was up \$0.9 million, primarily due to an increase in employee-related expenses, which were mostly related to annual merit increases. This was partially offset by lower product development costs. Non-GAAP operating income for the quarter was \$167 million or 29.8% of revenue.

Turning now to taxes. During Q2, we recorded the favorable tax impact of the One Big Beautiful Bill Act, which reinstated immediate expensing of domestic R&D. This change was retroactive to the start of fiscal year 2026 and contributed to our lower non-GAAP tax rate of 14.6% for the quarter. And lastly, on the P&L, non-GAAP net income was \$150 million, resulting in an earnings per share for the September quarter of \$2.83.

Let me now turn to the balance sheet. Our balance sheet continues to be strong, and we entered the September quarter with \$896 million in cash and investments. Our ending cash and investments balance was up \$48.3 million from the prior quarter, as cash generated from operations was partially offset by share repurchases. We continued to have no debt outstanding.

Inventory at the end of the second quarter was \$236.4 million, down from \$279 million in the prior quarter. Days of inventory were down sequentially and we ended the quarter with approximately 81 days of inventory. Looking ahead, in Q3 fiscal 2026, we expect inventory to decrease slightly quarter-over-quarter.

Turning to cash flow. Cash flow from operations was \$92.2 million in the September quarter, and CapEx was \$4.5 million, resulting in non-GAAP free cash flow margin of 16%. For the trailing 12-month period, cash flow from operations was \$557.3 million, and CapEx was \$23.1 million. This resulted in a non-GAAP free cash flow margin of 27%. On the share buybacks in Q2, we utilized \$40 million to repurchase approximately 362,000 shares of our

common stock at an average price of \$110.55. At the end of Q2 fiscal 2026, the company had \$414.1 million remaining on its share repurchase authorization.

Now on to guidance. For Q3 fiscal 2026, we expect revenue in the range of \$500 million to \$560 million. Gross margin is expected to range from 51% to 53%. Non-GAAP operating expense is expected to range from \$128 million to \$134 million. For fiscal year non-GAAP effective tax rate is expected to range from approximately 16% to 18%.

In closing, we delivered strong results for the September quarter. We remain focused on executing to our strategy and delivering long-term value to shareholders. Before we begin Q&A, I would 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 turn the call to Chelsea to start the Q&A session.

Chelsea Heffernan

Vice President-Investor Relations, Cirrus Logic, Inc.

Thanks, Jeff. 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: Thank you. [Operator Instructions] Thank you. Your first question comes from the line of Tore Svanberg with Stifel. Your line is open.

Tore Egil Svanberg

Analyst, Stifel, Nicolaus & Co., Inc.

Yes. Thank you. And congratulations on the results. I know you can't obviously talk specifically about your largest customer's business, but this year has been quite unusual from a seasonality perspective. So, I was just wondering if you could share any thoughts with us on seasonality going forward. I mean, will 2026 potentially be sort of back to normal? Again, anything you can share with us maybe really helpful.

Jeff Woolard

Executive Vice President & Chief Financial Officer, Cirrus Logic, Inc.

Yeah. Tore, this is Jeff. I think if you recall, we talked about last quarter, a change in the seasonality shape of our business, primarily driven by the camera content becoming a bigger portion of the total revenue, which shifts a little earlier, as well as, as we talked about some pull ins, at the last quarter call. I think if you look at our results this quarter in our guidance for next quarter, that story remains the same, that that shape is a little bit pushed in to the first half versus what has been traditionally. And that's driven by just camera content being a greater piece.

While we did give some insight last quarter on our view for the year because we thought it was important for everyone to understand that that change, that has played out between our results and our guidance. And at this point, we are only giving guidance for the next quarter, but we don't see anything from here out that would change historically what that seasonality looks like for the rest of fiscal year.

Tore Egil Svanberg

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Great. That's very helpful. And as my follow-up for you, John. In the shareholder letter, you stated again, there's potential some opportunities on the power/battery side in the smartphone market. Any updates there? Again, I know you can't talk about specific design wins, but clearly, battery management is becoming quite crucial for next-generation smartphones. So, any updates there would be helpful. Thank you.

John Forsyth

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

A

Yeah, that continues to be an area that we're excited about. And as you know, we've been investing in for some time, we do think that we have some really compelling IP in that space. And I think we've seen some validation of that from the comments reflected back to us from customers when we've been sharing silicon with them and details on what we've been developing.

We've got a number of irons in the fire there. And as you allude to, the majority of those are related to those areas around the battery where we think we can make a difference to power efficiency as a whole, to system performance as batteries go through their life cycle, both on a daily basis and a long-term basis, and to battery health long-term as well.

So, we don't have anything to say today concretely about design wins and how that's going to get commercialized. But we continue to believe that we've got some very valuable IP and we're obviously itching to get that out into the market.

Tore Egil Svanberg

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Great. Thanks for the color, John.

John Forsyth

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

A

You're welcome.

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

David Williams

Analyst, The Benchmark Co. LLC

Q

Hey. Good afternoon. Congrats on the quarter, and thanks for letting me ask a question here. Maybe, first, just on the just kind of on the OpEx side, you kind of mentioned it was lower in this quarter for some push outs, and it looks like some of that's kind of coming into the third quarter. Is it fair to assume that that all of the OpEx expected in the second quarter is pushed into that third quarter, or is there anything else maybe funny going on that we should be thinking about there?

Jeff Woolard

Executive Vice President & Chief Financial Officer, Cirrus Logic, Inc.

A

No, I think that's a that's a reasonable take. We are pretty disciplined in our OpEx and what we saw we did obviously come in below the guide. And some of that was just delays in our spending, not necessarily delays in execution. So, that product development costs can be a little lumpy. It's not a miss because it wasn't low because

of execution. Some expenses that we had planned, we were just actually able to avoid. And so that came – also drove our results, our OpEx results being below guide. So a lot of that is just a timing issue. So we will continue to stay disciplined on that. But that being said, it was a push. But if we see other opportunities that we think have – we have high confidence in to create value, we will be comfortable increasing that in the future.

David Williams

Analyst, The Benchmark Co. LLC

Q

Okay. Good. Thanks. And then maybe just on the non-flagship customer, your largest customer revenue, that contribution in the quarter was maybe a little bit lower than we had anticipated, but just trying to get a sense of the progress in the general markets and in that computing space, how we should think about that revenue trending maybe through this year, and just generally, what that growth trajectory should look like outside of your largest customer. Thank you.

John Forsyth

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

A

Yeah. I think on the picture for this quarter, in particular, there were there were a number of things going on there. And I think the softness in the Android space is certainly part of it. And that's been widely reported. We don't invest a huge amount in Android as a strategic business area for us, but it still remains a valuable contributor. So, to some extent, we saw some impact from that. And then when we look to the rest of our general market business, certainly the biggest kind of growth area that we see there right now is the PC, as you alluded to, and we're continuing to track the way we expected there, broadly in line with that.

We're still kind of early in the ramp for that as regards the business it can become for us in the future. But we've passed a number of really, really excellent milestones this year and then in this past quarter as well, which kind of indicate the great progress we're making there. And we continue to be very excited about what's going on in the PC space. I think one of the things we called out in the shareholder letter with a particular highlight is the win in a mainstream consumer laptop, because those mainstream devices, as I've highlighted previously, they really deliver so many more units than the devices in the flagship and premium tiers. And so a big part of our objective is to penetrate down through the tiers and be well penetrated in both the commercial and the consumer mainstream segment and then obviously expand to as much content in those devices as we can get.

This year earlier in the year, we reported that we won our first mainstream commercial laptop. And then we've now added to that with success in the consumer space. So I think that that proves we can do it. And that's going to be one of multiple drivers that help us continue to accelerate in the PC space.

Operator: [Operator Instructions] Your next question comes from Christopher Rolland with Susquehanna. Your line is open.

Dylan Ollivier

Analyst, Susquehanna Financial Group LLLP

Q

Hi, this is Dylan Ollivier on for Chris Rolland. Thank you for taking my questions. So, for my first question, last quarter you said that you didn't have any material changes to your smartphone unit outlook for the year, despite your better results. Would you now have any changes to your unit outlook, or are units still tracking in line?

John Forsyth

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

A

Yeah, I'm going to stick with that sort of like that previous answer of, we obviously had a good quarter here driven by smartphone units. And we explained the shape between the last quarter, the last two quarters. And we're only guiding for the next quarter. But we see at this point we think seasonality looks like historically has we don't see anything to change our view on the upcoming seasonality.

Dylan Ollivier

Analyst, Susquehanna Financial Group LLLP

Q

Great. Thank you. So secondly, I'd love to hear more about these new products that you talked about that you're developing for AI PCs. So does this expand your SAM, and when can we expect revenue here? Are you getting a lot of initial interest from customers?

John Forsyth

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

A

Yeah, actually that's an area which I think has become much more significant in our modeling of our PC SAM. More recently rather than – or at least compared to when we sat down, set off down the road of getting into the PC market. The interest across our customer base and voice-related features is really pretty significant as a major enabler for AI.

So, I mean, I think if you step back just for a second to look at all the drivers, which are currently kind of accelerating our momentum in the PC space. There's one I alluded to in the previous answer, which is just our penetration down through product tiers to get into higher volume segments. There's another factor which we alluded to in the shareholder letter, which is the propagation of the SoundWire Device Class Audio interface and standard. So we're seeing that increasingly propagate across designs that generally is something that's favorable to us and that's something that we've designed to and that we can deliver a lot of features around.

Then as we also mentioned in the prepared remarks, we've also been expanding our support across multiple PC platform vendors. So again, that's kind of expanding our reach. And the number of devices that our products can get into and the number of reference designs that enable our customers to pick up our silicon and create products around very rapidly. And then the fourth of these drivers would really be the voice features that we see coming over the horizon.

And that's been a more recent topic of conversation with OEMs. But it's a significant one. And it's one where our IP is really best-in-class. We're able to provide significantly better voice and audio capture, noise reduction, voice cleanup, voice detection, speaker detection, and so on. And then you combine that with our low-power codec technologies, we can enable features like waking up the entire system, being able to speak to the system even when it's in an ultra-low power standby state and so on.

So, this is – I mean, this is all part of the SAM that we model out in the investor presentation out into the future, that we think continue to be really significant for us in the PC space. But I think given where we're at and the IP we have in the voice area, in particular, I would expect us to really benefit from that. Specifically in the last quarter, we started sampling the first device with it specifically focused on enabling those features to customers. So, it'll be a while before those start showing up in end products, but we have a great roadmap around those features in particular.

Operator: Thanks, Dylan. And 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. In summary, Cirrus Logic delivered record revenue for the September quarter, while also continuing to make excellent progress on each pillar of our long-term strategy. I'd like to extend my appreciation to all of our employees worldwide for the hard work and commitment to excellence that has delivered these results. And I'd like to thank our customers for their trust and support.

We're excited about the opportunities ahead for Cirrus, and we thank you for your continued interest in the company. Before we close, I'd also like to note that we will be participating in the Barclays Global Technology Conference on December 11. Please check our Investor website for the details. Thank you everyone for participating in our call today. Goodbye.

Operator: This concludes today's conference call. Thank you for joining. You may now disconnect.

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