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Cirrus Logic, Inc. (CRUS)

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CORPORATE PARTICIPANTS

John Forsyth

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Chief Financial Officer, Cirrus Logic, Inc.

OTHER PARTICIPANTS

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

MANAGEMENT DISCUSSION SECTION

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Good morning, everybody. First session of the day. Everybody had coffee, come on. My name is Matt Ramsay. I'm the semis analyst at Cowen. And welcome to the in-person, finally, 2022 Cowen TMT Conference. To kick off this morning, I'm really happy to be joined with John Forsyth and Venk from Cirrus Logic. And John, we've been working together for a long time, so good to see you again in-person. It's been a while.

John Forsyth

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

It has been. Yeah. Well, thanks very much. We're delighted to be here. It's great to see you in 3D.

QUESTION AND ANSWER SECTION

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

Yeah. Exactly. You guys – you're not getting into video, are you, like 3Ds, but, no, I'm – I just wanted to give you an opportunity, John, to kick off. I know there's a lot of things, cross-currents, I would say, in the market right now. Your largest customer has been public about supply chain challenges that they've had. You guys have done pretty well on the supply side, but you're obviously governed by what's going on in the end market. So, if you have any opening comments about how you're seeing the business right now and then, we can get into some details and some questions and take some questions from the audience as well?

John Forsyth

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

A

Yeah. Absolutely. Thanks. Thanks, Matt. Well, I think a big part of it for us is the big picture demand has remained very strong for us. It's partly, I think, due to the shape of our business, where our general market exposure, our Android exposure is a little smaller than some companies, as you may have noticed. But we've continued to see pretty strong demand signals through the past few months. We did note late last year that we were seeing softness in China, where we have a good amount of Android business that's been growing. But that slowed down a lot, as you know. And then, of course, this year, there's been both the demand side issues, but also the supply chain disruption. That is an area where I'm especially proud of what our team has been able to do just being very creative regarding how we get material to customers. It generally hasn't impacted the actual production of silicon for the most part, a bit in the back end, but we've been able to work through that, reroute stuff and still get it to customers.

Clearly, with [ph] CMs (00:02:19) being impacted, there has potentially been downstream impacts for our customers, but we've managed to keep shipping to them and the demand signals have remained very consistent, which I think is indicative that so far as they could, they're aiming to make up for lost time.

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

Got it. So – but just for your company specifically, [ph] do (02:41) you have any like your list of things that you're sort of watching on the supply side, any bottlenecks that we should all try to follow or be aware of or you feel like you're in a pretty good position and it's really dictated by sort of customer pull at this point and then all the other supply chain logistics [ph] that (02:56) go around the customer's business?

John Forsyth

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

A

[ph] We had (02:58) nothing in the supply chain. Since the beginning of last year, the very least, nothing in the supply chain has been plain sailing. There's a huge variety of factors that take a lot more day-to-day management and at times, creativity than previously. But I would say the character of our business as a whole is that we're still really wafer supply limited. So, if we could increase supply there, we would be shipping more out to customers based on the demand signals that we continue to see from those customers. So that's really – and the supply chain, after wafer production, there's been some disruptions there. But on the whole, we work with – we make a principle of just working with top-tier partners across the entire supply chain. And our partners have been very responsive and very helpful on the whole through this kind of turbulent period.

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

You mentioned being wafer constrained and the fact that you, if you had supply, could ship more. So, just walk through where would the upside come from? So, I mean, some companies call it delinquencies. I don't know what vocabulary you guys use internally, but if you're – if demand is more than supply, like where would the upside come from to move into maybe in new stuff in Android, new stuff in the PC market. There's lots of different end markets. The largest customer kind of is what it is, right? But like in the rest of the business, where would – where's the demand more than supply?

John Forsyth

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

A

Right. So if you think about our business as a whole and our strategies and number one – number one strategic priority is maintain our smartphone audio leadership.

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

Right.

John Forsyth

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

A

And then number two strategic priority is expand audio into other profitable segments beyond the smartphone. And number three is expand our mixed-signal content. The first of – the first two of those are both in many ways wafer supply limited. So for example, and that's not that we are – it's not a kind of month-to-month or quarter-to-quarter delinquency, as you would put it or shortfall to customers. It's typically that we haven't been able to address designs where customers would really like to design us into the socket, but we couldn't see our way to committing to supply.

So, the last thing you ever want is to leave the customer lying down or disappoint them in some way. So, we've had to be very selective in the general market, both in the smartphone space and then also in the PC audio space about which designs we commit to.

Outside of that, we have a kind of long tail business based off of kind of mixed-signal catalog that spans the last kind of 10, 20 years of development. That's a very steady business for us with good gross margins. Demand there has kind of uniformly been higher than capacity to supply over the past year-and-a-half.

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

So, it sounds like the supply situation is really limiting socket growth and content growth that you could go after and there's maybe...

John Forsyth

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

A

[ph] Right (05:59).

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

[indiscernible] (06:00) as opposed to being a month-by-month kind of thing?

John Forsyth

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

A

Yeah. I mean, if we [ph] got (06:04) upsided within a month, we can always make use of it. But I'm talking more at a structural level...

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

Got it.

John Forsyth

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

A

...of significant increase in capacity would allow us to chase and secure more sockets where we've been – we've had to at times be kind of gun-shy and just selective with our customers just so that we don't [ph] know anything could happen (06:25).

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

In that gun shyness, is it in the smartphone arena? Is it – mostly, I would assume is it audio [ph] mixed-signal, or the (06:34) – where are those areas where you feel like you could grow more if you have more supply? And, you know I'm going to the GlobalFoundries question next, but we [ph] will get there (06:41)...

John Forsyth

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

A

I'm sure we'll get to that. Yes. Well, so, yeah, a great example. In the smartphone audio leadership and in the smartphone haptics where we've had a great success in the flagship space, especially with our latest generation haptics device started shipping in an Android flagship just earlier this year. There are more sockets out there we could be chasing if we have more supply in audio and haptics in particular.

I think it has been the case in the PC market. Everybody's aware the PC market is going through a little bit of a pause on the demand side. So, I think it's less pronounced there right now. But it remains [ph] a kind of (07:23) supply – wafer supply remains a key consideration for our business in terms of planning how we grow.

Venkatesh R. Nathamuni

Chief Financial Officer, Cirrus Logic, Inc.

A

I'll just add to that. I mean, just – it's consistent with what you've heard from the entire semiconductor ecosystem, so to speak, where supply constraints are likely to persist for some time. And so, we're also seeing the same phenomenon as many other companies are.

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

Got it. That makes sense. This kind of leads into a discussion around an agreement that you guys signed with GlobalFoundries, a fairly large one around sort of securing strategic supply going forward. And, I think, there were some new – relatively new disclosures about that recently that you guys put out. So, if you could, I get a lot of investor questions about what the supply is earmarked for, what you guys see coming down the pike. So, if you

could add any context around the deal that was struck and what it might mean for the company and the opportunities to go after some of these sockets that you might have been gun-shy to go after before.

John Forsyth

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

A

Right. I think, the big picture, the GlobalFoundries supply agreement, I guess, there are a couple of important points to make. One is, it doesn't cover all of our wafer supply. We use for – somewhere around 90% of our wafer supply, we use a couple of really big foundries, GlobalFoundries is one of them. They've been a great partner for us for many years now.

And so, the agreement was – it wasn't news that we were doing business with GlobalFoundries. Nor is everything in the agreement incremental to what we've been shipping earlier. However, that the reason that agreement was strategically really important to us was to put in place certainty and confidence around a growth in wafer supply across calendar 2021, 2022, 2023. And that was specifically in support of sockets that we saw coming or had won or were in the process of chasing and kind of anticipating having a very good shot of winning.

So, most of what we do with GlobalFoundries tends to be in the high voltage domain. So, our boosted amplifiers come out of there. Haptic stuffs comes out of there. And most recently, our power conversion and control chip is fabbed there as well. So, a lot of our latest power-related IP development has been in that space. I would say that the – and the recent disclosures were really just about the shape of the agreement. I think it's important to – there's – I think when you look at from the investor perspective, the scale of that agreement was kind of eye opening for some of them in terms of the opportunity that we see ahead of us.

We certainly weren't signing up to anything there where we felt like, oh we're taking on a big liability without certainty of how we're going to sell it. In fact, if we could have secured more capacity, we would have and we continue to look at that. That's – it's one of the most active topics for management, is how we secure more capacity based on other opportunities that we see out there.

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

Oh, interesting. Because as you say, the feedback that I got from investors was that, oh wow, this is a big agreement. And it sounds like if you could have secured more, you would have.

John Forsyth

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

A

Yes. That's it. Yeah, that's absolutely the case.

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

Are you pursuing similar type of arrangements with other foundry partners? I mean, there's obviously Samsung, TSM, others that are out there in the space. Some may be a little bit more digitally oriented than some of the stuff you guys do. But are you pursuing similar agreements with others to give more visibility and diversity or?

John Forsyth

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

A

I think the nature of our relationship with every foundry is a little different. What we are continually doing is investigating and investing in working on processes that we believe can drive competitive advantage for us,

whether those are with Global or TSMC or someone else. And that's both a function of capacity to service opportunities we see, but also the actual technology itself. So one of the things we've been able to benefit from in terms of our long partnership with Global has been a really, really close collaboration in the 55 nm BCD process, which has enabled, I think, us to do a lot of things that competitors can't do or find very difficult to match. But – and we see in the future that's going to continue to drive a lot of products. We're going to have a lot of IP on that node, in that process. But we also need to look beyond that to say what's next, what's going to drive the next generation of competitive advantage for the company. So that's an active process of investigation and investment that we make there. You – I mean, we have mentioned at times, I think that we've done test development against – on 22-nanometer, for example, as we see that being an important next strategic step for the company.

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

Okay. Anyway, folks in the audience, feel free to wave your arms and interrupt me at any point. I don't want to monopolize the conversation, but if you have questions, definitely let me know. I wanted to [ph] pivot (12:43) a little bit from the supply side to content and socket opportunities that you guys might have in front of you. It sounds like fiscal 2023 is mostly going to be unit driven and a little bit mix driven around – closed-loop control are getting a little bit better attached, some of the new power sockets getting better attached, but not any step functions or new sockets in terms of content. Hopefully, I characterized that right. But the signals that I've taken from your team is that fiscal 2024, 2025 could start to have some material content growth again. And I wonder if maybe you could contrast the model this year and what's driving the revenue growth in terms of mix and then what potential is coming down the pipe that we should be looking for and how do investors kind of gauge the progress towards some of these new content opportunities.

John Forsyth

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

A

Right. Yeah. And I think you've characterized it well. We've tried to be clear that 2023 is not a big content step-up year for us in the way that fiscal 2022 has been with the power conversion, control chip in particular, as well as the closed-loop [ph] controller (13:49) attach rate increasing. I have said previously, I do believe the camera is an area where we can continue to incrementally grow value year-on-year for the foreseeable future.

So, we expect some of that and there are some favorable mix dynamics. I think that that give us a tailwind as well. But beyond that, as we get into fiscal 2024 and beyond, yeah, we have new sockets coming that we're not going to give specifics around, but they are consistent with going back to the three kind of strategic priorities that I talked about. Number one being maintaining smartphone audio leadership, and number two, driving audio into areas beyond smartphones that we believe can be profitable and meaningful for us. And then number three, the expansion into adjacent mixed-signal areas. So, really, leveraging our mixed-signal engineering expertise into other areas, which would typically be centered in the phone.

So, we took – we've done – so far, we've really got haptics, power and camera. We think all three of those areas can continue to drive value and can continue to be areas where we grow and expand content. And, in particular, we're very excited about what we're doing in the power space. And that one of the things, obviously, about the nature of our business is that there's a lot of secrecy surrounding certain customers' products and a lot of what we do is custom silicon. So, we're very limited in what we would ever want to say about it. The flip side of that is from where we're standing, we can see a great pipeline of growth and content expansion year-on-year as we get into fiscal 2024 and beyond.

Venkatesh R. Nathamuni

Chief Financial Officer, Cirrus Logic, Inc.

A

And then, just add to what John said, I mean, that's one of the indications is what we've done with the supply agreements that we have with a lot of our wafer supply manufacturers. That just is as an indication of the visibility that we see going beyond where we are in fiscal 2023, to – [indiscernible] (16:04) some of the sockets in some of the new areas in high performance mixed-signal, for example, and those are some of the opportunities that we see in front of us.

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

[ph] Got it (16:14). I mean, obviously, you guys resegmented the P&L to break out the mixed-signal stuff from the audio business. And it seems like we're on a path for those businesses to be relatively the same size or even the mixed-signal stuff to lead the majority of the company going forward, is that consistent with the pipeline you see?

John Forsyth

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

A

Yeah. And the reason we did that was to try to – look, we're constantly trying to figure out, like how do we give some more transparency to investors whilst respecting the secrecy and confidentiality of our key customers and key sockets and so on. So actually, having to disclose certain things about wafer supply agreements, I think, that was pretty helpful for investors in terms of seeing management's confidence about the business we had lined up.

Similarly, I think if you see us expanding in R&D investment, we've got a very good track record over the years of that being very opportunity-led. Typically, when we're saying, we are expanding R&D, we need to expand R&D is because we see real concrete opportunities that we can attach teams to. Obviously, there's a latency before you see that in revenue, but we've got a good track record of that. But then, this kind of resegmentation was another tool to just try to help increase transparency for investors. Previously, we were categorizing our revenue into portable and non-portable. I think portable was somewhere around 90%, so hugely useful for investors at that point whereas there's a very clear kind of growth momentum in the high performance mixed-signal area and you can now see that momentum, I think, very clearly in the breakout. I've said I can see a path within our planning horizon of that reaching 50%. Your point, yes, it would be very weird if it reached 50% and then stopped there. It's clearly got the – it's got the momentum and it's got the tailwind. So, yeah, that can certainly continue to accelerate beyond.

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

When I get asked about growth of Cirrus, there is always this would investors prefer more growth at the – at your largest customer and more diversity of that growth, or actually, diversification of customers, right. And there has been that battle around of conversation for a number of years, right. And so far, the growth has been predominantly with the largest customer, but there has been good progress on Android. And a lot of these domains do – there's always been this bundling, unbundling in the audio just with the codec.

John Forsyth

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

A

Yeah.

Matthew D. Ramsay
Analyst, Cowen & Co. LLC

Q

But as you become a company that's much more in the mixed-signal and power domain, do you have an easier path towards Android growth?

John Forsyth

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

A

I would say maybe I would broaden that a little, Matt, towards growth in other applications, other markets. The – and yes, of course, that balance or that consideration about growth at our largest customer versus growth in elsewhere in Android, for example, I mean – [ph] but for me (19:40) to speak to how investors feel about it, some of them are [ph] fine, some of them (19:43) [indiscernible] (19:44) happy. I will say from a management perspective, our business with our largest customer has tended to have an incredibly high hit rate. So, once that customer commits to something, it's actually – it's a pretty sizeable commitment on both sides. There's a non-trivial amount of resource within our customer [ph] seriously (20:07) invested in bringing certain features to market. That means very, very successful track record of things shipping and then they typically ship the multiple generations. That's incredible business, which in actual fact apart from being in phones, doesn't look anything like the Android smartphone business where it tends to fighting for each generation, each socket, often much greater margin pressure and so on. So, we're very, very happy with the progress we've been able to make in Android, particularly recently, fiscal 2022 was a significant step-up relative to fiscal 2021. Our goal is to maintain that audio leadership, as I said, and that's across smartphones. But when I look further out, I would be wanting to leverage our investment in high performance, mixed-signal and grow in other categories, not just focusing on Android smartphones because I think that would bring more diversity to the business and diversity in terms of market exposure.

Matthew D. Ramsay
Analyst, Cowen & Co. LLC

Q

That makes sense. So, PCs would be on that list, I assume.

John Forsyth

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

A

Yeah.

Matthew D. Ramsay
Analyst, Cowen & Co. LLC

Q

And then, we've – you and I have had conversations over the years about stuff in the auto market. And if you can kind of rank order these new markets that you might grow into, any of them really stick out as in the next two or three years that could be meaningful?

John Forsyth

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

A

So, PC is certainly a part of it for us. We believe there are opportunities there for both audio and high performance mixed-signal content. And, really, I would separate that completely from the demand pause in the PC market that's currently going through, because what we saw was, almost no matter what happens to that market within any reasonable envelope of expectation, our SAM will expand, because there are architectural shifts going on in the PC market. We're going to favor boosted amplifiers, for example, where we've got best-in-class IP. There's going to be on top of that, I think, opportunities – continued opportunities in haptics but also in

the power space, in particular leveraging some of the investments that we made through the Lion acquisition targeting PCs.

And in terms of other markets, we have a list. We're not going to go into that in more detail right now, partly because I – these things take time to develop. We're excited about some of them, but I think we'll want to be talking about those to investors when we've got really clear milestones and line of sight of the progress there that's going to be exciting [ph] to them (22:33).

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

No. That makes sense. Just wanted to shift gears a little bit and talk some financials since Venk is with us. So, the first thing I wanted to ask and I don't know how many in-person forums you guys have been in since you joined the company, but how...

John Forsyth

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

A

Not too many, Matt.

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

Not too many.

Venkatesh R. Nathamuni

Chief Financial Officer, Cirrus Logic, Inc.

A

Not too many.

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

We're all virtual.

Venkatesh R. Nathamuni

Chief Financial Officer, Cirrus Logic, Inc.

A

Yeah.

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

But it's the first time that we've been able to talk in-person. And I – maybe you could share with the audience a little bit about your experience in joining Cirrus, how both sides came together, what you're excited about, and what opportunities you see as you've landed, taken a – everybody has the sort of first 30, 60, 90 days of kind of planning and observing. Like what observations have you made, how did you come to join the company, what are you excited about with joining Cirrus?

Venkatesh R. Nathamuni

Chief Financial Officer, Cirrus Logic, Inc.

A

Yeah. Yeah. Thanks for the question, Matt. So, as you pointed out, I've been here for – I think, this is week number six for me. And what is really impressive about Cirrus is that you look at the track record of what the

company has done in terms of not just technology excellence and building really world-class and differentiated IP, but also the operational excellence in terms of delivering to those products, highest quality, on time, and satisfying arguably one of the marquee customers in the entire ecosystem. I think that's something that is really, really unique about Cirrus in terms of its execution excellence and the consistency of delivering the products and the features that the customers seek.

And that's something that I think is probably a little less understood by the Street in our view, in the sense that the level of stickiness, the level of repeatability of those results has been quite phenomenal. And clearly, from the standpoint of the visibility that we see and John alluded to this earlier, we see tremendous opportunity for diversification, both in terms of the product capabilities that we have, as well as customer diversification and also market diversification, right.

We've been obviously a big player in smartphones, but we see increasing opportunities in PCs and AR, VR and so forth. And also from a product standpoint, while we've been really good at audio and we [ph] are (24:44) committed to maintaining our position in audio, expanding audio into markets beyond smartphones, but also diversifying into these big high performance mixed-signal opportunities. And the TAM expansion opportunities there are just really quite sizable going forward.

And so, those are all the specific things that I would point to in terms of what's ahead of us. And then, over the long term, clearly, we're operating in an environment where we have certain supply constraints that we have to deal with. And so that obviously limits the size of the growth in the short term. But we do believe that over the long term, we have tremendous visibility into products, into new areas, new customer opportunities and such. And there's also an opportunity for us to expand our profitability over time as we continue to leverage the business, growing the top line that'll add some leverage to the operating margin over time. And that's something that, we're all very excited about and totally committed to executing on.

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

No, no, thank you for that. I think it's always stuck out to me, to a company of Cirrus size, being able to take a new socket and ramp from zero to tens of millions of units a month.

John Forsyth

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

A

Right.

Venkatesh R. Nathamuni

Chief Financial Officer, Cirrus Logic, Inc.

A

Yeah.

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Q

Is – Yeah. I don't know that too many companies can do that. So, it's certainly not something that's lost on us.

Venkatesh R. Nathamuni

Chief Financial Officer, Cirrus Logic, Inc.

A

It's exactly right.

Matthew D. Ramsay

Analyst, Cowen & Co. LLC



If you look at – a couple of questions on financials real quick. One is – is on gross margin any – it's always been an area where we kind of oscillated around a certain range. And to me, from the outside, it wasn't always as predictable as [ph] which (26:20) side of that range we're going to oscillate on any given quarter, but any observations there or any sort of forward forecast of the gross margin range that that would be? Is it something you're examining closely and sort of looking at in your early time there because I think that's an area where I get questions on sustainability of margins. Can they expand as mixed-signal grows and then sort of what the drivers are there?

Venkatesh R. Nathamuni

Chief Financial Officer, Cirrus Logic, Inc.



Yeah, absolutely. So, clearly, when you look at the long term, we think there's always the balance between top line growth and profitability such that, we can continue to grow profitably over time. And when you look at the different aspects of the profitability, the most important thing from a gross margin standpoint is that clearly we have customer mix issues, as well as just the diversification of the portfolio over time.

But from a profitability standpoint, we think the long term model that we put out, 50%, seems like it's the right range for us to pursue just given the nature of the markets that we target, especially in the consumer space and some of it in smartphones and I should say a lot of it in smartphones, but also in PCs and AR, VR and so forth. We think that the 50% long term gross margin is the appropriate range for us. Over time, we would be looking to what we can do from the standpoint of improving the profitability. But, I think, at least in the near term, this is the right margin for us.

As far as the operating margin is concerned, that's where we see a lot more opportunity for leverage over time. And that driven primarily by improving R&D efficiencies as we scale up some of these newer projects, how can we leverage the IP across these different product categories and such. But as John alluded to earlier, we see tremendous visibility in terms of the opportunity space in front of us. And so, we want to continue to invest in R&D over the long haul and where we can generate some leverage from a profitability standpoint is more on the SG&A line.

As we increase the top line, we should be able to improve the SG&A performance over time and that's what we're committed to. So, what the company has stated in the past is that, we've been operating around 25%, 26% of margin over the last couple of years. The longer term, we do see a path to get to the high-20s and possibly 30% of margin and that's something that we're all working towards.

Matthew D. Ramsay

Analyst, Cowen & Co. LLC



Got it. That's helpful. Just really quick. I think we only have a minute or so left. \$14 a share in cash, you guys have done Lion and you've done some bigger things in the past. Is the opportunity for – I mean, I don't know, John, you're in the board, priorities on tuck-in M&A, more capital returns. I mean, the market's been volatile. There's opportunities for buybacks and things. Just how are you thinking about that?

John Forsyth

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



Yeah. And I'll let Venk have a quick comment as well if we have time. For us, primarily, organic growth of R&D where...

Matthew D. Ramsay

Analyst, Cowen & Co. LLC



Yeah.

John Forsyth

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



...we can attach you to an opportunity, that's a great use of our financial strength. Secondly, we'll look at if we can find tuck-in M&A is that that will accelerate something on our road map or expand in an area where we see [indiscernible] (00:29:37) growth that'd be great. And beyond that, we would look at continued return through share buyback.

Venkatesh R. Nathamuni

Chief Financial Officer, Cirrus Logic, Inc.



Yeah. I think you've hit all the main points. So, essentially, top priority for use of cash is to continue to invest in the business to grow the R&D pipeline. Clearly, we've been opportunistic about M&A and would be very thoughtful about valuation. But if it fills the portfolio gap, especially from a strategic standpoint, we'll – we have the balance sheet to be able to do that and then we'll continue to return share to – cash to shareholders in the form of buybacks over time.

Matthew D. Ramsay

Analyst, Cowen & Co. LLC

Awesome. Well, I think that's the time that we've been allotted here today. Thank you, everybody, for joining and listening and for those listening on the web as well.

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