

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): **October 29, 2014**

CIRRUS LOGIC, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

0-17795

(Commission
File Number)

77-0024818

(IRS Employer
Identification No.)

800 West 6th Street, Austin, TX

(Address of Principal Executive Offices)

78701

(Zip Code)

Registrant's telephone number, including area code: **(512) 851-4000**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On October 29, 2014, the Company issued a press release announcing its results for its second quarter and first six months of fiscal year 2015. The full text of the press release is furnished as Exhibit No. 99.1 to this Current Report on Form 8-K.

Item 7.01 Regulation FD.

On October 29, 2014, in addition to issuing a press release, the Company posted on its website a shareholder letter to investors summarizing the financial results for its second quarter and first six months of fiscal year 2015. The full text of the shareholder letter is furnished as Exhibit No. 99.2 to this Current Report on Form 8-K.

Use of Non-GAAP Financial Information

To supplement Cirrus Logic's financial statements presented on a GAAP basis, Cirrus has provided certain non-GAAP financial information, including gross margin, operating expenses, net income, income from operations, operating margin and diluted earnings per share. A reconciliation of the adjustments to GAAP results is included in the tables to the press release furnished as Exhibit No. 99.1 to this Current Report on Form 8-K. Non-GAAP financial information is not meant as a substitute for GAAP results, but is included because management believes such information is useful to our investors for informational and comparative purposes. In addition, certain non-GAAP financial information is used internally by management to evaluate and manage the company. As a note, the non-GAAP financial information used by Cirrus Logic may differ from that used by other companies. These non-GAAP measures should be considered in addition to, and not as a substitute for, the results prepared in accordance with GAAP.

The information contained in Items 2.02, 7.01, and 9.01 in this Current Report on Form 8-K and the exhibits furnished hereto contain forward-looking statements regarding the Company and cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated. In addition, this information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

| <u>Exhibit</u> | <u>Description</u> |
|----------------|--|
| Exhibit 99.1 | Cirrus Logic, Inc. press release dated October 29, 2014 |
| Exhibit 99.2 | Cirrus Logic, Inc. shareholder letter dated October 29, 2014 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CIRRUS LOGIC, INC.

Date: October 29, 2014

By: /s/ Thurman K. Case
Name: Thurman K. Case
Title: Chief Financial Officer

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 99.1 | Registrant's press release dated October 29, 2014 |
| 99.2 | Cirrus Logic, Inc. shareholder letter dated October 29, 2014 |

Cirrus Logic Reports Revenue of \$210.2 Million

Strong Demand for Portable Audio Drives September Quarter Revenue Growth

AUSTIN, Texas--(BUSINESS WIRE)--October 29, 2014--Cirrus Logic, Inc. (Nasdaq: CRUS), a leader in high-precision analog and digital signal processing components, today posted on its investor relations website at <http://investor.cirrus.com> the quarterly Shareholder Letter that contains the complete financial results for the second quarter fiscal year 2015, which ended Sept. 27, 2014, as well as the company's current business outlook.

"Q2 was an outstanding quarter for Cirrus Logic, as strong demand for portable audio products drove revenue above expectations. In addition, we were pleased to have closed the acquisition of Wolfson Microelectronics on Aug. 21," said Jason Rhode, president and chief executive officer. "The acquisition further strengthens Cirrus Logic's position as a market leader and helps accelerate critical R&D programs we believe will fuel revenue growth in the future."

Reported Financial Results – Second Quarter FY15

- Revenue of \$210.2 million, including \$197.2 million from Cirrus Logic and \$13 million from five weeks of Wolfson Microelectronics;
 - GAAP gross margin of 47.8 percent and non-GAAP gross margin of 48.7 percent;
 - GAAP operating expenses of \$82.5 million and non-GAAP operating expenses of \$57.3 million. GAAP operating expense includes \$18.7 million in acquisition costs and \$6.5 million of share-based compensation and amortization of acquired intangibles; and
 - GAAP diluted earnings per share of \$0.01 and non-GAAP diluted earnings per share of \$0.68.
-

A reconciliation of the non-GAAP charges is included in the tables accompanying this press release.

Business Outlook – Third Quarter FY15

- Revenue is expected to range between \$265 million and \$285 million;
- GAAP gross margin is expected to be between 42 percent and 44 percent, which includes roughly 200 basis points of costs associated with the fair value write up of acquired inventory; and
- Combined R&D and SG&A expenses are expected to range between \$86 million and \$90 million, which includes approximately \$9 million in share-based compensation and \$7 million in amortization of acquired intangibles.

Cirrus Logic will host a live Q&A session at 5 p.m. EDT today to answer questions related to its financial results and business outlook. Participants may listen to the conference call on the Cirrus Logic website. Participants who would like to submit a question to be addressed during the call are requested to email investor.relations@cirrus.com. A replay of the webcast can be accessed on the Cirrus Logic website approximately two hours following its completion, or by calling (404) 537-3406, or toll-free at (855) 859-2056 (Access Code: 13896797).

Cirrus Logic, Inc.

Cirrus Logic develops high-precision, analog and mixed-signal integrated circuits for a broad range of innovative customers. Building on its diverse analog and signal-processing patent portfolio, Cirrus Logic delivers highly optimized products for a variety of audio, industrial and energy-related applications. The company operates from headquarters in Austin, Texas, with offices in the United States, United Kingdom, Europe, Japan and Asia. More information about Cirrus Logic is available at www.cirrus.com.

Use of non-GAAP Financial Information

To supplement Cirrus Logic's financial statements presented on a GAAP basis, Cirrus has provided non-GAAP financial information, including gross margins, operating expenses, net income, operating profit and diluted earnings per share. A reconciliation of the adjustments to GAAP results is included in the tables below. Non-GAAP financial information is not meant as a substitute for GAAP results, but is included because management believes such information is useful to our investors for informational and comparative purposes. In addition, certain non-GAAP financial information is used internally by management to evaluate and manage the company. The non-GAAP financial information used by Cirrus Logic may differ from that used by other companies. These non-GAAP measures should be considered in addition to, and not as a substitute for, the results prepared in accordance with GAAP.

Safe Harbor Statement

Except for historical information contained herein, the matters set forth in this news release contain forward-looking statements, including our estimates of third quarter fiscal year 2015 revenue, gross margin, combined research and development and selling, general and administrative expense levels, share-based compensation expense, amortization of acquired intangibles and acquisition related costs associated with the fair value write up of acquired inventory. In some cases, forward-looking statements are identified by words such as “expect,” “anticipate,” “target,” “project,” “believe,” “goals,” “opportunity,” “estimates,” “intend,” and variations of these types of words and similar expressions. In addition, any statements that refer to our plans, expectations, strategies or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are based on our current expectations, estimates and assumptions and are subject to certain risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties include, but are not limited to, the following: the level of orders and shipments during the third quarter of fiscal year 2015, as well as customer cancellations of orders, or the failure to place orders consistent with forecasts; and the risk factors listed in our Form 10-K for the year ended March 29, 2014, and in our other filings with the Securities and Exchange Commission, which are available at www.sec.gov. The foregoing information concerning our business outlook represents our outlook as of the date of this news release, and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new developments or otherwise.

Cirrus Logic, Cirrus and Wolfson are registered trademarks of Cirrus Logic, Inc. or its subsidiaries. All other company or product names noted herein may be trademarks of their respective holders.

Summary financial data follows:

CIRRUS LOGIC, INC.
CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS
(unaudited)
(in thousands, except per share data)

| | Three Months Ended | | | Six Months Ended | |
|---|--------------------|------------------|------------------|------------------|------------------|
| | Sep. 27, 2014 | Jun. 28, 2014 | Sep. 28, 2013 | Sep. 27, 2014 | Sep. 28, 2013 |
| | <u>Q2'15</u> | <u>Q1'15</u> | <u>Q2'14</u> | <u>Q2'15</u> | <u>Q2'14</u> |
| Portable audio products | \$ 163,563 | \$ 112,570 | \$ 150,949 | \$ 276,132 | \$ 267,556 |
| Non-portable audio and other products | 46,651 | 39,995 | 39,722 | 86,647 | 78,240 |
| Net sales | 210,214 | 152,565 | 190,671 | 362,779 | 345,796 |
| Cost of sales | 109,647 | 77,190 | 91,223 | 186,837 | 166,850 |
| Gross profit | 100,567 | 75,375 | 99,448 | 175,942 | 178,946 |
| Gross margin | 47.8% | 49.4% | 52.2% | 48.5% | 51.7% |
| Research and development | 44,557 | 39,777 | 29,722 | 84,334 | 58,252 |
| Selling, general and administrative | 21,545 | 19,683 | 19,215 | 41,228 | 38,413 |
| Restructuring and other | 1,455 | - | (154) | 1,455 | (584) |
| Acquisition related costs | 14,937 | - | - | 14,937 | - |
| Patent infringement settlements, net | - | - | - | - | 695 |
| Total operating expenses | 82,494 | 59,460 | 48,783 | 141,954 | 96,776 |
| Operating income | 18,073 | 15,915 | 50,665 | 33,988 | 82,170 |
| Interest income (expense), net | (2,670) | (467) | 201 | (3,137) | 359 |
| Other income (expense), net | (11,994) | 501 | (38) | (11,493) | (55) |
| Income before income taxes | 3,409 | 15,949 | 50,828 | 19,358 | 82,474 |
| Provision for income taxes | 2,557 | 5,701 | 17,461 | 8,258 | 28,465 |
| Net income | \$ 852 | \$ 10,248 | \$ 33,367 | \$ 11,100 | \$ 54,009 |
| Basic earnings per share: | \$ 0.01 | \$ 0.17 | \$ 0.53 | \$ 0.18 | \$ 0.85 |
| Diluted earnings per share: | \$ 0.01 | \$ 0.16 | \$ 0.50 | \$ 0.17 | \$ 0.82 |
| Weighted average common shares outstanding: | | | | | |
| Basic | 62,241 | 62,032 | 63,217 | 62,137 | 63,329 |
| Diluted | 65,085 | 64,688 | 66,125 | 64,892 | 66,203 |

Prepared in accordance with Generally Accepted Accounting Principles

CIRRUS LOGIC, INC.
RECONCILIATION BETWEEN GAAP AND NON-GAAP FINANCIAL INFORMATION
(unaudited, in thousands, except per share data)
(not prepared in accordance with GAAP)

Non-GAAP financial information is not meant as a substitute for GAAP results, but is included because management believes such information is useful to our investors for informational and comparative purposes. In addition, certain non-GAAP financial information is used internally by management to evaluate and manage the company. As a note, the non-GAAP financial information used by Cirrus Logic may differ from that used by other companies. These non-GAAP measures should be considered in addition to, and not as a substitute for, the results prepared in accordance with GAAP.

| | Three Months Ended | | | Six Months Ended | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | Sep. 27, 2014 Q2'15 | Jun. 28, 2014 Q1'15 | Sep. 28, 2013 Q2'14 | Sep. 27, 2014 Q2'15 | Sep. 28, 2013 Q2'14 |
| <i>Net Income Reconciliation</i> | | | | | |
| GAAP Net Income | \$ 852 | \$ 10,248 | \$ 33,367 | \$ 11,100 | \$ 54,009 |
| Amortization of acquisition intangibles | 2,524 | 246 | - | 2,770 | - |
| Stock based compensation expense | 6,496 | 5,622 | 5,739 | 12,118 | 11,513 |
| Provision for litigation expenses and settlements | - | - | - | - | 695 |
| Restructuring and other costs, net | 1,455 | - | (154) | 1,455 | (584) |
| Wolfson acquisition items | 30,875 | 2,304 | - | 33,179 | - |
| Provision for income taxes | 1,764 | 5,226 | 16,378 | 6,990 | 26,539 |
| Non-GAAP Net Income | \$ 43,966 | \$ 23,646 | \$ 55,330 | \$ 67,612 | \$ 92,172 |
| <i>Earnings Per Share Reconciliation</i> | | | | | |
| GAAP Diluted earnings per share | \$ 0.01 | \$ 0.16 | \$ 0.50 | \$ 0.17 | \$ 0.82 |
| Effect of Amortization of acquisition intangibles | 0.04 | - | - | 0.04 | - |
| Effect of Stock based compensation expense | 0.10 | 0.09 | 0.09 | 0.19 | 0.17 |
| Effect of Provision for litigation expenses and settlements | - | - | - | - | 0.01 |
| Effect of Restructuring and other costs, net | 0.03 | - | - | 0.02 | (0.01) |
| Effect of Wolfson acquisition items | 0.47 | 0.04 | - | 0.51 | - |
| Effect of Provision for income taxes | 0.03 | 0.08 | 0.25 | 0.11 | 0.40 |
| Non-GAAP Diluted earnings per share | \$ 0.68 | \$ 0.37 | \$ 0.84 | \$ 1.04 | \$ 1.39 |
| <i>Operating Income Reconciliation</i> | | | | | |
| GAAP Operating Income | \$ 18,073 | \$ 15,915 | \$ 50,665 | \$ 33,988 | \$ 82,170 |
| <i>GAAP Operating Profit</i> | <i>9 %</i> | <i>10 %</i> | <i>27 %</i> | <i>9 %</i> | <i>24 %</i> |
| Amortization of acquisition intangibles | 2,524 | 246 | - | 2,770 | - |
| Stock compensation expense - COGS | 253 | 231 | 239 | 484 | 245 |
| Stock compensation expense - R&D | 2,781 | 2,543 | 2,158 | 5,324 | 5,012 |
| Stock compensation expense - SG&A | 3,462 | 2,848 | 3,342 | 6,310 | 6,256 |
| Provision for litigation expenses and settlements | - | - | - | - | 695 |
| Restructuring and other costs, net | 1,455 | - | (154) | 1,455 | (584) |
| Wolfson acquisition items | 16,547 | 2,192 | - | 18,739 | - |
| Non-GAAP Operating Income | \$ 45,095 | \$ 23,975 | \$ 56,250 | \$ 69,070 | \$ 93,794 |
| <i>Non-GAAP Operating Profit</i> | <i>21 %</i> | <i>16 %</i> | <i>30 %</i> | <i>19 %</i> | <i>27 %</i> |
| <i>Operating Expense Reconciliation</i> | | | | | |
| GAAP Operating Expenses | \$ 82,494 | \$ 59,460 | \$ 48,783 | \$ 141,954 | \$ 96,776 |
| Amortization of acquisition intangibles | (2,524) | (246) | - | (2,770) | - |
| Stock compensation expense - R&D | (2,781) | (2,543) | (2,158) | (5,324) | (5,012) |
| Stock compensation expense - SG&A | (3,462) | (2,848) | (3,342) | (6,310) | (6,256) |
| Provision for litigation expenses and settlements | - | - | - | - | (695) |
| Restructuring and other costs, net | (1,455) | - | 154 | (1,455) | 584 |
| Wolfson acquisition items | (14,937) | (2,192) | - | (17,129) | - |
| Non-GAAP Operating Expenses | \$ 57,335 | \$ 51,631 | \$ 43,437 | \$ 108,966 | \$ 85,397 |
| <i>Gross Margin/Profit Reconciliation</i> | | | | | |
| GAAP Gross Margin | \$ 100,567 | \$ 75,375 | \$ 99,448 | \$ 175,942 | \$ 178,946 |
| <i>GAAP Gross Profit</i> | <i>47.8 %</i> | <i>49.4 %</i> | <i>52.2 %</i> | <i>48.5 %</i> | <i>51.7 %</i> |
| Wolfson acquisition items | 1,610 | - | - | 1,610 | - |
| Stock compensation expense - COGS | 253 | 231 | 239 | 484 | 245 |
| Non-GAAP Gross Margin | \$ 102,430 | \$ 75,606 | \$ 99,687 | \$ 178,036 | \$ 179,191 |
| <i>Non-GAAP Gross Profit</i> | <i>48.7 %</i> | <i>49.6 %</i> | <i>52.3 %</i> | <i>49.1 %</i> | <i>51.8 %</i> |

CIRRUS LOGIC, INC.
CONSOLIDATED CONDENSED BALANCE SHEET
(in thousands)

| | Sep. 27, 2014 <hr/> (unaudited) | Mar. 29, 2014 <hr/> | Sep. 28, 2013 <hr/> (unaudited) |
|---|---------------------------------------|---------------------------|---------------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 48,214 | \$ 31,850 | \$ 68,886 |
| Marketable securities | 85,796 | 263,417 | 199,423 |
| Accounts receivable, net | 126,161 | 63,220 | 97,640 |
| Inventories | 121,169 | 69,743 | 91,247 |
| Deferred tax assets | 16,435 | 22,024 | 38,398 |
| Other current assets | 29,089 | 25,079 | 23,978 |
| Total current assets | <hr/> 426,864 | <hr/> 475,333 | <hr/> 519,572 |
| Long-term marketable securities | 9,228 | 89,243 | 40,254 |
| Property and equipment, net | 133,458 | 103,650 | 101,885 |
| Intangibles, net | 187,030 | 11,999 | 4,734 |
| Goodwill | 265,410 | 16,367 | 6,027 |
| Deferred tax assets | 24,998 | 25,065 | 16,638 |
| Other assets | 17,658 | 3,087 | 10,051 |
| Total assets | <hr/> <hr/> \$ 1,064,646 | <hr/> <hr/> \$ 724,744 | <hr/> <hr/> \$ 699,161 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Accounts payable | \$ 81,549 | \$ 51,932 | \$ 56,868 |
| Accrued salaries and benefits | 17,706 | 13,388 | 16,894 |
| Other accrued liabilities | 34,946 | 11,572 | 6,313 |
| Deferred income | 5,218 | 5,631 | 4,858 |
| Total current liabilities | <hr/> 139,419 | <hr/> 82,523 | <hr/> 84,933 |
| Other long-term liabilities | 25,376 | 4,863 | 11,231 |
| Long-term debt | 226,439 | - | - |
| Stockholders' equity: | | | |
| Capital stock | 1,104,379 | 1,078,878 | 1,055,256 |
| Accumulated deficit | (430,144) | (440,634) | (451,532) |
| Accumulated other comprehensive loss | (823) | (886) | (727) |
| Total stockholders' equity | <hr/> 673,412 | <hr/> 637,358 | <hr/> 602,997 |
| Total liabilities and stockholders' equity | <hr/> <hr/> \$ 1,064,646 | <hr/> <hr/> \$ 724,744 | <hr/> <hr/> \$ 699,161 |

Prepared in accordance with Generally Accepted Accounting Principles

CONTACT:
Cirrus Logic, Inc.
Investor Contact:
Thurman K. Case, 512-851-4125
Chief Financial Officer
Investor.Relations@cirrus.com



October 29, 2014

Letter to Shareholders Q2 FY15

CIRRUS LOGIC, INC.





October 29, 2014

Dear Shareholders,

Q2 was an outstanding quarter for Cirrus Logic as we delivered revenue of \$210.2 million, which included approximately five weeks of contribution from Wolfson Microelectronics. On a standalone basis, Cirrus Logic's revenue exceeded expectations, increasing 29 percent quarter over quarter and three percent year over year to \$197.2 million, as strong demand for portable audio products was fueled by shipments ramping in several new flagship smartphones. The September quarter was very productive as we broadened both our custom and general-market product portfolios with both the US and UK teams tapping out several new devices in advanced geometries targeting the audio and voice markets.

Figure A: Cirrus Logic Q2 FY15 GAAP to Non-GAAP Reconciliation

| | GAAP | Acquisition | Other | Non-GAAP |
|---------------------------------|----------------|---------------|---------------|----------------|
| Revenue | \$210.2 | | | \$210.2 |
| Gross Margin Dollars | \$100.6 | \$1.6 | \$0.2 | \$102.4 |
| Gross Margin Percent | 48% | | | 49% |
| Operating Expense | \$82.5 | (\$18.7) | (\$6.5) | \$57.3 |
| Operating Income | \$18.1 | \$20.3 | \$6.7 | \$45.1 |
| Operating Income Percent | 9% | | | 21% |
| Other Income / (Expense) | (\$14.7) | \$12.0 | \$2.4 | (\$0.3) |
| Income Tax Benefit / (Expense) | (\$2.6) | | \$1.8 | (\$0.8) |
| Net Income | \$0.8 | \$32.3 | \$10.9 | \$44.0 |
| Diluted EPS | \$0.01 | \$0.50 | \$0.17 | \$0.68 |

*Complete GAAP to Non-GAAP reconciliations available on page 13
\$ millions, except EPS

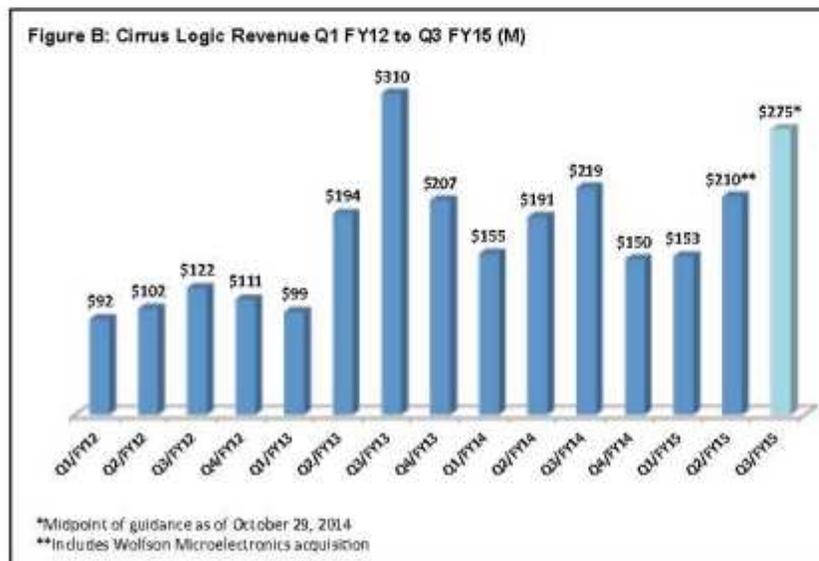
We were pleased to close the Wolfson Microelectronics transaction on Aug. 21. The strategic rationale for the acquisition was primarily driven by the fundamental value of Wolfson's technology, skilled engineering teams, and the potential for the combined company to capitalize on additional opportunities. The acquisition accelerates Cirrus Logic's strategic roadmap; further strengthens our technology portfolio with the addition



of MEMS microphones, advanced DSP technology, and extensive software capabilities, particularly in the Android ecosystem; and expands our development capacity and customer base. As a premier supplier of IC solutions that span the complete audio signal chain from capture to playback, Cirrus Logic is now well positioned as a market leader with a broad portfolio of custom-and general-market products shipping in many tier-one flagship devices today, including five of the top ten global smartphone OEMs. We believe as the value placed on audio and voice technology continues to increase there is an opportunity to drive revenue growth over the next several years through the addition of new customers and expanding content with existing customers.

Revenue and Gross Margins

Revenue for the second quarter was \$210.2 million, including \$13 million from the acquisition of Wolfson. On a standalone basis, Cirrus Logic’s revenue increased 29 percent sequentially and three percent year over year to \$197.2 million, as we experienced strong demand for our custom portable audio products. As anticipated, the previously mentioned year-over-year revenue headwinds associated with the change in our portable audio pricing structure are largely behind us as we have transitioned to a different product mix.



While revenue from the Wolfson acquisition only contributed five weeks of sales to the combined results in Q2, for the full quarter they generated total revenue of \$28.8 million. Our largest customer contributed approximately 73 percent of total revenue

in Q2. Our relationship with this customer remains outstanding with design activity continuing on various products. While we understand there is intense interest in this





customer, in accordance with our policy, we do not discuss specifics about our business relationship.

As a combined company, we derive the vast majority of our revenue from the audio market; therefore, going forward we are adjusting how we identify revenue to better reflect our sales by product lines. Beginning this quarter, revenue will be designated as Portable Audio Products, which includes devices selling into such end applications as tablets and smartphones. The remainder of the revenue will be defined as Non-Portable Audio and Other Products, which target high-end home entertainment, automotive, energy, industrial and various general markets. In the September quarter, revenue generated by the combined company consisted of approximately 78 percent of Portable Audio Products and 22 percent of Non-Portable Audio and Other Products.

In the December quarter we expect revenue to range from \$265 million to \$285 million, representing growth on both a quarter-over-quarter and a year-over-year basis. This guidance reflects reduced revenue expectations for general-market portable products selling into high-end Android applications. Sales into this application have been negatively impacted by a variety of market factors over the past several quarters, and as a result, we have lowered our outlook for Wolfson revenue in Q3. However, on a standalone basis, Cirrus Logic's revenue outlook is exceeding prior expectations and contributing to year over year revenue growth for FY15.

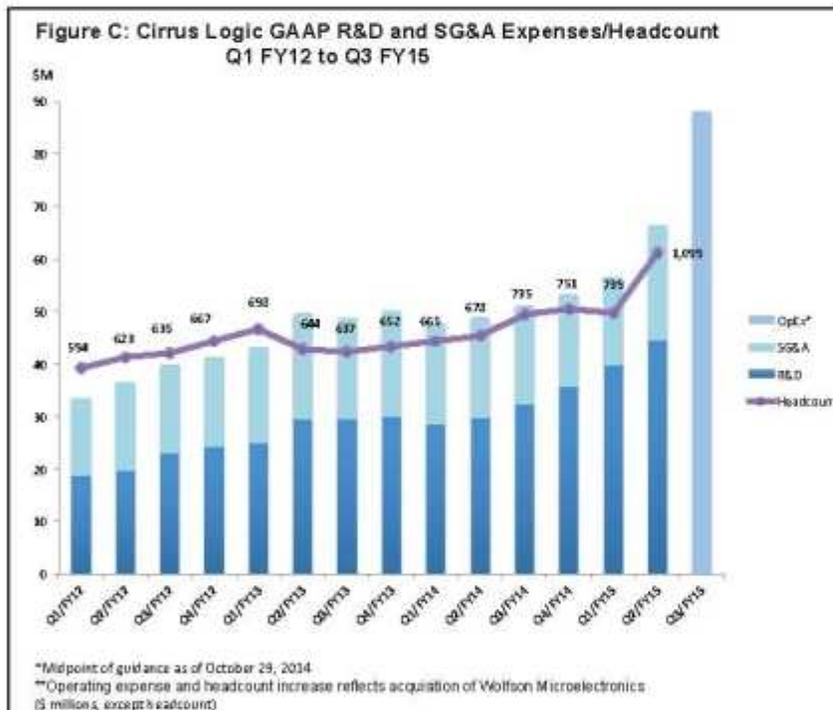
GAAP gross margins for the September quarter, including Wolfson, were 47.8 percent and non-GAAP gross margins were 48.7 percent. GAAP gross margins reflect a seasonally higher mix of portable products and costs related to the accounting requirements associated with the fair value write up of acquired inventory. We expect these charges to also affect Q3, but to be largely behind us by the end of the quarter. In the December quarter, we expect GAAP gross margin to range from 42 percent to 44 percent, which includes an impact of approximately 200 basis points due to acquired inventory



accounting charges. Gross margin guidance also reflects a product mix more in-line with our long-term model in the mid-40 percent range.

Operating Profit and Cash

Operating profit in the September quarter, including the contribution from the acquisition of Wolfson, was nine percent GAAP and 21 percent non-GAAP. Operating expenses on a GAAP basis were \$82.5 million and \$57.3 million non-GAAP. GAAP operating expenses include approximately \$6.5 million in share-based compensation and roughly \$18.7 million in costs associated with the acquisition of Wolfson. In the December quarter



R&D and SG&A expenses should range from \$86 million to \$90 million, including \$9 million in share-based compensation and \$7 million in amortization of acquired intangibles. Our total headcount exiting Q2 was 1,099, which includes the addition of 381 Wolfson employees.

A key consideration in the acquisition of Wolfson was the ability of the combined company to aggressively target a significant number of meaningful opportunities in the audio and voice market that we believe will fuel future revenue growth and diversification. Since the acquisition closed in August, our engineering and technical marketing teams have diligently evaluated and aligned our strategic roadmaps. Consequently, we are increasing investment in several critical projects being developed by our UK teams, including next





generation smart codecs, which we believe will enable the company to deliver innovative solutions across a broader range of key customers and markets. Operating expense guidance for the December quarter includes costs associated with design tools and contract resources needed to expedite these projects. As a result of our decision to accelerate R&D investment and our adjusted expectations for sales of general market portable products, we do not anticipate the Wolfson acquisition to be accretive in the December quarter. However, longer-term, we continue to expect to see improvements in operating efficiencies and profitability as these product lines benefit from Cirrus Logic's supply chain and engineering processes. Furthermore, we remain on track to meet our ongoing annual savings goal for the acquisition.

The ending cash balance in the September quarter was \$143 million, down from the prior quarter as a portion of our cash was utilized to finance the acquisition of Wolfson. As of Q2, the company's balance sheet reflects \$226 million in debt associated with funding the acquisition. Interest expense related to this debt is expected to range from \$1 million to \$1.5 million per quarter for FY15.

Taxes

Our GAAP tax expense during the quarter was \$2.6 million, which included \$1.8 million of non-cash charges associated with our deferred tax asset and other tax credits. At this time, we anticipate our effective quarterly cash tax rate to be less than four percent for the remainder of the fiscal year. Our U.S. deferred tax assets and other tax credits should be largely depleted by the end of FY15. We anticipate paying an annual worldwide tax rate of approximately 30 percent in FY16, with the rate being higher in the first half of the fiscal year. Moving forward, we expect a growing portion of our revenue and income will be generated offshore, accordingly, our worldwide effective tax rate has the potential to be further reduced in FY17 and beyond.



Company Strategy

We are excited to have closed the acquisition of Wolfson during the quarter. This acquisition accelerates Cirrus Logic's strategic roadmap and strengthens our technology portfolio with the addition of MEMS microphones, extensive software infrastructure and proven smart codec technology. The combined company is leveraging our unparalleled expertise in analog and mixed-signal technology, comprehensive software capabilities and world-class engineering teams to drive continued innovation in the rapidly changing audio market. With a broad portfolio of products, including amplifiers, codecs, DSPs and MEMS microphones, Cirrus Logic is currently the only IC company with a solution that encompasses the complete audio signal chain from capture to playback.

Cirrus Logic and Wolfson's product development approach and our vision of the audio market are very complementary. On a standalone basis, Cirrus Logic has historically dedicated a large portion of our engineering resources to the rapid development of custom silicon products, while Wolfson has largely focused on general market products for Android platforms where they can provide added differentiation via embedded software algorithms. Both companies have been successful engaging tier-one customers but have been limited by engineering resource constraints and scale in efforts to meaningfully address additional opportunities. As a combined company, we are maximizing our engineering experience and resources to target initiatives we view as critical for future growth. We have a robust product roadmap that spans the complete audio signal chain and would like to highlight three of our key investment areas: smart codecs, MEMS microphones and software.

Smart codecs integrate the functionality of several discrete audio components, including codecs, audio and voice DSP's, and class-D amplifiers, into one component with complex digital signal processing capabilities and programmable DSP. This integration greatly reduces the amount of board space required for the audio subsystem and lowers the total bill of materials for customers. As a result of these benefits combined with the





processing capabilities, enable the company to command higher ASPs for smart codecs compared to individual components. The company is shipping smart codecs in flagship devices today and we are heavily investing in next generation products with increased performance and functionality that target both high-end and mid-tier devices across numerous applications. Through the acquisition of Wolfson, we gained MEMS microphone technology, which is an integral component of our strategic roadmap and significantly broadens our served available market as two to three microphones are typically connected to a codec in each device. While we are shipping microphones today in several devices, we expect to target additional opportunities going forward where our microphones are designed in tandem with our smart codecs to enable the chipset to deliver enhanced performance and features. We are also ramping our investment in software, as we believe it is essential to deliver a complete, best-in-class hardware and software solution to our customers. The combination offers flexible solutions that provide compelling features to consumers across a variety of use cases.

We have seen a notable transformation in mobile devices over the past few years as they have transitioned from a tool used for basic communications to a sophisticated device used for creating, sharing and consuming multimedia content. As this market evolves and new product categories emerge, OEMs are increasingly looking to differentiate their products with features and functions that enable a compelling and consistent audio and voice user experience. This interest is fueling demand for ultra low power, smaller, smarter and more complex analog and mixed signal processing products, which aligns well with Cirrus Logic's core competencies. Still in the early stages of development, the proliferation of voice is expanding beyond mobile devices and gaining traction across many product categories including wearables, headphones and accessories. While there has been concern about slowing sales in high-end smartphones, we believe audio and voice will continue to drive growth as more manufacturers push penetration of these features into mid and lower tier devices. Additionally, we believe these same features and technologies will be increasingly appealing in other markets such as automotive and wearables. At this time we do not expect wearables to contribute meaningfully to near-term revenue. However, longer





term we believe our ability to provide comprehensive hardware and software solutions across the audio signal chain gives Cirrus Logic a significant advantage.

We are extremely pleased to be recognized in Fortune magazine, for the fourth year in a row, by the Great Places to Work® Institute as one of the top 10 employers on the 2014 50 Best Small and Medium



FORTUNE

Workplaces in America. Cirrus Logic has focused on developing a corporate culture that encourages innovation, creativity and timely execution, while fostering an environment of integrity, trust and camaraderie. We believe this unique culture is a critical element in to retaining motivated employees and attracting talented engineers, who will strengthen our workforce, deliver best-in-class audio solutions and contribute to the company's long-term success.

Summary and Guidance

For the December quarter we expect the following results:

- Revenue to range between \$265 million and \$285 million;
- GAAP gross margin to be between 42 percent and 44 percent, which includes roughly 200 basis points of costs associated with the fair value write up of acquired inventory; and
- Combined R&D and SG&A expenses to range between \$86 million and \$90 million, including approximately \$9 million in share-based compensation expense and \$ 7 million in amortization of acquired intangibles.

In summary, Q2 was a great quarter for Cirrus Logic as we delivered strong sequential revenue growth and closed the acquisition of Wolfson. With a broad range of solutions spanning the audio signal chain from capture to playback, an innovative strategic





roadmap and a commitment to accelerating R&D investment in compelling programs we believe we are well positioned to drive future growth opportunities.

Sincerely,



Jason Rhode
President and Chief Executive Officer



Thurman Case
Chief Financial Officer

Conference Call Q&A Session

Cirrus Logic will host a live Q&A session at 5 p.m. EDT today to answer questions related to its financial results and business outlook. Participants may listen to the conference call on the Cirrus Logic website. Participants who would like to submit a question to be addressed during the call are requested to email investor.relations@cirrus.com.

A replay of the webcast can be accessed on the Cirrus Logic website approximately two hours following its completion, or by calling (404) 537-3406, or toll-free at (855) 859-2056 (Access Code: 13896797).

Use of Non-GAAP Financial Information

This shareholder letter and its attachments include references to non-GAAP financial information, including gross margins, operating expenses, net income, operating profit and diluted earnings per share. A reconciliation of the adjustments to GAAP results is included in the tables below. Non-GAAP financial information is not meant as a substitute for GAAP results, but is included because management believes such information is useful





to our investors for informational and comparative purposes. In addition, certain non-GAAP financial information is used internally by management to evaluate and manage the company. As a note, the non-GAAP financial information used by Cirrus Logic may differ from that used by other companies. These non-GAAP measures should be considered in addition to, and not as a substitute for, the results prepared in accordance with GAAP.

Safe Harbor Statement

Except for historical information contained herein, the matters set forth in this news release contain forward-looking statements, including our future growth expectations and our estimates of third quarter fiscal year 2015 revenue, gross margin, combined research and development and selling, general and administrative expense levels, share-based compensation expense, amortization of acquired intangibles and acquisition related costs associated with the fair value write up of acquired inventory. In some cases, forward-looking statements are identified by words such as "expect," "anticipate," "target," "project," "believe," "goals," "opportunity," "estimates," "intend," and variations of these types of words and similar expressions. In addition, any statements that refer to our plans, expectations, strategies or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are based on our current expectations, estimates and assumptions and are subject to certain risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties include, but are not limited to, the level of orders and shipments during the third quarter fiscal year 2015, as well as customer cancellations of orders, or the failure to place orders consistent with forecasts; and the risk factors listed in our Form 10-K for the year ended March 29, 2014, and in our other filings with the Securities and Exchange Commission, which are available at www.sec.gov. The foregoing information concerning our business outlook represents our outlook as of the date of this news release, and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new developments or otherwise.

Cirrus Logic, Cirrus and Wolfson are registered trademarks of Cirrus Logic, Inc. or its subsidiaries. All other company or product names noted herein may be trademarks of their respective holders.

Summary financial data follows:





CIRRUS LOGIC, INC.
 CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS
 (unaudited)
 (in thousands, except per share data)

| | Three Months Ended | | | Six Months Ended | |
|---|--------------------|------------------|------------------|------------------|------------------|
| | Sep. 27, 2014 | Jun. 28, 2014 | Sep. 28, 2013 | Sep. 27, 2014 | Sep. 28, 2013 |
| | Q2'15 | Q1'15 | Q2'14 | Q2'15 | Q2'14 |
| Portable audio products | \$ 163,563 | \$ 112,570 | \$ 150,949 | \$ 276,132 | \$ 267,556 |
| Non-portable audio and other products | 46,651 | 39,995 | 39,722 | 86,647 | 78,240 |
| Net sales | 210,214 | 152,565 | 190,671 | 362,779 | 345,796 |
| Cost of sales | 109,647 | 77,190 | 91,223 | 186,837 | 166,850 |
| Gross profit | 100,567 | 75,375 | 99,448 | 175,942 | 178,946 |
| Gross margin | 47.8% | 49.4% | 52.2% | 48.5% | 51.7% |
| Research and development | 44,557 | 39,777 | 29,722 | 84,334 | 58,252 |
| Selling, general and administrative | 21,545 | 19,683 | 19,215 | 41,228 | 38,413 |
| Restructuring and other | 1,455 | - | (154) | 1,455 | (584) |
| Acquisition related costs | 14,937 | - | - | 14,937 | - |
| Patent infringement settlements, net | - | - | - | - | 695 |
| Total operating expenses | 82,494 | 59,460 | 48,783 | 141,954 | 96,778 |
| Operating income | 18,073 | 15,915 | 50,665 | 33,988 | 82,170 |
| Interest income (expense), net | (2,670) | (467) | 201 | (3,137) | 359 |
| Other income (expense), net | (11,994) | 501 | (38) | (11,493) | (55) |
| Income before income taxes | 3,409 | 15,949 | 50,828 | 19,358 | 82,474 |
| Provision for income taxes | 2,557 | 5,701 | 17,461 | 8,258 | 28,465 |
| Net income | \$ 852 | \$ 10,248 | \$ 33,367 | \$ 11,100 | \$ 54,009 |
| Basic earnings per share | \$ 0.01 | \$ 0.17 | \$ 0.53 | \$ 0.18 | \$ 0.85 |
| Diluted earnings per share | \$ 0.01 | \$ 0.16 | \$ 0.50 | \$ 0.17 | \$ 0.82 |
| Weighted average common shares outstanding: | | | | | |
| Basic | 62,241 | 62,032 | 63,217 | 62,137 | 63,329 |
| Diluted | 65,085 | 64,688 | 66,125 | 64,892 | 66,203 |

Prepared in accordance with Generally Accepted Accounting Principles





CIRRUS LOGIC, INC.
RECONCILIATION BETWEEN GAAP AND NON-GAAP FINANCIAL INFORMATION
(unaudited, in thousands, except per share data)
(not prepared in accordance with GAAP)

Non-GAAP financial information is not meant as a substitute for GAAP results, but is included because management believes such information is useful to our investors for informational and comparative purposes. In addition, certain non-GAAP financial information is used internally by management to evaluate and manage the company. As a note, the non-GAAP financial information used by Cirrus Logic may differ from that used by other companies. These non-GAAP measures should be considered in addition to, and not as a substitute for, the results prepared in accordance with GAAP.

| | Three Months Ended | | | Six Months Ended | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | Sep. 27, 2014 Q2'15 | Jun. 28, 2014 Q1'15 | Sep. 28, 2013 Q2'14 | Sep. 27, 2014 Q2'15 | Sep. 28, 2013 Q2'14 |
| <i>Net Income Reconciliation</i> | | | | | |
| GAAP Net Income | \$ 852 | \$ 10,248 | \$ 33,367 | \$ 11,100 | \$ 54,000 |
| Amortization of acquisition intangibles | 2,524 | 246 | - | 2,770 | - |
| Stock based compensation expense | 6,496 | 5,622 | 5,739 | 12,118 | 11,513 |
| Provision for litigation expenses and settlements | - | - | - | - | 695 |
| Restructuring and other costs, net | 1,455 | - | (154) | 1,455 | (584) |
| Wolfson acquisition items | 30,875 | 2,304 | - | 33,179 | - |
| Provision for income taxes | 1,764 | 5,226 | 16,378 | 6,990 | 26,539 |
| Non-GAAP Net Income | \$ 43,966 | \$ 23,646 | \$ 55,330 | \$ 67,612 | \$ 92,172 |
| <i>Earnings Per Share Reconciliation</i> | | | | | |
| GAAP Diluted earnings per share | \$ 0.01 | \$ 0.16 | \$ 0.50 | \$ 0.17 | \$ 0.82 |
| Effect of Amortization of acquisition intangibles | 0.04 | - | - | 0.04 | - |
| Effect of Stock based compensation expense | 0.10 | 0.09 | 0.09 | 0.18 | 0.17 |
| Effect of Provision for litigation expenses and settlements | - | - | - | - | 0.01 |
| Effect of Restructuring and other costs, net | 0.03 | - | - | 0.02 | (0.01) |
| Effect of Wolfson acquisition items | 0.47 | 0.04 | - | 0.50 | - |
| Effect of Provision for income taxes | 0.03 | 0.08 | 0.25 | 0.11 | 0.40 |
| Non-GAAP Diluted earnings per share | \$ 0.68 | \$ 0.37 | \$ 0.84 | \$ 1.02 | \$ 1.30 |
| <i>Operating Income Reconciliation</i> | | | | | |
| GAAP Operating Income | \$ 18,073 | \$ 15,915 | \$ 50,665 | \$ 33,988 | \$ 82,170 |
| <i>GAAP Operating Profit</i> | 9% | 10% | 27% | 9% | 24% |
| Amortization of acquisition intangibles | 2,524 | 246 | - | 2,770 | - |
| Stock compensation expense - COGS | 253 | 231 | 239 | 484 | 245 |
| Stock compensation expense - R&D | 2,781 | 2,543 | 2,158 | 5,324 | 5,012 |
| Stock compensation expense - SG&A | 3,462 | 2,848 | 3,342 | 6,310 | 6,256 |
| Provision for litigation expenses and settlements | - | - | - | - | 695 |
| Restructuring and other costs, net | 1,455 | - | (154) | 1,455 | (584) |
| Wolfson acquisition items | 16,547 | 2,192 | - | 18,739 | - |
| Non-GAAP Operating Income | \$ 45,095 | \$ 23,975 | \$ 56,250 | \$ 69,070 | \$ 93,794 |
| <i>Non-GAAP Operating Profit</i> | 21% | 16% | 30% | 19% | 27% |
| <i>Operating Expense Reconciliation</i> | | | | | |
| GAAP Operating Expenses | \$ 82,494 | \$ 59,400 | \$ 48,783 | \$ 141,954 | \$ 96,776 |
| Amortization of acquisition intangibles | (2,524) | (246) | - | (2,770) | - |
| Stock compensation expense - R&D | (2,781) | (2,543) | (2,158) | (5,324) | (5,012) |
| Stock compensation expense - SG&A | (3,462) | (2,848) | (3,342) | (6,310) | (6,256) |
| Provision for litigation expenses and settlements | - | - | - | - | (695) |
| Restructuring and other costs, net | (1,455) | - | 154 | (1,455) | 584 |
| Wolfson acquisition items | (14,937) | (2,192) | - | (17,129) | - |
| Non-GAAP Operating Expenses | \$ 57,335 | \$ 51,631 | \$ 43,437 | \$ 108,966 | \$ 85,397 |
| <i>Gross Margin/Profit Reconciliation</i> | | | | | |
| GAAP Gross Margin | \$ 100,567 | \$ 75,375 | \$ 99,448 | \$ 175,942 | \$ 178,946 |
| <i>GAAP Gross Profit</i> | 47.8% | 49.4% | 52.2% | 48.5% | 51.7% |
| Wolfson acquisition items | 1,610 | - | - | 1,610 | - |
| Stock compensation expense - COGS | 253 | 231 | 239 | 484 | 245 |
| Non-GAAP Gross Margin | \$ 102,430 | \$ 75,606 | \$ 99,687 | \$ 178,036 | \$ 179,191 |
| <i>Non-GAAP Gross Profit</i> | 48.7% | 49.6% | 52.3% | 49.1% | 51.8% |





CIRRUS LOGIC, INC.
CONSOLIDATED CONDENSED BALANCE SHEET
(in thousands)

| | Sep. 27, 2014 (unaudited) | Mar. 29, 2014 | Sep. 28, 2013 (unaudited) |
|---|---------------------------------|-------------------|---------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 48,214 | \$ 31,850 | \$ 68,886 |
| Marketable securities | 85,796 | 263,417 | 199,423 |
| Accounts receivable, net | 126,161 | 63,220 | 97,640 |
| Inventories | 121,169 | 69,743 | 91,247 |
| Deferred tax assets | 16,435 | 22,024 | 38,398 |
| Other current assets | 29,089 | 25,079 | 23,978 |
| Total current assets | <u>426,864</u> | <u>475,333</u> | <u>519,572</u> |
| Long-term marketable securities | 9,228 | 89,243 | 40,254 |
| Property and equipment, net | 133,458 | 103,650 | 101,885 |
| Intangibles, net | 187,030 | 11,999 | 4,734 |
| Goodwill | 265,410 | 16,367 | 6,027 |
| Deferred tax assets | 24,998 | 25,065 | 16,638 |
| Other assets | 17,658 | 3,087 | 10,051 |
| Total assets | <u>\$ 1,064,646</u> | <u>\$ 724,744</u> | <u>\$ 699,161</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Accounts payable | \$ 81,549 | \$ 51,932 | \$ 56,868 |
| Accrued salaries and benefits | 17,706 | 13,388 | 16,894 |
| Other accrued liabilities | 34,946 | 11,572 | 6,313 |
| Deferred income | 5,218 | 5,631 | 4,858 |
| Total current liabilities | <u>139,419</u> | <u>82,523</u> | <u>84,933</u> |
| Other long-term liabilities | 25,376 | 4,863 | 11,231 |
| Long-term debt | 226,439 | - | - |
| Stockholders' equity: | | | |
| Capital stock | 1,104,379 | 1,078,878 | 1,055,256 |
| Accumulated deficit | (430,144) | (440,634) | (451,532) |
| Accumulated other comprehensive loss | (823) | (886) | (727) |
| Total stockholders' equity | <u>673,412</u> | <u>637,358</u> | <u>602,997</u> |
| Total liabilities and stockholders' equity | <u>\$ 1,064,646</u> | <u>\$ 724,744</u> | <u>\$ 699,161</u> |

Prepared in accordance with Generally Accepted Accounting Principles

