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**— PARTICIPANTS****Corporate Participants**

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**Thurman K. Case** – CFO, Treasurer, CAO & Head-Investor Relations  
**Jason P. Rhode** – President, Chief Executive Officer & Director  
**Jeremy Allen** – Investor Relations, Cirrus Logic

**Other Participants**

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**Jeff A. Schreiner** – Analyst, Capstone Investments  
**Andrew Huang** – Analyst, Sterne, Agee & Leach, Inc.  
**Tore E. Svanberg** – Analyst, Stifel, Nicolaus & Co., Inc.  
**Vernon P. Essi** – Analyst, Needham & Co. LLC  
**Bobby Burleson** – Analyst, Canaccord Genuity, Inc.  
**Chris J. Longiaru** – Analyst, Sidoti & Co. LLC  
**Shawn P. Simmons** – Analyst, Oppenheimer Securities

**— MANAGEMENT DISCUSSION SECTION**

Operator: Good day, ladies and gentlemen, and thank you for standing by. And welcome to the Cirrus Logic's First Quarter Fiscal Year 2013 Financial Results Q&A Session. At this time, all participants are in a listen-only mode. After a brief statement, we'll open up the call for questions from analysts. Instructions for queuing up will be provided at that time. As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the conference call over to Mr. Thurman Case, Chief Financial Officer. Mr. Case, you may begin.

**Thurman K. Case, CFO, Treasurer, CAO & Head-Investor Relations**

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Thank you and good afternoon. Joining me on today's call is Jason Rhode, Cirrus Logic's President and Chief Executive Officer, and Jeremy Allen, our Director of Investor Relations.

Today we announced our financial results for the first quarter fiscal year 2013 at approximately 4 pm Eastern. The shareholder letter discussing our Q1 financial results, the earnings press release, including a reconciliation of non-GAAP financial information to the most directly comparable GAAP information, along with a webcast of this Q&A session, are all available at the company's Investor Relations website at [investor.cirrus.com](http://investor.cirrus.com). This call will feature questions from the analysts covering our company, as well as questions submitted to us via e-mail at [investor\\_relations@cirrus.com](mailto:investor_relations@cirrus.com).

Please note that during this session we may make projections and other forward-looking statements that are subject to risks and uncertainties that may cause actual results to differ materially from projections. By providing this information, the company undertakes no obligation to update or revise any projections or forward-looking statements, whether a result of new developments or otherwise. Please refer to the press release issued today, which is available on Cirrus Logic website, the latest Form 10-K and 10-Q, as well as other corporate filings made with the Securities and Exchange Commission, for additional discussion of risk factors that could cause actual results to differ materially from current expectations.

Now, I'd like to turn the call over to Jason Rhode. Jason?

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**Jason P. Rhode, President, Chief Executive Officer & Director**

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Thank you, Thurman. Before we begin taking questions, I'd like to highlight a few of the things we discussed in our shareholder letter. Q1 was a great start to what we believe should be an outstanding fiscal 2013.

We are delighted that our investment in R&D is paying off, as multiple new product ramps are expected to drive significant revenue growth this year. Our supply chain team has been hard at work ensuring that we have the capacity and flexibility necessary to support these ramps in the coming quarters.

As such, we expect revenue in the September quarter to grow more than 70% sequentially and continued significant growth in the December quarter.

During the quarter, design activity for new devices in both energy and portable audio was very high. In energy, our first digital LED lighting controller is now shipping in a European light bulb from Philips and we are actively broadening this business with multiple leaders in lighting.

In Q1, we introduced our second family of digital LED controllers, featuring two-channel color mixing, which enables manufacturers to efficiently create warm, natural light, while providing the greatest dimming compatibility available on the market today.

Our audio business continues to drive our top line growth and we are confident we will be able to add further value in this market through innovation and our ability to execute. We are experiencing solid design activity with our new boosted audio amplifier, which is currently sampling at numerous potential new customers. And our ultra-low power DSP is shipping in a variety of portable devices.

Also, I'd like to note that while we understand there is intense market interest related to our largest customer, in accordance with our policy, we do not discuss specifics about our business relationship.

Operator, we are now ready to take questions.

**QUESTION AND ANSWER SECTION**

Operator: Thank you, sir. [Operator Instructions] Our first questioner in queue is Jeff Schreiner with Capstone Investments. Please go ahead. Your line is now open.

**<Q – Jeff Schreiner – Capstone Investments>**: Yes. Lots of congratulations, obviously gentlemen, on what looks like to be a great September quarter.

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Yeah.

**<Q – Jeff Schreiner – Capstone Investments>**: My first question would be what is the September quarter guidance? Could you help us understand maybe what drove it? Was it more unit-based or maybe more an increased content ASP? How would you kind of characterize that?

**<A – Thurman Case – Cirrus Logic, Inc.>**: Well, obviously it's kind of a sensitive bit of information, because we're not in the business of announcing what any of our customers are doing. It's a little bit of both, or I guess I would say a lot of both, and that's kind of the bulk of the color we can put on it for right now. I recognize that that makes it difficult for you all, but that's kind of where we're at.

**<Q – Jeff Schreiner – Capstone Investments>**: Okay. And then, Jason, you talked about the DSP seeing some [audio gap] (5:17) wins. I was just wondering if you could maybe give us a little bit more depth into the DSP product as it relates to outside of your largest customer and how much traction you're seeing there?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Yeah, it's a great product. The neat thing about that product line is we find that more and more of the opportunities that we're really excited about require a little bit of custom work – or a lot of custom work – on our part. And the challenge with the codec business, that is really driving the bulk of our revenue and our growth, is that customizing one of those devices is pretty expensive. And so there's not really all that many opportunities that are, on the surface, obviously worth it.

The neat thing about the programmable DSP is that it's programmable by our customers, and the cool thing there is that lets us kind of use that device to explore a lot of new applications. So it's shipping in a number of things, today. We mentioned camcorders last fall. Was really kind of the first thing shipping in meaningful volume. We've seen additional designs in areas like tablets and other kind of mobile devices, where sound processing, in some form or another, whether it's legacy things like surround enhancements or more advanced functions like, for example, the camcorder that it's shipping in used that to do wind noise reduction, which if you've ever used a camcorder in an open field, is obviously something that's pretty important.

So things like that, we've talked about in the past, that being able to do really all sorts of manipulation with being able to extract voice from the environment, and wind noise being just one example of that. Echo cancellation, noise suppression, all sorts of things along those lines really are a big part of what we see as the audio opportunity in the future. So in any event, that's kind of what we've been doing there. It's a neat combination of a great device from our team. Some software features that we provide, firmware, kind of DSP programmability, that we provide and a lot of great work by some of our customers using our tools.

**<Q – Jeff Schreiner – Capstone Investments>**: And then Thurman, just a quick one from me and I'll jump into the queue. Was there any one-time benefit and what I mean is kind of maybe more legacy product in the energy business in June, which may have lifted gross margin?

**<A – Thurman Case – Cirrus Logic, Inc.>**: No, nothing out of the normal. As a matter of fact, in the legacy stuff, some of our higher margin stuff did not generate abnormally large numbers.

<Q – Jeff Schreiner – Capstone Investments>: All right. Thank you, gentlemen. Congratulations.

Operator: Thank you sir. Our next questioner in queue is Andrew Huang with Sterne Agee. Please go ahead. Your line is now open.

<Q – Andrew Huang – Sterne, Agee & Leach, Inc.>: Thank you. So congratulations on the guidance for the September and December quarters.

<A – Thurman Case – Cirrus Logic, Inc.>: Thanks, Andrew.

<Q – Andrew Huang – Sterne, Agee & Leach, Inc.>: In your shareholder letter, you mentioned you're sampling your new boosted audio amplifier with multiple customers. And I think this is for speakerphones, but I was wondering?

<A – Jason Rhode – Cirrus Logic, Inc.>: Well, it's really for anything, but it is a valid point that you bring up. Generally, when we talk about a device, on the call in particular, but anytime we talk about a device we're shipping to multiple customers, it's a general market device and it's got a pretty broad range of applicability.

<Q – Andrew Huang – Sterne, Agee & Leach, Inc.>: Okay.

<A – Jason Rhode – Cirrus Logic, Inc.>: But certainly mobile phones would be a key area that we would like to see it get some traction.

<Q – Andrew Huang – Sterne, Agee & Leach, Inc.>: So, I was just curious if there's any revenue from this product factored into your guidance for the back half of the calendar year?

<A – Jason Rhode – Cirrus Logic, Inc.>: No, we talked about this device a little bit at the last earnings call, and at that time, it was just barely coming back from fab. So I mean, much like everything else we do, it tends to take – on the order, it can vary around a little bit, but on the order of a year, between the time we put a product in a customer's hands and the time they're able to meaningfully ship it in volume.

<Q – Andrew Huang – Sterne, Agee & Leach, Inc.>: Got it. Okay. And then I noticed in the back of your shareholder letter, you mentioned that you're actually going to sell some of the assets for the Apex Precision Power products. So maybe you could give us a little more color on why you're doing that and when that might close?

<A – Jason Rhode – Cirrus Logic, Inc.>: Sure. Well, yeah, it's expected to close on the next 45 days. In a nutshell, we acquired Apex when we were a lot smaller company, then there was a couple of motivations for it, one of which was obviously financial. And purely from a financial metric point of view, that acquisition was a big success and it really helped us carry through some quarters when we were a lot smaller company.

The other goal for it was that we really wanted to merge and combine some of the high-voltage and high-power expertise that Apex brought to the table with a lot of the signal processing and more IC-centric capabilities that we have at Cirrus. And that's been successful as well.

So of the two, what we're keeping out of the arrangement is the IC portion, not surprisingly. That team is hard at work on a lot of motor control applications. We've got some neat IP there. That team is also responsible for developing a high-power automotive audio amplifier that was part of a chipset we're shipping to Harman.

So we're keeping the part that really fits in well with Cirrus. And then additionally, the hybrid assets, really at the end of the day, our analysis was, while the financials with them are pretty positive and I expect they will be for some time, they don't fit the vision of exactly what Cirrus does. They're definitely a bit of a different kind of a business model. It's – the definition of what success even looks like is a little bit different. And so for Cirrus, it wasn't a real good fit with what we do in our bread-and-butter business and additionally, I don't think we were helping their hybrid business out a whole out. I think they will be a lot more efficient and nimble left to their own devices.

So given all things and given the outlook for the overall company, it seemed like this was a real good time to send them on their way, and I think they're going to be a great company and they've got some great prospects. And this allows us to just further refine our focus on what we do real well.

**<Q – Andrew Huang – Sterne, Agee & Leach, Inc. >:** Okay. Thanks for the color. And then one last follow-up on LED lighting, I think you mentioned that you expect to ship in several A19 lamps later this year. So I was wondering if you could indicate which geographies these bulbs will ship?

**<A – Jason Rhode – Cirrus Logic, Inc. >:** North America. So just for anybody that's on the call that's not familiar with the lighting lingo, the A19 bulb, as we mentioned in the shareholder letter, is very common around the world, but it's the one that in the U.S., you would be most familiar with as the type of lamp you'd screw into a typical replacement socket. So that's an area we're getting a lot of traction, additionally the PARs, which are kind of your overhead flood or spots. PAR38s, for example, some of the other areas there, we're seeing a lot of traction.

And that's an area where people seem to be very, very concerned about dimmer compatibility, and in particular, interoperability with other bulbs, whether they're incandescent or whatnot. If you think about it, these are the kind of light bulbs that are in large rooms with a lot of overhead fixtures. They don't all burn out at the same time. A lot of those lights would be ganged up on one dimmer. So it matters quite a lot that they all work together. So it adds to the complexity of being "dimmer-compatible," and it's another big advantage for us. So those are kind of some of the areas we're seeing real good traction in the LED lighting space.

**<Q – Andrew Huang – Sterne, Agee & Leach, Inc. >:** Excellent. Thanks a lot.

**<A – Jason Rhode – Cirrus Logic, Inc. >:** Sure. Thanks, Andrew.

Operator: Thank you. Next questioner in queue is Tore Svanberg with Stifel Nicolaus. Please go ahead. Your line is open.

**<Q – Tore Svanberg – Stifel, Nicolaus & Co., Inc. >:** Yes, thank you and congratulations for the results. A few questions, first of all, can you just talk a little bit about what you've done on the supply side of things to make sure you can ramp at this level, especially thinking about front-end and back-end?

**<A – Jason Rhode – Cirrus Logic, Inc. >:** Sure. My hat is off to our team. It's a big, big challenge to support this kind of ramp, as you can imagine. We've been fabless since 1984. We were fabless before fabless was cool. Our team has got a ton of experience at it. And one of the benefits I think that we've had is that the way our business model works with developing custom products, we're obviously working on these devices a very long time in advance of the actual unit volume. So we've had plenty of time to work with our suppliers, worked very closely with our fab partners to make certain that we can supply all the demand that we see out there.

And then actually in this case, possibly a bigger challenge was just making sure that the back-end was ready for us, because we're already a pretty significant consumer of the type of capacity we

needed on the back-end. So we worked closely with STATS, as well as a number of our other back-end assembly and test partners.

We did an investment with STATS we made some noise about back in January I think. But then additionally we've worked with a pretty broad array of the other advanced packaging houses around the world to make sure that we can really meet the needs there.

Part of it was the inventory that we telegraphed last quarter. That was a pretty good clue about where things were headed for us, and gave us obviously a pretty big leg up on what we see coming for the Christmas season.

**<Q – Tore Svanberg – Stifel, Nicolaus & Co., Inc.>**: Very good. And on operating expenses, looks like they're going to come in at roughly 25% of revenues in September quarter, which is way below your target of 35%. How should we think about that going forward? Will it sort of gradually creep up or will you actually consider even changing your long-term model on OpEx?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Well, there's a couple of things to it. Number one, we've got some I guess, shall you say one-time anomalies in the quarter that are just due to timing of, as you are aware, the move. We moved our headquarters, so we've got some move-related expenses in the quarter. We've got a significant number of tape-outs within the quarter.

So while underlying that, we're going to continue to do a diligent job trying to hire as many people as we can meaningfully deploy and integrate into our culture, Q3 probably is not a big rise up. It might go up a little bit, but it's not a big step up from what we're telegraphing for Q2. But longer term, we're going to keep hiring. The number of – the amount of revenue we're seeing per employee is pretty high, and there's a reason you don't see too many companies that are far outside the norm there. There are certain models that you kind of have to pay attention to, and we need to make sure we're laying in enough engineers that we can keep growing off of this higher base.

We see a ton of opportunities in front of us. For every new device that we're kicking off, there are multiple other very good opportunities that we're unable to staff. So we're very much in a talent-constrained situation right now. The good news is that our investment in the corporate culture and making this a great place to work are paying off. We are definitely seeing good progress on the hiring front, and that's something that is first and foremost in my mind making certain that we can really bring in the kind of talent we need to continue the progress we've seen.

**<Q – Tore Svanberg – Stifel, Nicolaus & Co., Inc.>**: Great. Last question on the CapEx, can you just update us on what your targets are for fiscal 2013?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: I'll let Thurman handle that.

**<A – Thurman Case – Cirrus Logic, Inc.>**: Well, for the entire year, I mean, we're looking at something that is going to run pretty normal, with the exception of we are adding some tools and some other things to that. So if you look at it, we're still looking at the \$50 million to \$60 type of million dollar range for total CapEx for the coming year.

**<Q – Tore Svanberg – Stifel, Nicolaus & Co., Inc.>**: Very good. Great job, guys. Thank you.

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Thanks, Tore.

Operator: Thank you, sir. Next questioner in queue is Vernon Essi with Needham & Company. Please go ahead, your line is open.

<Q – Vernon Essi – Needham & Co. LLC>: Thank you very much and I'll echo my congrats on this Herculean guide, to use an interesting adjective, and also the Philips win on the LED front. I was wondering if you could go back I guess quickly, to the discussion around head count adds. I noticed in Apex, it looks like you're going to be – and correct me if I'm wrong on this – shedding about 80 folks, and I think that's included in head count numbers in your shareholder letter. Can you go back and remind us – are you still targeting 800 employees above that loss for this year? And if that's sort of still the goal, or should we discount it for -

<A – Thurman Case – Cirrus Logic, Inc.>: No, you need to factor the 80 folks out of that number.

<Q – Vernon Essi – Needham & Co. LLC>: Okay. So, are we looking in the low 700s then?

<A – Thurman Case – Cirrus Logic, Inc.>: Yeah.

<Q – Vernon Essi – Needham & Co. LLC>: Okay. And then just, if you could give us an update, I guess, on the energy business – I mean trying to – I mean it's obviously smaller compared to what else is going on with your largest customer. But it looks as though Apex will be a sort of a headwind of above \$5 million a quarter going forward, I guess starting in December. I'm wondering, first of all, that seems to be how that's going to be timed. Is that correct, Thurman?

<A – Thurman Case – Cirrus Logic, Inc.>: The actual close is – we're going to try to do that within this quarter.

<A – Jason Rhode – Cirrus Logic, Inc.>: Yeah. So the -

<A – Thurman Case – Cirrus Logic, Inc.>: So, it would be factored in on a pro-rated basis if it closes earlier.

<A – Jason Rhode – Cirrus Logic, Inc.>: But yeah, you're correct that, if you want to ball park it, it's around that number for the December quarter.

<Q – Vernon Essi – Needham & Co. LLC>: Okay. And you'll have the LED ramping in the backdrop. And how is seismic shaping up, any activity on that front lately?

<A – Thurman Case – Cirrus Logic, Inc.>: Well, there's – seismic is always entertaining to forecast, and forecasting something for seismic as far away as December is definitely beyond my capability. So we continue to – we basically get excited about it when it's actually on backlog and we believe it when it ships. We quote terms in that market that are basically essentially NCNR and we quote lead times that are basically what it takes to build the devices.

So, there is some seismic in the quarter. I don't think it's a particularly notable number this quarter, and we'll see what December brings when it rolls around.

<Q – Vernon Essi – Needham & Co. LLC>: Okay. And then switching gears to the audio business, [ph] Sands (20:35), your large customer, it actually performed pretty well. Sort of seems to be sort of a normal seasonality for the business. I'm wondering if you could give us your interpretation how you see those markets faring out into the third quarter across that the broad-based consumer markets that you supply to.

<A – Jason Rhode – Cirrus Logic, Inc.>: Yeah. Well thank you for noticing that. It actually did have quite a decent Q1. Yeah, I mean, we see that shaping up as just as a raw market statement, we see okay opportunities, some – obviously, that is typically a seasonal business. We do see more in the back half of the year for the Christmas builds. And so we would expect to see that this year. As we said in the letter, it is always difficult to call the timing of whether that's going to be in

the last couple of weeks of Q2, or the first couple weeks in Q3, but we see a reasonable demand there.

And then on top of that, we do have a number of new initiatives. The DSP continues to gain traction, which is very exciting. And then as this new amplifier hopefully takes hold longer term, that could drive some good numbers for us as well.

**<Q – Vernon Essi – Needham & Co. LLC>:** Okay. And if I can just kind of follow into that a little bit, it seems that your peers are a little more skittish about the third quarter, if you will, in terms of a consumer build. Are you getting the sense that maybe -, I mean these could be market share gains or something along those lines? Or do you just sort of not seeing it as dire as your competition?

**<A – Jason Rhode – Cirrus Logic, Inc.>:** Well, I mean, the broader market is a smaller percentage of our business than most folks', I suspect. So that probably has a fair amount of impact on my view. But really I don't – thus far, we haven't seen anything that is too horribly bad out there in the market. It's not crazy up into the right, but it's not bad, either.

**<Q – Vernon Essi – Needham & Co. LLC>:** Okay, good. That's helpful. Thank you very much.

Operator: Thank you, sir. Next questioner in queue is Bobby Burleson with Canaccord. Please go ahead. Your line is open.

**<Q – Bobby Burleson – Canaccord Genuity, Inc.>:** Hi, guys. Congratulations on the very, very strong outlook.

**<A – Jason Rhode – Cirrus Logic, Inc.>:** Thanks, Bobby. Welcome aboard.

**<Q – Bobby Burleson – Canaccord Genuity, Inc.>:** Thank you. Just a couple of quick ones – and maybe I missed this – but on the talent constraints and sort of the OpEx tracking below the target model, is that something that could linger through fiscal 2014? Or do you envision being able to get bodies and seats more in the next fiscal year?

**<A – Jason Rhode – Cirrus Logic, Inc.>:** No, I think it would be very challenging for us to really close the gap on hiring in the foreseeable future. We've got some pretty good outlook for growth going forward. And you can model it a whole bunch of different ways and look at different ratios, which we do pretty frequently, to try to figure out what the right model and what's a good benchmark for the industry.

We're a bunch of engineers for the most part, so we like to have metrics and things like that, and at the end of the day, when you consider that in terms of, well, really any talent, but for sure engineering talent, hiring people at a higher pace than on the order of 20%, 25% a year is really difficult to do and maintain your culture and not start making mistakes and all that. So it will take us a while to catch back up, and that, I suppose, is a fine problem to have, but it is an area where we're putting a lot of focus to make sure we're at least keeping our foot to floor as much as we can to bring in good people.

**<Q – Bobby Burleson – Canaccord Genuity, Inc.>:** And that's even with the lifestyle in Austin?

**<A – Jason Rhode – Cirrus Logic, Inc.>:** Yeah. I mean, it is interesting. For probably two-thirds of the people we recruit, the fact that we're in Austin is a huge, huge advantage. But for probably one-third of the people you target, either they, or a spouse, they've heard about the Alamo, or I don't know what it is, or they don't like heat, or what not, but they don't want to live here. So overall, it's a big advantage. It's certainly, in my opinion, for building a company that is differentiated on the kinds of things we do it's a huge advantage versus being in the valley. How we would possibly be able to build this kind of culture and have that kind of ultra-low voluntary turnover that we have in that



environment, I have no Earthly idea. So, I mean, I think it, strategically, is a huge advantage for us to be in Austin.

**<Q – Bobby Burleson – Canaccord Genuity, Inc.>**: Yeah, I believe it is. One other quick question, on the LED business, you're talking about it looks like a higher end solution. I'm wondering what are the price points you think are nice inflections for demand when you talk about sort of the color mixing, higher end solution versus the price points that you think will drive demand later this year.

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Well, I mean, it's a little both. We're trying to cover all the bets, because I don't know that anyone knows really how that market is going to shake out. We expect to be in some very compelling price point bulbs later this year. I think there is a couple of major inflection points for the market, although it's probably more of a continuum than we always like think.

But certainly at \$10, for a quality light bulb that actually works right, we would expect to see some pretty good take-up of that. I've seen prognostication that where things really get interesting is in the sub-\$5 range, but then there's always the wild card of do you start getting subsidies that take you to \$5 a lot quicker than you might think. So there is a lot in play there, but we're well positioned to play in that price point.

We are also well positioned to take part in the higher end light bulbs, where we future both the dimmer compatibility and a nice warm color temperature. But at the end of the day, if a manufacture takes a more holistic view, actually our two-channel device is a pretty cost-effective way to get to the warm color temperature and the dimming compatibility versus trying to do it via more traditional means.

And then behind that, we mentioned in the shareholder letter that our third generation controller's at fab. And the real goal there was to try to take a lot of cost out of bill of materials. The first couple of devices that we've had out are our two-stage devices for the power electronics portion, which means more magnetic components, et cetera. The device that we've got coming back from fab now, should be back any day now, actually, that's more of a single-stage architecture. It maintains the dimmer compatibility, but it gets rid of one of the stages of the power electronics and that's a real significant savings on the bill of materials. So at that point, we're actually positioned with both the best dimmer compatibility in the industry and enabling right around the best bill of materials in the industry as well, and that's it pretty good combination.

**<Q – Bobby Burleson – Canaccord Genuity, Inc.>**: Right. Here's one that you might not want to touch. I'm not sure, but I just wondering how much momentum, when you look out to September, is coming from the tablet part of your business. We don't really talk about that quite as much, and I'm just wondering if that's another place where we're seeing some strong trends.

**<A – Jason Rhode – Cirrus Logic, Inc.>**: I'm trying to decide if I want to tell you I'm not going to touch that, or if I just want to divert you off into something else.

**<Q – Bobby Burleson – Canaccord Genuity, Inc.>**: It sounded innocuous enough.

**<A – Jason Rhode – Cirrus Logic, Inc.>**: We just really don't want to be in the position of announcing our customers' products or talking about things that are really driving their business. It's our job to tee up our customers with great products, and it's their job to really go make them successful. So, across the board we're seeing some great things for the devices we've developed in the past year. We've been hard at work on them for a very long time. As you can imagine, the kind of timeframes that are involved in the business that we're in, when we develop devices for people, it takes us a year plus, in some cases a lot more. And so for us to finally get this cat at least part way out of the bag feels real good.

<Q – Bobby Burleson – Canaccord Genuity, Inc.>: Well, once again, congratulations.

<A – Jason Rhode – Cirrus Logic, Inc.>: Sure. Thanks.

Operator: Thank you, sir. Our next question comes from Christopher Longiaru with Sidoti & Company. Please go ahead. Your line is now open. Your questions, please.

<Q – Chris Longiaru – Sidoti & Co. LLC>: Hey, guys. I'll add my congratulations.

<A – Jason Rhode – Cirrus Logic, Inc.>: Thanks, Chris.

<Q – Chris Longiaru – Sidoti & Co. LLC>: So my question has to do with Philips, with that announcement, has been one of the manufacturers that's been successful in getting their price down, I guess, more so than other manufacturers. Can you talk a little bit about the role, if any, that you had in that and what your expectations for that is as kind of a door that you can open to get into new designs?

<A – Jason Rhode – Cirrus Logic, Inc.>: Well, it's a complicated product. It really is. I mean, it's remarkably complicated, given how simple the function of putting light out of a light bulb looks like it ought to be. But at the end of the day, the biggest cost components of an LED bulb currently are, of course, the LEDs themselves and then the stuff that goes into making it a physical product, the heat sink, all the other manufacturing-related components that go around that. And you can certainly imagine that in those two areas, the biggest guys would have an awful lot of leverage and a lot of control and they might be able to get down the cost curve a lot faster than some of the smaller folks.

But for our part, we're just trying to run the same strategy that we've run in all of our other businesses, which is that we don't want to be in markets where our products are checkboxes, where people don't care about the kind of performance that we deliver. We want to be in markets where the products we deliver are a key part of the value-add, and lighting is a good part of that. Because, if you think about it, really, the IC is really the only IC in there. And as such, we play a real key role in trying to help enable a low bill of materials overall and yet still achieve very, very good dimming compatibility and the overall experience a user has with a light bulb.

So we have an impact for a manufacturer, particularly if it's an organization that has the wisdom and the foresight to treat the problem holistically. It is a real shame when you work with companies that treat purchasing as an end in and of itself and they just look at your device and they look at somebody else's device, well their device is cheaper than your device, so you've got to lower your price.

It's all a balance, but in my view, the customers that do the best for themselves and for us are the ones that really look at it in a holistic view and realize, well, what are we getting. Yeah, this device is may be a little more expensive overall, but it enables better functionality and it enables, in some cases, a lower bill of materials in total. And customers that are smart enough to look at it like that are the ones that we really want to work with, and thus far, we've been very blessed with the ability to do business with a lot of great ones.

<Q – Chris Longiaru – Sidoti & Co. LLC>: That's helpful. And just in terms of getting back to your target, your model targets in terms of your OpEx, considering the difficulties in hiring and how quickly that you're growing here, when do you expect you'd be moving back up into that 35% OpEx range?

<A – Jason Rhode – Cirrus Logic, Inc.>: I think that's going to take quite a while.

<Q – Chris Longiaru – Sidoti & Co. LLC>: Quite a while, okay.

<A – Jason Rhode – Cirrus Logic, Inc.>: Yeah.

<Q – Chris Longiaru – Sidoti & Co. LLC>: All right, great. Thank you, guys. Congratulations.

<A – Jason Rhode – Cirrus Logic, Inc.>: Sure. Thanks, Chris.

Operator: Thank you, sir. Our next questioner in queue is Rick Schafer with Oppenheimer. Please go ahead. Your line is now open.

<Q – Shawn Simmons – Oppenheimer Securities>: Hey, guys. This is Shawn Simmons calling in for Rick. Thanks for taking my questions. What's that?

<A – Jason Rhode – Cirrus Logic, Inc.>: What no Rick? I'm shocked. Thanks for the call, though, Shawn. Appreciate it.

<Q – Shawn Simmons – Oppenheimer Securities>: Yeah. I'd like to add our congratulations as well. I guess just a couple of quick questions out there from me, most of them of mine have been answered. But if you could just talk about, are there any constraints out there that you could see limiting your upside, whether it's in the September quarter or the December quarter, whether it's for you specifically or within the supply chain?

<A – Jason Rhode – Cirrus Logic, Inc.>: Well, yeah, we don't want to speculate about what anyone else out there might or might not be able to do. Our goal is just make certain that no matter what happens, we're able to run faster than grandpa at least, if not that the- bear. We've laid in a lot of inventory. We've done a lot of work with our supply chain partners. We're very confident that we'll be able to meet whatever demand comes our direction.

Then I want to make this point, because we are the subject of an awful lot of speculation. Certainly, some of our customers in the markets we serve, there's all sorts of mess that gets published by, frankly, by people we've never even met. And we've taken – we have a very good view overall of our supply chain, our limitations. We get pretty good data from our customers and nonetheless, I'm sure by the time we get a third of the way, or half the way through the rest of the quarter, there will be all sorts of articles talking up about how this is going to happen, or that's going to happen and here's what it means to you, and I would just encourage people to pay a disproportionate amount of attention to what the company actually says versus – and for what the people who follow us closely say versus folks we've never met.

<Q – Shawn Simmons – Oppenheimer Securities>: Okay. And then, I just had another question. It's about your largest customer, so maybe this is a touchy subject or not, but in past product launches for these guys, typically, I guess how far in advance would you ship in a typical product launch, whether this is with your largest customer, or with, say a Visio in the past for – whenever you ramped for the tablet last year?

<A – Jason Rhode – Cirrus Logic, Inc.>: Sure. So, yeah, I'm not going to touch the largest customer content portion of that with a 10-foot pole. But generally, obviously it is interesting when you look at the analysis that covers us, a lot of times you do wonder whether people think we and our customers ship product around the world in teleporters or something. But we need to ship our customers a reasonable amount of time before, they ship product and how much time that is depends a ton. It depends a great deal on whether somebody's in the middle of a ramp or whether it's steady state, but it varies quite a lot, but in no case is it zero.

So, we pretty much always have to ship it to them before they can ship it to their customers. So the time can vary between an amazingly short amount of time and, really, half a quarter to a quarter depending on the maturity of the product and the business that it underlies.

**<Q – Shawn Simmons – Oppenheimer Securities>**: Okay, great. And then I guess just one last question from me. I just guess on your gross margins long-term, you are selling part of that energy business. Was that above your corporate average? Would we expect to see the December – it's more pressure on your margins in the December quarter, or how should we think about that longer-term, thanks?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: It was pretty in line overall. I mean it's a – I think overall, the hybrid business was a little bit above, but it's a pretty small percentage of things as they stand. So, I wouldn't anticipate that being a significant amount of pressure. Yet another category of my favorite articles that get published about us in the blogosphere, are that the customers are going to suddenly start paying attention to pricing, and really beat up their component suppliers for whatever reason. The reality is that's business as usual. All of our customers have very sophisticated models about what things should cost, et cetera. And those are rarely unique conversations, and we've certainly factored that in, and we'll – things can change, but our current expectation is that we'll continue to do very well on that front.

**<Q – Shawn Simmons – Oppenheimer Securities>**: Okay. Great. Thanks, guys. Congrats again.

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Thank you.

Operator: Thank you, sir. [Operator Instructions] Next questioner in queue is Andrew Huang with Stern & Agee. Please go ahead. Your line is open.

**<Q – Andrew Huang – Sterne, Agee & Leach, Inc.>**: Thanks for the follow-up, guys.

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Sure.

**<Q – Andrew Huang – Sterne, Agee & Leach, Inc.>**: Can you give us a sense of the likelihood that you'll get another Tier 1 customer for custom audio codec over the next 12 months?

**<A – Jason Rhode – Cirrus Logic, Inc.>**: Yeah, I don't want to speculate on that. I mean, we're certainly talking to quite a few folks out there. I think it depends a little bit on who you call a Tier 1 today, because if you – I think that the market would probably view it a little differently than what we do for our internal targeting. We take very seriously the process, if you – and it sounds funny to say it – but of selecting our customers very carefully.

We've got a process where we evaluate a company's willingness and ability to partner. We're trying to build a valuable enterprise here, and dealing with – when you talk about dealing with custom products, you can't build custom products for customers that are going to change their mind six times a quarter or change their suppliers on a whim all the time. It just doesn't work. There's no value in it. And so a lot of the handset suppliers who are viewed as Tier 1 from a volume perspective, I don't know would be really all that good of a partner for a custom product from us.

That said, I think there are some good opportunities for us going forward out there, whether it's a custom device or more of a general market product. Certainly the DSP has provided us with a lot of good scouting information and a good – a lot of good opportunity to clarify some of the opportunities that are out there. So I think the opportunity for us to do business with some folks that the investment community would appreciate are higher than ever. Whether that's on a custom device or what kind of timeframe we're on, I'd rather not say at this point.

**<Q – Andrew Huang – Sterne, Agee & Leach, Inc.>**: Okay. And then kind of switching gears a little bit towards the DSP, is it fair to say that you'll ramp some kind of a DSP product with multiple customers over the next 12 months?

<A – Jason Rhode – Cirrus Logic, Inc.>: Yeah, actually that is a very safe statement.

<Q – Andrew Huang – Sterne, Agee & Leach, Inc.>: Okay, great. Thanks for the follow-up.

<A – Jason Rhode – Cirrus Logic, Inc.>: Sure. Thanks, Andrew.

Operator: Thank you. And at this time, I assure that to be our last phone line question. I'd like to turn the time back over to management for any additional remarks.

<A – Jeremy Allen – Cirrus Logic>: Great. Thank you, operator. We do have a few questions that were submitted via e-mail. A handful of them have been answered already through our analysts' questions, but we did have two that we'd like to address real quickly. One is a question from a shareholder asking specifically about what they can expect the tax rate to be once the deferred tax asset has been utilized fully, not really asking about timing, but simply what the tax rate can be expected to be at the time.

<A – Thurman Case – Cirrus Logic, Inc.>: Well, at present time, the tax rate is going to be in the 35% range, which is a normal tax rate. But looking ahead towards the future where we know that the NOLs will be utilized and we have to try to reduce our tax exposure, we're going to be looking into various strategies and other things that we can do to maximize shareholder value through trying to minimize the amount of tax that we need to pay and still not affect our business model as a whole.

<A – Jason Rhode – Cirrus Logic, Inc.>: Yeah, just to follow-up on that, I think Thurman touched on a great point. People jump through a lot of hoops to minimize their tax exposure, and frankly, I wish that the tax cut would get revised, so that it'd remove the incentive to do that. Because a lot of those things that people jump through the hoops to do actually make it more difficult to run a great company. Moving your operations overseas or whatever all else might be good, might be the best thing for the business, but it might not be. And so it's a lot of complexity that you have to go through that otherwise might not be in play.

So our goal really is, as Thurman said, to make sure that we're not at a disadvantage, relative to our peer companies, from a tax exposure point of view, but at the same time pick our opportunities wisely so that we don't put ourselves at a – so that we don't tackle some of the things that are more difficult that maybe put us at a business disadvantage versus what we've done in the past.

<A – Jeremy Allen – Cirrus Logic>: Great. Thank you. The final question has to do with following up on the sale of the Apex assets, about Tucson, specifically. As you divest this business, do you see the need for additional acquisitions in order to further development in areas such as motor control or in the other areas of the business to augment growth?

<A – Jason Rhode – Cirrus Logic, Inc.>: That's a great question. I wouldn't say it's tied to the divestiture of the hybrid business. But we have maintained a lot of focus on trying to find an acquisition that would make sense that would help us achieve our strategy more quickly, or accelerate our progress towards some of our goals. But the reality is acquisitions are really hard, and in particular, doing one that would move the needle for us in any meaningful way. It's a big integration challenge. Most acquisitions fail for reasons of culture, or geography, or – people do acquisitions for a lot of reasons and in my opinion, most of them are misguided. If you do an acquisition for purely financial reasons, most likely it's going to come back to haunt you.

And so our goal is we would love to find one that makes a lot of sense, and if so, it will definitely be a case where, as my former chairman and mentor, Mike Hackworth, told me, you do acquisitions because you find a situation where one plus one equals three. And the end goal is actually better for the market overall than the two entities separately, but simply doing an acquisition just to diversify our revenue base or just to make us bigger doesn't make a lot of sense for to me.

<A – Jeremy Allen – Cirrus Logic>: Perfect. Thank you.

**Jason P. Rhode, President, Chief Executive Officer & Director**

Great. I think that's all the questions we have. I'd like to thank everyone for participating today. If you have questions that were not addressed, you can submit them via our investor website. I would also like to announce that we will be attending several conferences this quarter, including the Canaccord Genuity and Oppenheimer conferences in Boston on August 14 and 15, and the Citi Conference in New York City on September 4.

Let me close by saying that Q1 was another good quarter for our company and we are excited about the tremendous growth beginning in Q2. I would like to take this opportunity to thank all of the Cirrus Logic employees who have worked incredibly hard over the past several years to position this company for this sharp transition to a higher level of revenue. We expect fiscal '13 to be an outstanding year for Cirrus Logic and our long-term shareholders. Thank you.

Operator: Thank you, gentlemen. Again, ladies and gentlemen, this does conclude today's conference. Thank you for your participation, and have a wonderful day. Attendees, you may disconnect at this time.

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