CIRRUS LOGIC INC
Form 10-Q
October 28, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 26, 2015

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from ____ to ____

Commission File Number 0-17795

CIRRUS LOGIC, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	77-0024818
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

800 W. 6th Street,
Austin, TX 78701

(Address of principal executive offices)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

The number of shares of the registrant's common stock, $0.001 par value, outstanding as of October 23, 2015 was 63,695,178.

CIRRUS LOGIC, INC.

FORM 10-Q QUARTERLY REPORT

QUARTERLY PERIOD ENDED SEPTEMBER 26, 2015

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Part I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 26, 2015 (unaudited)	March 28, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 56,333	$ 76,401
Marketable securities	86,460	124,246
Accounts receivable, net	169,423	112,608
Inventories	143,867	84,196
Deferred tax assets	8,502	18,559
Prepaid assets	27,021	27,093
Other current assets	24,308	8,810
Total current assets	515,914	451,913
Long-term marketable securities	22,393	60,072
Property and equipment, net	158,529	144,346
Intangibles, net	179,816	175,743
Goodwill	289,565	263,115
Deferred tax assets	25,603	25,593
Other assets	20,474	27,996
Total assets	$ 1,212,294	$ 1,148,778
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 111,023	$ 112,213
Accrued salaries and benefits	29,156	24,132
Deferred income	5,582	6,105
Software license agreements	20,163	18,711
Other accrued liabilities	22,018	15,417
Total current liabilities	187,942	176,578
Long-term liabilities:		
Debt	160,439	180,439
Software license agreements	15,413	26,204

Other long-term liabilities	19,577	8,786
Total long-term liabilities	195,429	215,429
Stockholders' equity:		
Capital stock	1,183,262	1,159,494
Accumulated deficit	(352,374)	(400,613)
Accumulated other comprehensive loss	(1,965)	(2,110)
Total stockholders' equity	828,923	756,771
Total liabilities and stockholders' equity	$ 1,212,294	$ 1,148,778

The accompanying notes are an integral part of these consolidated condensed financial statements.

CIRRUS LOGIC, INC.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(in thousands, except per share amounts; unaudited)

	Three Months Ended		Six Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net sales	$ 306,756	$ 210,214	$ 589,389	$ 362,779
Cost of sales	164,535	109,647	314,714	186,837
Gross profit	142,221	100,567	274,675	175,942
Operating expenses				
Research and development	67,258	44,557	133,093	84,334
Selling, general and administrative	30,103	21,545	59,222	41,228
Acquisition related costs	-	14,937	-	14,937
Restructuring and other, net	-	1,455	-	1,455
Patent agreement and other	752	-	(11,748)	-
Total operating expenses	98,113	82,494	180,567	141,954
Income from operations	44,108	18,073	94,108	33,988
Interest income	215	136	469	331
Interest expense	(816)	(2,806)	(1,708)	(3,468)
Other expense	(524)	(11,994)	(388)	(11,493)
Income before income taxes	42,983	3,409	92,481	19,358
Provision for income taxes	8,103	2,557	24,247	8,258
Net income	34,880	852	68,234	11,100
Basic earnings per share	$ 0.55	$ 0.01	$ 1.08	$ 0.18
Diluted earnings per share	$ 0.53	$ 0.01	$ 1.03	$ 0.17
Basic weighted average common shares outstanding	63,346	62,241	63,310	62,137
Diluted weighted average common shares outstanding	66,329	65,085	66,378	64,892

The accompanying notes are an integral part of these consolidated condensed financial statements.

CIRRUS LOGIC, INC.
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands; unaudited)

	Three Months Ended		Six Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net income	34,880	852	68,234	11,100
Other comprehensive income (loss), before tax				
Changes to foreign currency				
Foreign currency translation	961	-	178	-
Changes to available-for-sale securities				
Unrealized gain (loss) on marketable securities	69	42	(79)	142
Changes to pension liabilities				
Reclassification of actuarial loss to net income	16	-	32	-
Net changes to foreign currency derivatives				
Reclassification of unrealized loss to net income	-	(29)	-	(29)
Benefit (provision) for income taxes	(38)	(15)	14	(50)
Comprehensive income	$ 35,888	$ 850	$ 68,379	$ 11,163

The accompanying notes are an integral part of these consolidated condensed financial statements.

CIRRUS LOGIC, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(in thousands; unaudited)

	Six Months Ended September 26, 2015	September 27, 2014
Cash flows from operating activities:		
Net income	$ 68,234	$ 11,100
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,021	11,109
Stock compensation expense	16,954	19,529
Deferred income taxes	10,047	5,656
Loss on retirement or write-off of long-lived assets	162	325
Actuarial loss amortization on defined benefit pension plan	19	-
Excess tax benefit from employee stock options	(2,850)	(4,138)
Other non-cash charges	8,993	14,233
Net change in operating assets and liabilities:		
Accounts receivable, net	(56,735)	(50,897)
Inventories	(59,671)	(22,768)
Other current assets	774	2,305
Accounts payable and other accrued liabilities	(856)	8,777
Deferred income	(523)	(964)
Income taxes payable	(12,598)	4,059
Net cash used in operating activities	(29)	(1,674)
Cash flows from investing activities:		
Proceeds from sale of available for sale marketable securities	98,019	266,989
Purchases of available for sale marketable securities	(22,605)	(9,290)

Purchases of property, equipment and software	(22,023)		(10,622)
Investments in technology	(2,851)		(1,107)
Loss on foreign exchange hedging activities	-		(11,976)
Acquisition of Wolfson, net of cash obtained	-		(444,138)
Acquisition of businesses, net of cash obtained	(37,216)		-
Increase in deposits and other assets	(163)		(756)
Net cash provided by (used in) investing activities	13,161		(210,900)
Cash flows from financing activities:			
Proceeds from long-term revolver	-		226,439
Principal payments on long-term revolver	(20,000)		-
Debt issuance costs	-		(2,825)
Issuance of common stock, net of shares withheld for taxes	3,945		1,796
Repurchase of stock to satisfy employee tax withholding obligations	(791)		(610)
Repurchase and retirement of common stock	(19,204)		-
Excess tax benefit from employee stock options	2,850		4,138
Net cash (used in) provided by financing activities	(33,200)		228,938
Net (decrease) increase in cash and cash equivalents	(20,068)		16,364
Cash and cash equivalents at beginning of period	76,401		31,850
Cash and cash equivalents at end of period	$ 56,333	$	48,214

The accompanying notes are an integral part of these consolidated condensed financial statements.

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CIRRUS LOGIC, INC.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(unaudited)

1. Basis of Presentation

The consolidated condensed financial statements have been prepared by Cirrus Logic, Inc. ("Cirrus Logic," "we," "us," "our," or the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission (the "Commission"). The accompanying unaudited consolidated condensed financial statements do not include complete footnotes and financial presentations. As a result, these financial statements should be read along with the audited consolidated financial statements and notes thereto for the year ended March 28, 2015, included in our Annual Report on Form 10-K filed with the Commission on May 27, 2015. In our opinion, the financial statements reflect all material adjustments, including normal recurring adjustments, necessary for a fair presentation of the financial position, operating results and cash flows for those periods presented. The preparation of financial statements in conformity with United States ("U.S.") generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect reported assets, liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates and assumptions. Moreover, the results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the entire year. Additionally, prior period amounts have been adjusted to conform to current year presentation.

2. Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (ASC Topic 606). The purpose of this ASU is to converge revenue recognition requirements per GAAP and International Financial Reporting Standards (IFRS). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption not permitted by the FASB; however, in August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date after public comment respondents supported a proposal to delay the effective date of this ASU to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. The Company is currently evaluating the impact of this ASU on its consolidated financial position, results of operations and cash flows.

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The amendments in this ASU provide guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The amendments are effective for the annual period ending

after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company is currently evaluating this ASU and expects no material modifications to its financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. ASU 2015-03 is to be applied retrospectively and represents a change in accounting principle. This ASU is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. Earlier adoption is permitted for financial statements that have not been previously issued. The Company is currently evaluating the effect that the adoption of this ASU will have on its financial statements.

In April 2015, the FASB issued ASU No. 2015-04, Compensation – Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan

Assets. The ASU is part of the FASB's "Simplification Initiative" to reduce complexity in accounting standards. The FASB decided to permit entities to measure defined benefit plan assets and obligations as of the month-end that is closest to their fiscal year-end. An entity is required to disclose the accounting policy election and the date used to measure defined benefit plan assets and obligations in accordance with the amendments in this update. The amendments in this update are effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with earlier application permitted. The Company is currently evaluating the likelihood of adoption and the impact this ASU would have on its financial statements.

3. Marketable Securities

The Company's investments that have original maturities greater than 90 days have been classified as available-for-sale securities in accordance with U.S. GAAP. Marketable securities are categorized on the consolidated condensed balance sheet as short- and long-term marketable securities, as appropriate.

The following table is a summary of available-for-sale securities at September 26, 2015 (in thousands):

As of September 26, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value (Net Carrying Amount)
Corporate debt securities	$ 97,501	$ 8	$ (163)	$ 97,346
U.S. Treasury securities	11,504	3	-	11,507
Commercial paper	-	-	-	-
Total securities	$ 109,005	$ 11	$ (163)	$ 108,853

The Company's specifically identified gross unrealized losses of $163 thousand relate to 26 different securities with total amortized cost of approximately $79.6 million at September 26, 2015. Because the Company does not intend to sell the investments at a loss and the Company will not be required to sell the investments before recovery of its amortized cost basis, it did not consider the investment in these securities to be other-than-temporarily impaired at September 26, 2015. Further, the securities with gross unrealized losses had been in a continuous unrealized loss position for less than 12 months as of September 26, 2015.

The following table is a summary of available-for-sale securities at March 28, 2015 (in thousands):

As of March 28, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value (Net Carrying Amount)
Corporate debt securities	$ 153,896	$ 8	$ (68)	$ 153,836
U.S. Treasury securities	28,010	-	(15)	27,995
Commercial paper	2,485	2	-	2,487
Total securities	$ 184,391	$ 10	$ (83)	$ 184,318

The Company’s specifically identified gross unrealized losses of $83 thousand relate to 34 different securities with total amortized cost of approximately $154.3 million at March 28, 2015. Because the Company did not intend to sell the investments at a loss and the Company did not expect to be required to sell the investments before recovery of its amortized cost basis, it did not consider the investment in these securities to be other-than-temporarily impaired at March 28, 2015. Further, the securities with gross unrealized losses had been in a continuous unrealized loss position for less than 12 months as of March 28, 2015.

The cost and estimated fair value of available-for-sale securities by contractual maturities were as follows (in thousands):

	September 26, 2015		March 28, 2015	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within 1 year	$ 86,488	$ 86,460	$ 124,275	$ 124,246
After 1 year	22,517	22,393	60,116	60,072
Total	$ 109,005	$ 108,853	$ 184,391	$ 184,318

4. Fair Value of Financial Instruments

The Company has determined that the only assets and liabilities in the Company's financial statements that are required to be measured at fair value on a recurring basis are the Company's cash equivalents, investment portfolio, pension plan assets / liabilities and contingent consideration. The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's cash equivalents and investment portfolio assets consist of corporate debt securities, money market funds, U.S. Treasury securities, and commercial paper and are reflected on our consolidated condensed balance sheets under the headings cash and cash equivalents, marketable securities, and long-term marketable securities. The Company determines the fair value of its investment portfolio assets by obtaining non-binding market prices from its

third-party portfolio managers on the last day of the quarter, whose sources may use quoted prices in active markets for identical assets (Level 1 inputs) or inputs other than quoted prices that are observable either directly or indirectly (Level 2 inputs) in determining fair value.

In connection with one of the Company's current quarter acquisitions, the Company reported contingent consideration based upon achievement of certain milestones. This liability is classified as Level 3 and valued using a discounted cash flow model. The assumptions used in preparing the discounted cash flow include discount rate estimates and cash flow amounts. See additional details below.

The Company's long-term revolving facility, described in Note 8, bears interest at a base rate plus applicable margin or LIBOR plus applicable margin. As of September 26, 2015, the fair value of the Company's long-term revolving facility approximates carrying value.

As of September 26, 2015 and March 28, 2015, the Company classified all of its investment portfolio and pension plan assets as Level 1 or Level 2 assets. The only Level 3 liability is the contingent consideration described above and below. The Company has no Level 3 assets. There were no transfers between Level 1, Level 2, or Level 3 measurements for the six months ending September 26, 2015.

The following table summarizes the fair value of our financial instruments, exclusive of pension plan assets, at September 26, 2015, (in thousands):

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Assets:				
Cash equivalents				
Money market funds	$ 1,055	$ -	$ -	$ 1,055
Available-for-sale securities				
Corporate debt securities	$ -	$ 97,346	$ -	$ 97,346
U.S. Treasury securities	11,507	-	-	11,507
	$ 11,507	$ 97,346	$ -	$ 108,853
Liabilities:				
Other accrued liabilities				
Contingent consideration	$ -	$ -	$ 8,600	$ 8,600

The fair value of our financial assets at March 28, 2015, was determined using the following inputs (in thousands):

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Cash equivalents				
Money market funds	$ 996	$ -	$ -	$ 996
Available-for-sale securities				
Corporate debt securities	$ -	$ 153,836	$ -	$ 153,836
U.S. Treasury securities	27,995	-	-	27,995
Commercial paper	-	2,487	-	2,487
	$ 27,995	$ 156,323	$ -	$ 184,318
Contingent consideration				

	Maximum Value if Milestones Achieved (in thousands)	Estimated Discount Rate (%)	Fair Value (in thousands)
Tranche A - 18 month earn out period	$ 5,000	7.3	$ 4,500
Tranche B - 30 month earn out period	5,000	7.7	4,100
	$ 10,000		$ 8,600

The valuation of contingent consideration is based on a weighted-average discounted cash flows model. The fair value is reviewed and estimated on a quarterly basis based on the probability of achieving defined milestones and current interest rates. Significant changes in any of the unobservable inputs used in the fair value measurement of contingent consideration could result in a significantly lower or higher fair value. A change in projected outcomes if milestones are achieved would be accompanied by a directionally

similar change in fair value. A change in discount rate would be accompanied by a directionally opposite change in fair value. Changes to the fair value due to changes in assumptions would be reported in research and development expense in the Consolidated Condensed Statements of Income.

5. Accounts Receivable, net

The following are the components of accounts receivable, net (in thousands):

	September 26, 2015	March 28, 2015
Gross accounts receivable	$ 169,753	$ 112,964
Allowance for doubtful accounts	(330)	(356)
Accounts receivable, net	$ 169,423	$ 112,608

6. Inventories

Inventories are comprised of the following (in thousands):

	September 26, 2015	March 28, 2015
Work in process	$ 94,681	$ 64,663
Finished goods	49,186	19,533
	$ 143,867	$ 84,196

The increase in inventory balances at September 26, 2015, as compared to March 28, 2015, is primarily related to production ramps ahead of customer demand.

7. Acquisitions

Cirrus Logic completed the acquisition of Wolfson Microelectronics plc (the "Acquisition"), a public limited company incorporated in Scotland ("Wolfson") in the second quarter of fiscal year 2015. Upon completion of the acquisition, Wolfson was re-registered as a private limited company.

The Acquisition was accounted for as a business purchase pursuant to ASC Topic 805, Business Combinations, and the operations of Wolfson have been included in the Company's consolidated financial statements since August 21, 2014, the date of acquisition. The following table presents the final allocation of the purchase price to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition as of September 26, 2015 (in thousands):

	Amount
Cash and cash equivalents	$ 25,342
Inventory	30,530
Other current assets	16,226
Property, plant and equipment	27,398
Intangible assets	175,987
Pension assets	1,625
Total identifiable assets acquired	$ 277,108
Deferred tax liability	(12,426)
Deferred revenue	(551)
Other accrued liabilities	(39,417)
Other long-term liabilities	(2,449)
Total identifiable liabilities assumed	$ (54,843)
Net identifiable assets acquired	$ 222,265
Goodwill	247,216
Net assets acquired	$ 469,481

The goodwill of $247.2 million arising from the Acquisition is attributable primarily to expected synergies and the product and customer base of Wolfson. None of the goodwill is expected to be deductible for income tax purposes.

The components of the acquired intangible assets and related weighted average amortization periods are detailed below (in thousands):

Intangible assets	Amount	Weighted-average Amortization Period (years)
Developed technology	$ 74,247	6.2
Technology intellectual property	14,572	5.3
Trademark	1,437	1.3
IPR&D	72,750	7.3
Customer relationships	12,981	10.0
Total	$ 175,987	

In the current fiscal quarter, the Company also acquired two small technology companies for approximately $37.2 million, net of cash obtained, with the goal of broadening its software capabilities. The Company is currently evaluating the fair values of the consideration paid, assets acquired and liabilities assumed. The consolidated condensed statements of income presented include the results of operations of each acquired company since the date of the acquisition. Pro forma information related to these acquisitions has not been presented because it would not be materially different from amounts reported. See Note 4 – Fair Value of Financial Instruments above, for additional

information related to contingent consideration reported in relation to one of the current acquisitions.

8. Revolving Credit Facilities

Cirrus Logic's credit agreement (the "Credit Agreement") with Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto provides for a $250 million senior secured revolving credit facility (the "Credit Facility"). The Credit Facility replaced Cirrus Logic's interim

credit facility described below, and may be used for general corporate purposes. The Credit Facility matures on August 29, 2017.

The Credit Facility is required to be guaranteed by all of Cirrus Logic's material domestic subsidiaries (the "Subsidiary Guarantors"). The Credit Facility is secured by substantially all of the assets of Cirrus Logic and any Subsidiary Guarantors, except for certain excluded assets. Borrowings under the Credit Facility may, at Cirrus Logic's election, bear interest at either (a) a Base Rate plus the Applicable Margin ("Base Rate Loans") or (b) a LIBOR Rate plus the Applicable Margin ("LIBOR Rate Loans"). The Applicable Margin ranges from 0% to .25% per annum for Base Rate Loans and 1.50% to 2.00% per annum for LIBOR Rate Loans based on Cirrus Logic's Leverage Ratio (discussed below). A Commitment Fee accrues at a rate per annum ranging from 0.25% to 0.35% (based on the Leverage Ratio) on the average daily unused portion of the Commitment of the Lenders.

The Credit Agreement contains customary affirmative covenants, including, among others, covenants regarding the payment of taxes and other obligations, maintenance of insurance, reporting requirements and compliance with applicable laws and regulations. Further, the Credit Agreement contains customary negative covenants limiting the ability of Cirrus Logic or any Subsidiary to, among other things, incur debt, grant liens, make investments, effect certain fundamental changes, make certain asset dispositions, and make certain restricted payments. The Credit Facility also contains certain financial covenants providing that (a) the ratio of consolidated funded indebtedness to consolidated EBITDA for the prior four consecutive quarters must not be greater than 2.00 to 1.00 (the "Leverage Ratio") and (b) the sum of cash and Cash Equivalents of Cirrus Logic and its Subsidiaries on a consolidated basis must not be less than $100 million. At September 26, 2015, the Company was in compliance with all covenants under the Credit Agreement.

On June 23, 2015, Cirrus Logic and Wells Fargo Bank, National Association, as Administrative Agent, entered into a first amendment of the Credit Agreement (the "First Amendment"). The First Amendment primarily provides additional flexibility to the Company for certain intercompany transactions. In particular, the First Amendment (i) amended the definition of "Permitted Acquisition" to increase the threshold whereby the Company must provide certain financial statements and certifications to the Administrative Agent; (ii) expanded the Company's ability to make intercompany investments, including unsecured intercompany indebtedness to fund a Permitted Acquisition; and (iii) provided the Company with the ability, under certain circumstances, to transfer capital stock in a non-guarantor subsidiary to another wholly-owned subsidiary that is not a credit party.

The Company had borrowed $160.4 million under the Credit Facility as of September 26, 2015, which is included in long-term liabilities on the consolidated condensed balance sheets. The borrowings were primarily used for refinancing the $225 million interim credit facility described below, which was used for financing the Acquisition in the second quarter of fiscal year 2015.

Cirrus Logic entered into a credit agreement (the "Interim Credit Agreement") with Wells Fargo Bank, National Association as administrative agent and lender, on April 29, 2014, in connection with the Acquisition. The Interim Credit Agreement provided for a $225 million senior secured revolving credit facility (the "Interim Facility"). The Interim Facility was to be used for, among other things, payment of the offer consideration in connection with the Acquisition. The Interim Facility was replaced with the Credit Facility described above, with all outstanding borrowings thereunder refinanced by the Credit Facility.

9. Patent Agreement and Other

On May 8, 2015, we entered into a patent purchase agreement for the sale of certain Company-owned patents relating to our LED lighting products. As a result of this agreement, on June 22, 2015, the Company received cash consideration of $12.5 million from the purchaser. Under the agreement, the Company undertook to no longer be engaged in LED lighting and received a license under the sold patents for all other fields of use. The proceeds were recorded during the first quarter of fiscal year 2016 as a recovery of costs previously incurred and are reflected as a separate line item on the Consolidated Condensed Statements of Income in operating expenses under the caption "Patent agreement and other." Additionally, in the second quarter of fiscal year 2016, the Company recorded $0.8 million in expense related to a negotiated adjustment to a legal settlement.

10. Income Taxes

Our provision for income taxes is based on estimated effective tax rates derived from an estimate of annual consolidated earnings before taxes, adjusted for nondeductible expenses, other permanent items and any applicable credits.

The following table presents the provision for income taxes and the effective tax rates (in thousands):

	Three Months Ended		Six Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Income before income taxes	$ 42,983	$ 3,409	$ 92,481	$ 19,358
Provision for income taxes	$ 8,103	$ 2,557	$ 24,247	$ 8,258
Effective tax rate	18.9%	75.0%	26.2%	42.7%

Our income tax expense for the second quarter and first six months of fiscal year 2016 was below the federal statutory rate primarily due to a one-time tax benefit of $4.6 million associated with deferred taxes related to R&D credit carry forwards, along with an increase in income in certain foreign jurisdictions taxed below the federal statutory rate. Our income tax expense for the second quarter and first six months of fiscal year 2015 was above the federal statutory rate primarily due to the inclusion of foreign losses in the period from the close of the Acquisition to the end of the quarter at foreign statutory rates below the U.S. federal statutory rate.

We record unrecognized tax benefits for the estimated risk associated with tax positions taken on tax returns. The unrecognized tax benefits balance was $8.8 million as of September 26, 2015.

We accrue interest and penalties related to unrecognized tax benefits as a component of the provision for income taxes. As of September 26, 2015, the balance of accrued interest and penalties was zero. No interest or penalties were incurred during the first six months of fiscal year 2016 or 2015.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax in multiple state and foreign jurisdictions. Fiscal years 2012 through 2015 remain open to examination by the major taxing jurisdictions to which we are subject, although carry forward attributes that were generated in tax years prior to fiscal year 2012 may be adjusted upon examination by the tax authorities if they have been, or will be, used in a future period. The

Company is not currently under an income tax audit in any major taxing jurisdiction.

11. Pension Plan

The components of the Company's net periodic pension expense for the three and six months ended September 26, 2015 and September 27, 2014 are as follows (in thousands):

	Three Months Ended		Six Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Expenses	$ -	$ -	$ -	$ -
Interest cost	-	254	-	254
Expected return on plan assets	-	(370)	-	(370)
Amortization of actuarial loss	16	-	32	-
	$ 16	$ (116)	$ 32	$ (116)

Based on an actuarial study performed as of March 28, 2015, the pension plan is underfunded and a long-term liability is reflected in the Company's consolidated condensed balance sheet under the caption "Other long-term liabilities".

12. Net Income Per Share

Basic net income per share is based on the weighted effect of common shares issued and outstanding and is calculated by dividing net income by the basic weighted average shares outstanding during the period. Diluted net income per share is calculated by dividing net income by the weighted average number of common shares used in the basic net income per share calculation, plus the equivalent number of common shares that would be issued assuming exercise or conversion of all potentially dilutive common shares outstanding. These potentially dilutive items consist primarily of the tax affected outstanding stock options and restricted stock awards.

The following table details the calculation of basic and diluted earnings per share for the three and six months ended September 26, 2015 and September 27, 2014 (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Numerator:				
Net income	$ 34,880	$ 852	$ 68,234	$ 11,100
Denominator:				
Weighted average shares outstanding	63,346	62,241	63,310	62,137
Effect of dilutive securities	2,983	2,844	3,068	2,755
Weighted average diluted shares	66,329	65,085	66,378	64,892
Basic earnings per share	$ 0.55	$ 0.01	$ 1.08	$ 0.18
Diluted earnings per share	$ 0.53	$ 0.01	$ 1.03	$ 0.17

The weighted outstanding shares excluded from our diluted calculation for the three and six months ended September 26, 2015 were 298 thousand and 279 thousand, respectively, as the shares were anti-dilutive. The weighted outstanding shares excluded from our diluted calculation for the three and six months ended September 27, 2014 were 642 thousand and 731 thousand, respectively, as the shares were anti-dilutive.

13. Legal Matters

From time to time, we are involved in legal proceedings concerning matters arising in connection with the conduct of our business activities. We regularly evaluate the status of legal proceedings in which we are involved in order to assess whether a loss is probable or there is a reasonable possibility that a loss or additional loss may have been incurred and determine if accruals are appropriate. We further evaluate each legal proceeding to assess whether an estimate of possible loss or range of loss can be made.

Based on current knowledge, management does not believe that there are any pending matters that could potentially have a material adverse effect on our business, financial condition, results of operations or cash flows. However, we are engaged in various legal actions in the normal course of business. While there can be no assurances in light of the inherent uncertainties involved in any potential legal proceedings, some of which are beyond our control, an adverse outcome in any legal proceeding could be material to our results of operations or cash flows for any particular reporting period.

14. Stockholders' Equity

Common Stock

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The Company issued a net 0.3 million and 0.7 million shares of common stock during the three and six month periods ending September 26, 2015, respectively, in connection with stock issuances pursuant to the Company's 2006 Stock Incentive Plan primarily. The Company issued a net 0.4 million and 0.6 million shares of common stock during the three and six month periods ending September 27, 2014, respectively, in connection with stock issuances pursuant to the Company's 2006 Stock Incentive Plan primarily.

Share Repurchase Program

Since inception, $167.5 million of the Company's common stock has been repurchased under the Company's $200 million share repurchase program, leaving $32.5 million available for repurchase under this plan as of September 26, 2015. During the three and six months ended September 26, 2015, the Company repurchased 0.7 million shares of its common stock for $19.2 million, at an average cost of $29.44. All of these shares were repurchased in the open market and were funded from existing cash. All shares of our common stock that were repurchased were retired as of September 26, 2015.

Accumulated Other Comprehensive Loss

In the first quarter of fiscal year 2016, the Company updated the functional currencies of its smaller foreign entities (from the U.S. dollar to certain local currencies). As a result, the Company is now presenting the effect of foreign currency translation, which resulted in a $1.0 million and $0.2 million gain for the quarter and six months ended September 26, 2015, respectively. Additionally, in the current fiscal year, the Company is amortizing the pension actuarial losses out of accumulated other comprehensive income / (loss) to selling, general and administrative expenses. See Note 11 - Pension Plan above. The gains and losses are presented within other comprehensive income in the Consolidated Condensed Statements of Comprehensive Income.

15. Segment Information

We determine our operating segments in accordance with FASB guidelines. Our Chief Executive Officer ("CEO") has been identified as the chief operating decision maker under these guidelines.

The Company operates and tracks its results in one reportable segment, but reports revenue performance in two product lines, which, beginning in the second quarter of fiscal year 2015, are Portable Audio and Non-Portable Audio and Other. Our CEO receives and uses enterprise-wide financial information to assess financial performance and allocate resources, rather than detailed information at a product line level. Additionally, our product lines have similar characteristics and customers. They share operations support functions such as sales, public relations, supply chain management, various research and development and engineering support, in addition to the general and administrative functions of human resources, legal, finance and information technology. Therefore, no complete, discrete financial

information is maintained for these product lines.

Revenues from our product lines are as follows (in thousands):

	Three Months Ended		Six Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Portable Audio Products	$ 257,152	$ 163,563	$ 493,018	$ 276,132
Non-Portable Audio and Other Products	49,604	46,651	96,371	86,647
	$ 306,756	$ 210,214	$ 589,389	$ 362,779

16. Subsequent Event

In October 2015, the Board of Directors authorized the repurchase of up to an additional $200 million of the Company's common stock, in addition to the $32.5 million remaining from the Board's previous share repurchase authorization in November 2012, described above in Note 14.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read along with the unaudited consolidated condensed financial statements and notes thereto included in Item 1 of this Quarterly Report on Form 10-Q, as well as the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended March 28, 2015, contained in our fiscal year 2015 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "Commission") on May 27, 2015. We maintain a web site at investor.cirrus.com, which makes available free of charge our most recent annual report and all other filings we have made with the Commission.

This Management's Discussion and Analysis of Financial Condition and Results of Operations and certain information incorporated herein by reference contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations, estimates, forecasts and projections and the beliefs and assumptions of our management. In some cases, forward-looking statements are identified by words such as "expect," "anticipate," "target," "project," "believe," "goals," "esti "intend," and variations of these types of words and similar expressions which are intended to identify these forward-looking statements. In addition, any statements that refer to our plans, expectations, strategies or other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update publicly any forward-looking statement for any reason.

For additional information regarding known material factors that could cause our actual results to differ from our projected results, please see "Item 1A – Risk Factors" in our 2015 Annual Report on Form 10-K filed with the Commission on May 27, 2015, and in Part II, Item 1A "Risk Factors" within this quarterly report on Form 10-Q. Readers should carefully review these risk factors, as well as those identified in other documents filed by us with the Commission.

Overview

Cirrus Logic, Inc. (“Cirrus Logic,” “We,” “Us,” “Our,” or the “Company”) develops high-precision, analog and mixed-signal integrated circuits (“ICs”) for a broad range of innovative customers. Building on our diverse analog and mixed-signal product portfolio, Cirrus Logic delivers highly optimized products for a variety of audio, industrial and energy-related applications.

Critical Accounting Policies

Our discussion and analysis of the Company’s financial condition and results of operations are based upon the unaudited consolidated condensed financial statements included in this report, which have been prepared in accordance with U. S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts. We evaluate the estimates on an on-going basis. We base these estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

There were no material changes in the first six months of fiscal year 2016 to the information provided under the heading “Critical Accounting Policies” included in our Annual Report on Form 10-K for the fiscal year ended March 28, 2015.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (ASC Topic 606). The purpose of this ASU is to converge revenue recognition requirements per GAAP and International Financial Reporting Standards (IFRS). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption not permitted by the FASB; however, in August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date after public comment respondents supported a proposal to delay the effective date of this ASU to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. The Company is currently evaluating the impact of this ASU on its consolidated financial position, results of operations and cash flows.

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (“ASU”) No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. The amendments in this ASU provide guidance in GAAP about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. The amendments are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company is currently evaluating this ASU and expects no material modifications to its financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. ASU 2015-03 is to be applied retrospectively and represents a change in accounting principle. This ASU is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. Earlier adoption is permitted for financial statements that have not been previously issued. The Company is currently evaluating the effect that the adoption of this ASU will have on its financial statements.

In April 2015, the FASB issued ASU No. 2015-04, Compensation – Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets. The ASU is part of the FASB’s “Simplification Initiative” to reduce complexity in accounting standards. The FASB decided to permit entities to measure defined benefit plan assets and obligations as of the month-end that is closest to their fiscal year-end. An entity is required to disclose the accounting policy election and the date used to measure defined benefit plan assets and obligations in accordance with the amendments in this update. The amendments in this update are effective for public business entities for financial statements issued for fiscal years beginning after December 15,

2015, and interim periods within those fiscal years, with earlier application permitted. The Company is currently evaluating the likelihood of adoption and the impact this ASU would have on its financial statements.

Results of Operations

The following table summarizes the results of our operations for the three and six months of fiscal years 2016 and 2015 as a percentage of net sales. All percentage amounts were calculated using the underlying data in thousands, unaudited:

	Three Months Ended		Six Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net sales	100%	100%	100%	100%
Gross margin	46%	48%	47%	48%
Research and development	22%	21%	23%	23%
Selling, general and administrative	10%	10%	10%	11%
Acquisition related costs	0%	7%	0%	4%
Restructuring and other, net	0%	1%	0%	1%
Patent agreement and other	0%	0%	-2%	0%
Income from operations	14%	9%	16%	9%
Interest income	0%	0%	0%	0%
Interest expense	0%	-1%	0%	-1%
Other expense	0%	-6%	0%	-3%
Income before income taxes	14%	2%	16%	5%
Provision for income taxes	3%	2%	4%	2%
Net income	11%	0%	12%	3%

Net Sales

Net sales for the second quarter of fiscal year 2016 increased $96.6 million, or 46 percent, to $306.8 million from $210.2 million in the second quarter of fiscal year 2015. Net sales from our portable audio products increased $93.6 million, or 57 percent, primarily from increased shipments of our smart codecs and amplifiers. Non-portable audio and other product sales increased $3.0 million, or 6 percent, during the second quarter of fiscal year 2016 versus the comparable quarter of the prior fiscal year, primarily due to a full quarter of post-Acquisition revenue.

Net sales for the first six months of fiscal year 2016 increased $226.6 million, or 63 percent to $589.4 million from $362.8 million for the first six months of fiscal year 2015. Net sales from our portable audio products increased $216.9 million, or 79 percent, resulting from our acquisition of Wolfson, as well as continued organic growth in our portable products. Non-portable audio and other products increased $9.7 million, or 11 percent, for the first six months of fiscal year 2016 primarily due to a full six months of post-Acquisition activity.

Sales to foreign customers, principally located in Asia, including sales to U.S.-based customers with manufacturing plants overseas, were 96 percent and 95 percent of net sales during the second quarter of fiscal years 2016 and 2015, respectively. Sales to foreign customers, principally located in Asia, for the first six months of fiscal years 2016 and 2015, were 95 percent and 94 percent, respectively. Our sales are denominated primarily in U.S. dollars. No foreign currency hedging contracts were entered into in the first six months of fiscal year 2016 or 2015, with the exception of the foreign currency hedge purchased in conjunction with the Acquisition in fiscal year 2015.

Since the components we produce are largely proprietary and generally not available from second sources, we consider our end customer to be the entity specifying the use of our component in their design. These end customers may then purchase our products directly from us, from an external sales representative or distributor, or through a third party manufacturer contracted to produce their designs. For the second quarter of fiscal years 2016 and 2015, our ten largest end customers represented approximately 89 percent and 86 percent of our net sales, respectively. For the first six months of fiscal years 2016 and 2015, our ten largest end customers represented approximately 89 percent and 86 percent of our net sales, respectively.

We had one end customer, Apple Inc. that purchased through multiple contract manufacturers and represented approximately 63 percent and 73 percent of the Company’s total net sales for the second quarter of fiscal years 2016 and 2015, respectively. This same customer represented approximately 63

percent and 73 percent of the Company's total sales for the first six months of fiscal years 2016 and 2015, respectively. Samsung Electronics represented 18 percent of the Company's total net sales for the second quarter and first six months of fiscal year 2016.

No other end customer or distributor represented more than 10 percent of net sales for the three or six months ending September 26, 2015 and September 27, 2014.

For more information, please see Part II—Item 1A—Risk Factors— "We depend on a limited number of customers and distributors for a substantial portion of our sales, and the loss of, or a significant reduction in orders from, or pricing on products sold to, any key customer or distributor could significantly reduce our sales and our profitability."

Gross Margin

Gross margin was 46.4 percent in the second quarter of fiscal year 2016, down from 47.8 percent in the second quarter of fiscal year 2015, as supply chain improvements were primarily offset by a higher mix of portable audio products in the current quarter.

Gross margin was 46.6 percent for the first six months of fiscal year 2016, down from 48.5 percent for the first six months of fiscal year 2015. This decrease is due primarily to mix, in which we had more volume on lower margin products.

Research and Development Expense

Research and development expense for the second quarter of fiscal year 2016 was $67.3 million, an increase of $22.7 million, or 51 percent, from $44.6 million in the second quarter of fiscal year 2015. The primary drivers were increases in salary and employee-related expenses, including a full quarter of expense contribution from Wolfson, which was acquired during the second quarter of fiscal year 2015, coupled with increased amortization on acquisition-related intangibles, and increased product development expenses, including tape outs and CAD tools.

Research and development expense for the first six months of fiscal year 2016 was $133.1 million, an increase of $48.8 million, or 58 percent, from $84.3 million for the first six months of fiscal year 2015. This increase was primarily due to the items previously discussed above, coupled with a full six months of engineering expenses related to our second quarter fiscal year 2015 acquisition, compared to only one month during the previous fiscal year.

Selling, General and Administrative Expense

Selling, general and administrative ("SG&A") expense for the second quarter of fiscal year 2016 was $30.1 million, an increase of $8.6 million, or 40 percent, from $21.5 million in the second quarter of fiscal year 2015. The increases were due to higher salary and benefit costs and related employment costs, occupancy expenses and maintenance and supplies costs, largely driven by the full quarter effect of the Wolfson acquisition.

Selling, general and administrative ("SG&A") expense for the first six months of fiscal year 2016 was $59.2 million, an increase of $18.0 million, or 44 percent, from $41.2 million for the first six months of fiscal year 2015. With the Company's acquisitions, headcount increased, driving salary and benefit costs up as well as employment expenses and occupancy costs in the current fiscal year.

Patent Agreement and Other

On May 8, 2015, we entered into a patent purchase agreement for the sale of certain Company-owned patents relating to our LED lighting products. As a result of this agreement, on June 22, 2015, the Company received cash consideration of $12.5 million from the purchaser. Under the agreement, the Company undertook to no longer be engaged in LED lighting and received a license under the sold patents for all other fields of use. The proceeds were recorded during fiscal year 2016 as a recovery of costs

previously incurred and are reflected as a separate line item on the Consolidated Condensed Statements of Income in operating expenses under the caption “Patent agreement and other.” Additionally, in the second quarter of fiscal year 2016, the Company recorded $0.8 million in expense related to a negotiated adjustment to a legal settlement.

Interest expense

The Company reported interest expense of $0.8 million and $1.7 million for the three and six months ended September 26, 2015, respectively, and $2.8 million and $3.5 million for the three and six months ended September 27, 2014, respectively. Interest expense was recorded on the $250 million revolving credit facility described in Note 8 for all periods presented, and during the first half of fiscal year 2015, amortization of the commitment fee on the Interim Facility was recorded.

Other expense

For the three and six months ended September 26, 2015, the Company reported $0.5 million and $0.4 million, respectively, in other expense, primarily foreign currency exchange losses. For the three and six months ended September 27, 2014, the Company reported $12.0 million and $11.5 million, respectively, in other expense related to the cost of foreign currency hedges purchased in relation to the Wolfson acquisition.

Income Taxes

Our provision for income taxes is based on estimated effective tax rates derived from an estimate of annual consolidated earnings before taxes, adjusted for nondeductible expenses, other permanent items and any applicable credits.

The following table presents the provision for income taxes and the effective tax rates (in thousands):

	Three Months Ended		Six Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Income before income taxes	$ 42,983	$ 3,409	$ 92,481	$ 19,358
Provision for income taxes	$ 8,103	$ 2,557	$ 24,247	$ 8,258
Effective tax rate	18.9%	75.0%	26.2%	42.7%

Our income tax expense for the second quarter and first six months of fiscal year 2016 was below the federal statutory rate primarily due to a one-time tax benefit of $4.6 million associated with deferred taxes related to R&D credit carry forwards, along with an increase in income in certain foreign jurisdictions taxed below the federal statutory rate. Our

income tax expense for the second quarter and first six months of fiscal year 2015 was above the federal statutory rate primarily due to the inclusion of foreign losses in the period from the close of the Acquisition to the end of the quarter at foreign statutory rates below the U.S. federal statutory rate.

Liquidity and Capital Resources

We require cash to fund our operating expenses and working capital requirements, including outlays for research and development, capital expenditures, share repurchase, investments in marketable securities, and strategic acquisitions. Our principal sources of liquidity are cash on hand, cash generated from operations, cash generated from the sale and maturity of marketable securities, and borrowings under our $250 million senior secured revolving credit facility.

Cash provided by operating activities is net income adjusted for certain non-cash items and changes in certain current assets and current liabilities. Our operating cash flow is affected by the ability of our operations to generate cash, and our management of assets and liabilities, including both working capital

and long-term assets and liabilities. Net cash used in operating activities totaled less than $0.1 million for the first six months of fiscal year 2016 as compared to a use of cash of $1.7 million for the corresponding period of fiscal year 2015. The primary use of cash flow from operations during the current period of fiscal year 2016 was related to the cash components of our net income, offset by a $129.6 million net cash outflow due to changes in working capital, primarily in inventories and accounts receivable. The primary use of cash flow from operations during the corresponding period of fiscal year 2015 was a $59.5 million net cash outflow due to changes in working capital, primarily in accounts receivable, offset by the cash components of our net income.

Net cash provided by investing activities was $13.2 million during the first six months of fiscal year 2016 as compared to $210.9 million used during the first six months of fiscal year 2015. The cash provided by investing activities in the current period is primarily related to net proceeds from the sale of marketable securities of $75.4 million, partially offset by current fiscal year acquisitions of $37.2 million, purchases of property, equipment and software of $22.0 million and technology investments of $2.9 million. Net cash used by investing activities for the corresponding period in fiscal year 2015 was primarily related to movements that occurred in the first quarter of fiscal year 2015, toward more liquid investments in anticipation of financing the Wolfson acquisition, which was completed in the second quarter of fiscal year 2015. Net proceeds from the sale of marketable securities of $257.7 million was primarily offset by the $444.1 million paid, net of cash obtained, in conjunction with the Wolfson acquisition and purchases of property, equipment and software of $11.7 million.

Net cash used in financing activities was $33.2 million during the first six months of fiscal year 2016. The cash used during the first six months of fiscal year 2016 was primarily associated with $20.0 million in principal payments against the long-term revolver, discussed in Note 8 and stock repurchases during the current quarter of $19.2 million, partially offset by $3.9 million for the issuance of common stock, net of shares withheld for taxes for the period and excess tax benefit from employee stock option exercises of $2.9 million. The cash provided during the first six months of fiscal year 2015 was $228.9 million and was primarily associated with the $226.4 million obtained from the long-term revolving credit facility discussed in Note 8, excess tax benefit from employee stock option exercises of $4.1 million and $1.8 million for the issuance of common stock, net of shares withheld for taxes, partially offset by payments for debt issuance costs related to the Acquisition of $2.8 million.

We have not paid cash dividends on our common stock and currently intend to continue our policy of retaining any earnings for reinvestment in our business. Although we cannot give assurance that we will be able to generate cash in the future, we anticipate that our future cash earnings, existing cash, cash equivalents, investments and credit under our Credit Facility are sufficient to meet our capital requirements for at least the next 12 months, although we could be required, or could elect, to seek additional funding prior to that time.

Revolving Credit Facilities

In the second quarter of fiscal year 2015, Cirrus Logic entered into a credit agreement (the “Credit Agreement”) with Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto. The Credit Agreement provides for a $250 million senior secured revolving credit facility (the “Credit Facility”). The Credit Facility replaced Cirrus Logic’s Interim Facility, and may be used for general corporate purposes. The Credit Facility matures on August 29, 2017.

On June 23, 2015, Cirrus Logic and Wells Fargo Bank, National Association, as Administrative Agent, entered into a first amendment of the Credit Agreement (the "First Amendment"). The First Amendment primarily provides additional flexibility to the Company for certain intercompany transactions. In particular, the First Amendment (i) amended the definition of "Permitted Acquisition" to increase the threshold whereby the Company must provide certain financial statements and certifications to the Administrative Agent; (ii) expanded the Company's ability to make intercompany investments, including unsecured intercompany indebtedness to fund a Permitted Acquisition; and (iii) provided the Company with the ability, under certain circumstances, to transfer capital stock in a non-guarantor subsidiary to another wholly-owned subsidiary that is not a credit party.

The Credit Facility also contains certain financial covenants providing that (a) the ratio of consolidated funded indebtedness to consolidated EBITDA for the prior four consecutive quarters must not be greater than 2.00 to 1.00 (the "Leverage Ratio") and (b) the sum of cash and Cash Equivalents of Cirrus Logic and its Subsidiaries on a consolidated basis must not be less than $100 million. At September 26, 2015, the Company was in compliance with all covenants under the Credit Facility. As of September 26, 2015, the Company owes $160.4 million under this facility. See Note 8 for additional details regarding this facility.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks associated with interest rates on our debt securities, currency movements on non-U.S. dollar denominated assets and liabilities, and the effect of market factors on the value of our marketable securities. We assess these risks on a regular basis and have established policies that are designed to protect against the adverse effects of these and other potential exposures. For a description of our market risks, see "Part II – Item 7A – Quantitative and Qualitative Disclosures about Market Risk" in our fiscal year 2015 Annual Report on Form 10-K filed with the Commission on May 27, 2015. There have been no significant changes to our exposure to market risks since we filed our fiscal year 2015 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

As required by Rule 13a-15(b) of the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this Form 10-Q. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Commission. Based upon the evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective as of September 26, 2015, at the reasonable assurance level.

Changes in control over financial reporting

There has been no change in the Company's internal control over financial reporting during the quarter ended September 26, 2015, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Wolfson acquisition was migrated to the corporate ERP and financial reporting application instance in the quarter ended June 27, 2015.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding legal proceedings to which the Company is a party is set forth in Note 13 – Legal Matters to our unaudited consolidated condensed financial statements and is incorporated herein by reference.

ITEM 1A. RISK FACTORS

In evaluating all forward-looking statements, readers should specifically consider risk factors that may cause actual results to vary from those contained in the forward-looking statements. Various risk factors associated with our business are included in our Annual Report on Form 10-K for the fiscal year ended March 28, 2015, as filed with the Commission on May 27, 2015, and available at www.sec.gov. Other than

as set forth below, there have been no material changes to those risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended March 28, 2015.

We depend on a limited number of customers and distributors for a substantial portion of our sales, and the loss of, or a significant reduction in orders from, or pricing on products sold to, any key customer or distributor could significantly reduce our sales and our profitability.

While we generate sales from a broad base of customers worldwide, the loss of any of our key customers, or a significant reduction in sales or selling prices to any key customer, or reductions in selling prices made to retain key customer relationships, would significantly reduce our revenue, margins and earnings and adversely affect our business. For the first six months of fiscal years 2016 and 2015, our ten largest end customers represented approximately 89 percent and 86 percent, respectively, of our net sales. We had one end customer, Apple Inc. that purchased through multiple contract manufacturers and represented approximately 63 percent and 73 percent of the Company's total net sales for the first six months of fiscal years 2016 and 2015, respectively. Additionally, Samsung Electronics represented approximately 18 percent of the Company's net sales for the first six months of fiscal year 2016.

We had no distributors that represented more than 10 percent of our sales for the six month periods ending September 26, 2015 or September 27, 2014. No other end customer or distributor represented more than 10 percent of net sales for the three month periods ending September 26, 2015 or September 27, 2014.

We may not be able to maintain or increase sales to certain of our key customers for a variety of reasons, including the following:

- most of our customers can stop incorporating our products into their own products with limited notice to us and suffer little or no penalty;
- our agreements with our customers typically do not require them to purchase a minimum quantity of our products;
- many of our customers have pre-existing or concurrent relationships with our current or potential competitors that may affect the customers' decisions to purchase our products;
- our customers face intense competition from other manufacturers that do not use our products; and
- our customers regularly evaluate alternative sources of supply in order to diversify their supplier base, which increases their negotiating leverage with us and their ability to obtain components from alternative sources.

In addition, our dependence on a limited number of key customers may make it easier for key customers to pressure us to reduce the prices of the products we sell to them. We have experienced pricing pressure from certain key customers, and we expect that the average selling prices for certain of our products will decline, reducing our revenue, our margins, and our earnings.

Our key customer relationships often require us to develop new products that may involve significant technological challenges. Our customers frequently place considerable pressure on us to meet their tight development schedules. In addition, we may from time to time enter into customer agreements providing for exclusivity periods during which we may only sell specified products or technologies to that customer. Accordingly, we may have to devote a substantial amount of resources to strategic relationships, which could detract from or delay our completion of other important development projects or the development of next generation products and technologies.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about purchases of equity securities that are registered by us pursuant to Section 12 of the Exchange Act during the three months ended September 26, 2015 (in thousands, except per share amounts):

Monthly Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)
June 28, 2015 - July 25, 2015	-	$ -	-	$ -
July 26, 2015 - August 22, 2015	652	29.44	652	32,515
August 23, 2015 - September 26, 2015	-	-	-	-
Total	652	$ 29.44	652	$ 32,515

(1) The Company currently has a $200 million share repurchase program. The repurchases are to be funded from existing cash and intended to be effected from time to time in accordance with applicable securities laws through the open market or in privately negotiated transactions. The timing of the repurchases and the actual amount purchased depend on a variety of factors including the market price of the Company’s shares, general market and economic conditions, and other corporate considerations. The program does not have an expiration date, does not obligate the Company to repurchase any particular amount of common stock, and may be modified or suspended at any time at the Company's discretion. The Company repurchased 0.7 million shares of its common stock for $19.2 million during the second quarter of fiscal year 2016. All of these shares were repurchased in the open market and were funded from existing cash. All shares of our common stock that were repurchased were retired as of September 26, 2015.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are filed as part of or incorporated by reference into this Report:

3.1	Certificate of Incorporation of Registrant, filed with the Delaware Secretary of State on August 26, 1998. (1)
3.2	Amended and Restated Bylaws of Registrant. (2)
31.1 *	Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 *	Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 *	Certification of Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 *	Certification of Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Filed or furnished, as applicable, with this Form 10-Q.

(1) Incorporated by reference from Registrant's Report on Form 10-K for the fiscal year ended March 31, 2001, filed with the Commission on June 22, 2001 (Registration No. 000-17795).
(2) Incorporated by reference from Registrant's Report on Form 8-K filed with the Commission on September 20, 2013 (Registration No. 000-17795).

The exhibits required to be filed pursuant to the requirements of Item 601 of Regulation S-K are set forth in the Exhibit Index list noted above and are incorporated herein by reference.

SIGNATURES

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

CIRRUS LOGIC, INC.

Date: October 28, 2015 By: /s/ Thurman K. Case
Thurman K. Case
Vice President, Chief Financial Officer and Principal Accounting Officer