

CIRRUS LOGIC INC
Form 10-Q
October 29, 2013

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 28, 2013

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
(State or other jurisdiction of incorporation or
organization)

77-0024818
(I.R.S. Employer Identification
No.)

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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 25, 2013 was 63,498,212.

CIRRUS LOGIC, INC.

FORM 10-Q QUARTERLY REPORT

QUARTERLY PERIOD ENDED SEPTEMBER 28, 2013

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Part I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

| | September 28, 2013 (unaudited) | March 30, 2013 |
|--------------------------------------|---|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 68,886 | \$ 66,402 |
| Marketable securities | 199,423 | 105,235 |
| Accounts receivable, net | 97,640 | 69,289 |
| Inventories | 91,247 | 119,300 |
| Deferred tax assets | 38,398 | 64,937 |
| Other current assets | 23,978 | 19,371 |
| Total current assets | 519,572 | 444,534 |
| Long-term marketable securities | 40,254 | 64,910 |
| Property and equipment, net | 101,885 | 100,623 |
| Goodwill and intangibles, net | 10,761 | 10,677 |
| Deferred tax assets | 16,638 | 16,671 |
| Other assets | 10,051 | 13,932 |
| Total assets | \$ 699,161 | \$ 651,347 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 56,868 | \$ 60,827 |
| Accrued salaries and benefits | 16,894 | 16,592 |
| Deferred income | 4,858 | 4,956 |
| Other accrued liabilities | 6,313 | 10,704 |
| Total current liabilities | 84,933 | 93,079 |
| Long-term liabilities | 11,231 | 10,094 |
| Stockholders' equity: | | |
| Capital stock | 1,055,256 | 1,041,834 |
| Accumulated deficit | (451,532) | (492,741) |
| Accumulated other comprehensive loss | (727) | (919) |

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| | | |
|--|------------|------------|
| Total stockholders' equity | 602,997 | 548,174 |
| Total liabilities and stockholders' equity | \$ 699,161 | \$ 651,347 |

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

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CIRRUS LOGIC, INC.

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands, except per share amounts; unaudited)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | September 28, 2013 | September 29, 2012 | September 28, 2013 | September 29, 2012 |
| Net sales | \$ 190,671 | \$ 193,774 | \$ 345,796 | \$ 292,780 |
| Cost of sales | 91,223 | 93,687 | 166,850 | 139,253 |
| Gross profit | 99,448 | 100,087 | 178,946 | 153,527 |
| Operating expenses | | | | |
| Research and development | 29,722 | 29,468 | 58,252 | 54,378 |
| Selling, general and administrative | 19,215 | 20,194 | 38,413 | 38,253 |
| Patent infringement settlements, net | - | - | 695 | - |
| Restructuring and other, net | (154) | - | (584) | - |
| Total operating expenses | 48,783 | 49,662 | 96,776 | 92,631 |
| Income from operations | 50,665 | 50,425 | 82,170 | 60,896 |
| Interest income, net | 201 | 131 | 359 | 258 |
| Other expense, net | (38) | (40) | (55) | (63) |
| Income before income taxes | 50,828 | 50,516 | 82,474 | 61,091 |
| Provision for income taxes | 17,461 | 15,067 | 28,465 | 18,715 |
| Net income | 33,367 | 35,449 | 54,009 | 42,376 |
| Change in unrealized gain on marketable securities, net of tax | 166 | 17 | 193 | 19 |
| Comprehensive income | \$ 33,533 | \$ 35,466 | \$ 54,202 | \$ 42,395 |
| Basic earnings per share | \$ 0.53 | \$ 0.55 | \$ 0.85 | \$ 0.65 |
| Diluted earnings per share | \$ 0.50 | \$ 0.51 | \$ 0.82 | \$ 0.61 |
| Basic weighted average common shares outstanding | 63,217 | 64,924 | 63,329 | 64,697 |
| Diluted weighted average common shares outstanding | 66,125 | 69,207 | 66,203 | 68,920 |

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 28, 2013 | September 29, 2012 |
| Cash flows from operating activities: | | |
| Net income | \$ 54,009 | \$ 42,376 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 6,912 | 7,150 |
| Stock compensation expense | 11,650 | 9,734 |
| Deferred income taxes | 26,572 | 16,914 |
| Gain on retirement or write-off of long-lived assets | - | (431) |
| Other non-cash charges | 2,359 | 2,246 |
| Net change in operating assets and liabilities: | | |
| Accounts receivable, net | (28,351) | (86,813) |
| Inventories | 28,053 | (93,187) |
| Other assets | (8,003) | (5,340) |
| Accounts payable and other accrued liabilities | (2,099) | 58,993 |
| Deferred income | (98) | (648) |
| Income taxes payable | 97 | 193 |
| Net cash provided by (used in) operating activities | 91,101 | (48,813) |
| Cash flows from investing activities: | | |
| Proceeds from sale of available for sale marketable securities | 14,317 | 58,058 |
| Purchases of available for sale marketable securities | (83,657) | (5,979) |
| Purchases of property, equipment and software | (8,233) | (31,425) |
| Proceeds from sale of Apex assets | - | 22,220 |
| Decrease (increase) in deposits and other assets | (16) | 478 |
| Net cash (used in) provided by investing activities | (77,589) | 43,352 |
| Cash flows from financing activities: | | |
| Issuance of common stock, net of shares withheld for taxes | 1,636 | 7,310 |
| Repurchase and retirement of common stock | (12,664) | - |
| Net cash (used in) provided by financing activities | (11,028) | 7,310 |
| Net increase in cash and cash equivalents | 2,484 | 1,849 |
| Cash and cash equivalents at beginning of period | 66,402 | 65,997 |
| Cash and cash equivalents at end of period | \$ 68,886 | \$ 67,846 |

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 (“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 30, 2013, included in our Annual Report on Form 10-K filed with the Commission on May 29, 2013. In our opinion, the financial statements reflect all 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.

2. 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 28, 2013 (in thousands):

| | Amortized | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value (Net Carrying Amount) |
|---------------------------|------------|------------------------------|-------------------------------|--|
| As of September 28, 2013 | Cost | | | |
| Corporate debt securities | \$ 152,099 | \$ 55 | \$ (26) | \$ 152,128 |
| U.S. Treasury securities | 42,579 | 14 | - | 42,593 |
| Agency discount notes | 4,021 | 3 | - | 4,024 |
| Commercial paper | 40,912 | 20 | - | 40,932 |
| Total securities | \$ 239,611 | \$ 92 | \$ (26) | \$ 239,677 |

The Company's specifically identified gross unrealized losses of \$26 thousand relates to 34 different securities with total amortized cost of approximately \$77.4 million at September 28, 2013. 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 28, 2013. Further, the securities with gross unrealized losses had been in a continuous unrealized loss position for less than 12 months as of September 28, 2013.

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The following table is a summary of available-for-sale securities at March 30, 2013 (in thousands):

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value (Net Carrying Amount) |
|---------------------------|----------------|------------------------|-------------------------|--|
| As of March 30, 2013 | | | | |
| Corporate debt securities | \$ 94,798 | \$ 2 | \$ (133) | \$ 94,667 |
| U.S. Treasury securities | 34,380 | 4 | (3) | 34,381 |
| Agency discount notes | 1,027 | - | - | 1,027 |
| Commercial paper | 40,089 | 9 | (28) | 40,070 |
| Total securities | \$ 170,294 | \$ 15 | \$ (164) | \$ 170,145 |

The Company's specifically identified gross unrealized losses of \$164 thousand relates to 43 different securities with total amortized cost of approximately \$124.1 million at March 30, 2013. 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 March 30, 2013. Further, the securities with gross unrealized losses had been in a continuous unrealized loss position for less than 12 months as of March 30, 2013.

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

| | September 28, 2013 | | March 30, 2013 | |
|---------------|--------------------|----------------------|----------------|----------------------|
| | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
| Within 1 year | \$ 199,375 | \$ 199,423 | \$ 105,290 | \$ 105,235 |
| After 1 year | 40,236 | 40,254 | 65,004 | 64,910 |
| Total | \$ 239,611 | \$ 239,677 | \$ 170,294 | \$ 170,145 |

3. 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 and investment portfolio assets. 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 or liabilities (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 investment portfolio assets consist of corporate debt securities, money market funds, U.S. Treasury securities, obligations of certain U.S. government-sponsored enterprises, and commercial paper, and are reflected on our consolidated condensed balance sheet under the headings cash and cash equivalents, marketable securities, and long-term marketable securities. The Company determines the fair

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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.

As of September 28, 2013, the Company classified its investment portfolio assets as Level 1 or Level 2 inputs. The Company has no Level 3 assets. There were no transfers between Level 1, Level 2, or Level 3 measurements for the three month period ending September 28, 2013.

The fair value of our financial assets at September 28, 2013, 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 | \$ 34,707 | \$ - | \$ - | \$ 34,707 |
| Commercial paper | - | 5,000 | - | 5,000 |
| | \$ 34,707 | \$ 5,000 | \$ - | \$ 39,707 |
| Available-for-sale securities | | | | |
| Corporate debt securities | \$ - | \$ 152,128 | \$ - | \$ 152,128 |
| U.S. Treasury securities | 42,593 | - | - | 42,593 |
| Agency discount notes | - | 4,024 | - | 4,024 |
| Commercial paper | - | 40,932 | - | 40,932 |
| | \$ 42,593 | \$ 197,084 | \$ - | \$ 239,677 |

The fair value of our financial assets at March 30, 2013, was determined using the following inputs (in thousands):

| | Quoted Prices in Active | Significant Other | Significant |
|--|-------------------------------|----------------------|-------------|
|--|-------------------------------|----------------------|-------------|

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| | Markets for | | | |
|-------------------------------|--------------------------------|---------------------------------|-----------------------------------|------------|
| | Identical Assets Level 1 | Observable Inputs Level 2 | Unobservable Inputs Level 3 | Total |
| Cash equivalents | | | | |
| Money market funds | \$ 54,762 | \$ - | \$ - | \$ 54,762 |
| Commercial paper | - | 1,500 | - | 1,500 |
| | \$ 54,762 | \$ 1,500 | \$ - | \$ 56,262 |
| Available-for-sale securities | | | | |
| Corporate debt securities | \$ - | \$ 94,667 | \$ - | \$ 94,667 |
| U.S. Treasury securities | 34,381 | - | - | 34,381 |
| Agency discount notes | - | 1,027 | - | 1,027 |
| Commercial paper | - | 40,070 | - | 40,070 |
| | \$ 34,381 | \$ 135,764 | \$ - | \$ 170,145 |

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4. Accounts Receivable, net

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

| | September 28, 2013 | March 30, 2013 |
|---------------------------------|--------------------------|----------------------|
| Gross accounts receivable | \$ 97,961 | \$ 69,590 |
| Allowance for doubtful accounts | (321) | (301) |
| Accounts receivable, net | \$ 97,640 | \$ 69,289 |

5. Inventories

Inventories are comprised of the following (in thousands):

| | September 28, 2013 | March 30, 2013 |
|-----------------|--------------------------|-------------------|
| Work in process | \$ 49,411 | \$ 34,169 |
| Finished goods | 41,836 | 85,131 |
| | \$ 91,247 | \$ 119,300 |

6. Restructuring Costs

In the third quarter of fiscal year 2013, the Company committed to a plan to close its Tucson, Arizona design center and move those operations to the Company's headquarters in Austin, Texas. As a result, the Company incurred a restructuring charge for relocation, severance-related items and facility-related costs to operating expenses totaling \$3.5 million in the third quarter of fiscal year 2013. For the three and six months ended September 28, 2013, the Company reported a credit of approximately \$0.2 million and \$0.6 million, respectively, related to changes in estimates for the facility, due to a new sublease on the vacated property. This information is presented as a separate line item on the consolidated condensed statement of comprehensive income in operating expenses under the caption "Restructuring and other, net."

Of the net \$2.9 million expense incurred, approximately \$2.3 million has been completed, and consisted of severance and relocation-related costs of approximately \$1.1 million, an asset impairment charge of approximately \$1.0 million, and facility-related costs of approximately \$0.2 million. Payments will be made through calendar year 2015. As of September 28, 2013, we have a remaining restructuring accrual of \$0.6 million, included in "Other accrued liabilities" on the consolidated condensed balance sheet.

7. 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. Our income tax expense is primarily a non-cash charge due to the utilization of U.S. net operating losses.

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

| | Three Months Ended | | Six Months Ended | |
|----------------------------|--------------------|-----------|------------------|-----------|
| | September | September | September | September |
| | 28, | 29, | 28, | 29, |
| | 2013 | 2012 | 2013 | 2012 |
| Income before income taxes | \$ 50,828 | \$ 50,516 | \$ 82,474 | \$ 61,091 |
| Provision for income taxes | \$ 17,461 | \$ 15,067 | \$ 28,465 | \$ 18,715 |
| Effective tax rate | 34.4% | 29.8% | 34.5% | 30.6% |

Our income tax expense for the second quarter and first six months of fiscal year 2014 was slightly below the federal statutory rate primarily due to the effect of the federal research development credit which was extended through December 31, 2013 by the American Taxpayer Relief Act of 2012 which was enacted on January 2, 2013. Our income tax expense for the second quarter and first six months of fiscal year 2013 was below the federal statutory rate primarily due to the release of valuation allowance on the Company's deferred tax assets in the second quarter of fiscal year 2013. The release was due to the sale of assets of Apex Microtechnology ("Apex"), which generated sufficient capital gain to utilize a capital loss carry forward that was previously expected to expire unutilized.

We had no unrecognized tax benefits as of September 28, 2013. The Company does not believe that its unrecognized tax benefits will significantly increase or decrease during the next 12 months.

We accrue interest and penalties related to unrecognized tax benefits as a component of the provision for income taxes. As of September 28, 2013, the balance of accrued interest and penalties was zero. No interest or penalties were incurred during the first six months of fiscal year 2014 or 2013.

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 2010 through 2013 remain open to examination by the major taxing jurisdictions to which we are subject.

8. 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 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 28, 2013 and September 29, 2012 (in thousands, except per share amounts):

| | Three Months Ended | Six Months Ended |
|--|--------------------|------------------|
|--|--------------------|------------------|

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| | September 28, 2013 | September 29, 2012 | September 28, 2013 | September 29, 2012 |
|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Numerator: | | | | |
| Net income | \$ 33,367 | \$ 35,449 | \$ 54,009 | \$ 42,376 |
| Denominator: | | | | |
| Weighted average shares outstanding | 63,217 | 64,924 | 63,329 | 64,697 |
| Effect of dilutive securities | 2,908 | 4,283 | 2,874 | 4,223 |
| Weighted average diluted shares | 66,125 | 69,207 | 66,203 | 68,920 |
| Basic earnings per share | \$ 0.53 | \$ 0.55 | \$ 0.85 | \$ 0.65 |
| Diluted earnings per share | \$ 0.50 | \$ 0.51 | \$ 0.82 | \$ 0.61 |

The weighted outstanding options excluded from our diluted calculation for the three and six months ended September 28, 2013, were 991,000, and 986,000, respectively. The weighted outstanding options excluded from our diluted calculation for the three and six months ended September 29, 2012, were 2,000 and 4,000, respectively. These options were excluded as the exercise price exceeded the average market price during the periods.

9. 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.

On June 4, 2012, U.S. Ethernet Innovations, LLC (the “Plaintiff”) filed suit against Cirrus Logic and two other defendants in the U.S. District Court, Eastern District of Texas. The Plaintiff alleges that Cirrus Logic infringed four U.S. patents relating to Ethernet technology. In its complaint, the Plaintiff indicated that it is seeking unspecified monetary damages, including up to treble damages for willful infringement. We answered the complaint on June 29, 2012 denying the allegations of infringement and seeking a declaratory judgment that the patents in suit were invalid and not infringed. The parties entered into a settlement agreement on May 30, 2013. In exchange for a full release of claims as it relates to the asserted patent, we paid the Plaintiff \$0.7 million. This amount is recorded as a separate line item on the consolidated condensed statements of comprehensive income under the caption “Patent infringement settlements, net”.

For the cases described below, management is unable to provide a meaningful estimate of the possible loss or range of possible loss because, among other reasons, (i) the proceedings are in various stages; (ii) damages have not been sought or specified; (iii) damages are unsupported and/or exaggerated; (iv) there is uncertainty as to the outcome of pending appeals or motions; (v) there are significant factual issues to be resolved; and/or (vi) there are novel legal issues or unsettled legal theories to be presented or a large number of parties. For these cases, however, management does not believe, based on currently available information, that the outcomes of these proceedings will have a material adverse effect on our financial condition. However, the ultimate resolutions of these various proceedings and matters are inherently difficult to predict; as such, our operating results could be materially affected by the unfavorable resolution of one or more of these proceedings or matters for any particular period, depending, in part, upon the operating results for such period. We intend to vigorously defend ourselves against the allegations made in the legal cases described below.

On February 4, 2013, a purported shareholder filed a class action complaint in the U.S. District Court, Southern District of New York against the Company and two of the Company’s executives (the “Securities Case”). Kopylay v. Cirrus Logic, Inc., et al Civil Action No. 13-CV-0790. The complaint alleges that the defendants violated the federal securities laws by making materially false and misleading statements regarding our business results between July 31, 2012, and October 31, 2012, and seeks unspecified damages along with plaintiff’s costs and expenses, including attorneys’ fees. A second complaint was filed on April 13, 2013, by a different purported shareholder, in the same Court, setting forth substantially the same allegations. On April 19, 2013, the Court appointed the plaintiff and counsel in the first class action complaint as the lead plaintiff and lead counsel. The lead plaintiff filed an amended complaint on May 1, 2013, including substantially the same allegations as the original complaint. On May 24, 2013, the Company filed a motion to dismiss the amended complaint for failure to state a claim. The parties completed the briefing on that motion on June 16, 2013.

On April 13, 2013, another purported shareholder filed a shareholder derivative complaint against several of our current officers and directors in the District Court of Travis County, Texas, 53rd Judicial District. Graham, derivatively on behalf of Cirrus Logic, Inc. v. Rhode, et al., Cause No. D-1-GN-13-001285. In this complaint, the plaintiff makes allegations similar to those presented in the Securities Case, but the plaintiff asserts various state law causes of action, including claims of breach of fiduciary duty and unjust enrichment. The Company is named solely

as a nominal defendant against whom no recovery is sought. On May 16, 2013, the Court granted the parties' joint motion to temporarily defer prosecution of this case until certain events occur in the Securities Case described above.

10. Stockholders' Equity

Common Stock

The Company issued a net 0.2 million and 0.3 million shares of common stock for the three and six month periods ending September 28, 2013, respectively, in connection with stock issuances during the respective periods pursuant to our 2006 Stock Incentive Plan. The Company issued 0.9 million and 1.1

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million shares of common stock for the three and six month periods ending September 29, 2012, respectively, in connection with stock issuances during the respective periods pursuant to our 2006 Stock Incentive Plan.

Share Repurchase Program

On November 20, 2012, we announced that our Board of Directors authorized a share repurchase program of up to \$200 million of the Company's common stock. The Company repurchased 0.6 million shares of its common stock for \$12.7 million during the second quarter of fiscal year 2014, at an average cost of \$21.07 per share. During fiscal year 2013, the Company repurchased 3.0 million shares of its common stock for a total of \$85.6 million, leaving \$101.7 million available for repurchase under this plan as of September 28, 2013. 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 28, 2013.

11. Segment Information

We determine our operating segments in accordance with Financial Accounting Standards Board 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 currently are audio and energy. 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, there is no complete, discrete financial information maintained for these product lines.

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

| | Three Months Ended | | Six Months Ended | |
|-----------------|--------------------|------------|------------------|------------|
| | September | September | September | September |
| | 28, | 29, | 28, | 29, |
| | 2013 | 2012 | 2013 | 2012 |
| Audio Products | \$ 179,912 | \$ 177,915 | \$ 323,578 | \$ 258,662 |
| Energy Products | 10,759 | 15,859 | 22,218 | 34,118 |
| | \$ 190,671 | \$ 193,774 | \$ 345,796 | \$ 292,780 |

12. Subsequent Event

On October 1, 2013, the Company acquired 100 percent of the outstanding equity of Acoustic Technologies, Inc. (Acoustic), a privately held company. The Mesa, Ariz.,-based firm is a leader in embedded firmware voice processing technology, including noise reduction, echo cancelation and voice enhancement. This strategic acquisition enhances the Company's technology and software expertise in our portable audio applications.

The Company is currently evaluating the fair values of the consideration transferred, assets acquired and liabilities assumed. The Company expects to complete its purchase price allocation by the end of fiscal year 2014.

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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 30, 2013, contained in our fiscal year 2013 Annual Report on Form 10-K filed with the Securities and Exchange Commission ("Commission") on May 29, 2013. 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 Exchange 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," "estimate," "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 2013 Annual Report on Form 10-K filed with the Commission on May 29, 2013, 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 audio and energy markets. Building on our diverse analog mixed-signal patent portfolio, Cirrus Logic delivers highly optimized products for consumer and professional audio, automotive entertainment, and targeted industrial applications including energy control, energy management, light emitting diode ("LED") lighting and energy exploration.

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 2014 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 30, 2013.

Results of Operations

The following table summarizes the results of our operations for the first three and six months of fiscal years 2014 and 2013 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 28, 2013 | September 29, 2012 | September 28, 2013 | September 29, 2012 |
| Net sales | 100% | 100% | 100% | 100% |
| Gross margin | 52% | 52% | 52% | 52% |
| Research and development | 15% | 15% | 17% | 18% |
| Selling, general and administrative | 10% | 11% | 11% | 13% |
| Patent infringement settlements, net | 0% | 0% | 0% | 0% |
| Restructuring and other, net | 0% | 0% | 0% | 0% |
| Income from operations | 27% | 26% | 24% | 21% |
| Interest income, net | 0% | 0% | 0% | 0% |
| Other expense, net | 0% | 0% | 0% | 0% |
| Income before income taxes | 27% | 26% | 24% | 21% |
| Provision for income taxes | 10% | 8% | 8% | 7% |
| Net income | 17% | 18% | 16% | 14% |

Net Sales

Net sales for the second quarter of fiscal year 2014 decreased \$3.1 million, or 2 percent to \$190.7 million from \$193.8 million in the second quarter of fiscal year 2013. Net sales from our audio products increased \$2.0 million, or 1 percent, primarily due to higher sales volume partially offset by lower average selling price (“ASPs”) in portable audio in the current quarter versus the same time period in the prior fiscal year. Energy product sales decreased \$5.1 million, or 32 percent, during the second quarter of fiscal year 2014 versus the comparable quarter of the prior fiscal year due primarily to the absence of revenue related to the Apex Precision Power products, which were included as part of the August 17, 2012 sale of certain assets. The decrease was coupled with sales reductions of our seismic, power meter and DC/Amp products. For further information on the asset sale described above, please refer to Note 7 of our Form 10-K for the year ended March 30, 2013.

Net sales for the first six months of fiscal year 2014 increased \$53.0 million, or 18 percent to \$345.8 million from \$292.8 million for the first six months of fiscal year 2013. Net sales from our audio products increased \$64.9 million, or 25 percent, primarily due to higher sales volume partially offset by lower ASPs in portable audio for the six months ended September 28, 2013 versus the same time period in the prior fiscal year. Energy product sales decreased \$11.9 million, or 35 percent, due primarily to the absence of revenue related to the Apex Precision Power products, which were included as part of the August 17, 2012 sale of certain assets. The decrease was coupled with sales reductions of

our seismic, power meter and DC/Amp products. For further information on the asset sale described above, please refer to Note 7 of our Form 10-K for the year ended March 30, 2013.

Export sales, principally to Asia, including sales to U.S.-based customers with manufacturing plants overseas, were 95 percent and 93 percent of net sales during the second quarter of each of fiscal years 2014 and 2013, respectively. For the first six months of fiscal years 2014 and 2013, export sales, principally to Asia, were 94 percent and 91 percent, respectively. Our sales are denominated primarily in U.S. dollars. As a result, we have not entered into foreign currency hedging contracts.

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 2014 and 2013, our ten largest end customers represented approximately

89 percent and 87 percent of our sales, respectively. For the first six months of fiscal years 2014 and 2013, our ten largest end customers represented approximately 88 percent and 80 percent of our sales, respectively.

We had one end customer, Apple Inc. that purchased through multiple contract manufacturers and represented approximately 80 percent and 79 percent of the Company's total sales for the second quarter of fiscal years 2014 and 2013, respectively. This same customer represented approximately 79 percent and 72 percent of the Company's total sales for the first six months of fiscal years 2014 and 2013, respectively.

None of our distributors represented more than 10 percent of our sales for the three or six month periods ending September 28, 2013 and September 29, 2012.

For more information, please see Part II—Item 1A—“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 or profitability.”

No other end customer or distributor represented more than 10 percent of net sales for the three or six month periods ending September 28, 2013 and September 29, 2012.

Gross Margin

Gross margin was 52.2 percent in the second quarter of fiscal year 2014, up from 51.7 percent in the second quarter of fiscal year 2013. The year-over-year increase in gross margin is the net result of the release of previously reserved inventory and credits from our vendors, partially offset by pricing changes in the current quarter.

Gross margin was 51.7 percent for the first six months of fiscal year 2014, down from 52.4 percent for the first six months of fiscal year 2013. The decrease for the six months ended September 28, 2013, is attributable to pricing changes, partially offset by gross margin increases from the release of previously reserved inventory and vendor credits.

Research and Development Expense

Research and development expense for the second quarter of fiscal year 2014 was \$29.7 million, an increase of \$0.2 million, or less than 1 percent, from \$29.5 million in the second quarter of fiscal year 2013. This increase was

primarily due to a slight increase in research and development headcount and associated employee-related expenses as well as increased expenses related to CAD software investments.

Research and development expense for the first six months of fiscal year 2014 was \$58.3 million, an increase of \$3.9 million, or 7 percent, from \$54.4 million in the first six months of fiscal year 2013. This increase was primarily due to an increase in research and development headcount of 3 percent and the associated product development and employee-related expenses. This increase was partially offset by the decrease in research and development expense following the restructuring discussed in Note 9 of our Form 10-K for the year ended March 30, 2013.

Selling, General and Administrative Expense

Selling, general and administrative (“SG&A”) expense for the second quarter of fiscal year 2014 was \$19.2 million, a decrease of \$1.0 million, or 5 percent, from \$20.2 million in the second quarter of fiscal year 2013. The decrease was primarily attributable to a decrease in SG&A headcount of 2 percent and associated employee-related expenses, partially offset by a slight increase in outside professional fees.

SG&A expense in the first six months of fiscal year 2014 was \$38.4 million, an increase of \$0.1 million, or less than 1 percent, from \$38.3 million in the first six months of fiscal year 2013. The year over year increase in SG&A expense was relatively flat. External professional expenses increased for the period, offset by a 6 percent decrease in headcount and related expenses.

Patent Infringement Settlements, net

The Company recorded a \$0.7 million expense in the first quarter of fiscal year 2014 in connection with the settlement of the U.S. Ethernet Innovations, LLC case discussed in Note 9 – Legal Matters. This item is presented as a separate line item within operating expenses in the consolidated condensed statements of comprehensive income.

Restructuring and Other, net

A restructuring charge of \$3.5 million was recorded in the third quarter of fiscal year 2013 related to the close of the Company's Tucson, Arizona design center. For the three and six months ended September 28, 2013, the Company reported a credit of \$0.2 million and \$0.6 million, respectively, related to changes in estimates for the facility, due to a new sublease on the vacated property. This is presented as a separate line item in the consolidated condensed statements of comprehensive income within operating expenses.

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. Our income tax expense is primarily a non-cash charge due to the utilization of U.S. net operating losses.

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

| | Three Months Ended | | Six Months Ended | |
|----------------------------|--------------------|-----------|------------------|-----------|
| | September | September | September | September |
| | 28, | 29, | 28, | 29, |
| | 2013 | 2012 | 2013 | 2012 |
| Income before income taxes | \$ 50,828 | \$ 50,516 | \$ 82,474 | \$ 61,091 |
| Provision for income taxes | \$ 17,461 | \$ 15,067 | \$ 28,465 | \$ 18,715 |
| Effective tax rate | 34.4% | 29.8% | 34.5% | 30.6% |

Our income tax expense for the second quarter and first six months of fiscal year 2014 was slightly below the federal statutory rate primarily due to the effect of the federal research development credit which was extended through

December 31, 2013 by the American Taxpayer Relief Act of 2012 which was enacted on January 2, 2013. Our income tax expense for the second quarter and first six months of fiscal year 2013 was below the federal statutory rate primarily due to the release of valuation allowance on the Company's deferred tax assets in the second quarter of fiscal year 2013. The release was due to the sale of assets to Apex, which generated sufficient capital gain to utilize a capital loss carry forward that was previously expected to expire unutilized.

Liquidity and Capital Resources

We require cash to fund our operating expenses and working capital requirements, including outlays for research and development, capital expenditures, stock repurchases, 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 funds from equity issuances.

Cash provided by operating activities is net income adjusted for certain non-cash items and changes in certain current assets and current liabilities. Our operational cash flows are affected by the ability of our operations to generate cash, and our management of our assets and liabilities, including both working capital and long-term assets and liabilities. Net cash provided by operating activities was \$91.1 million for the first six months of fiscal year 2014 as compared to a use of \$48.8 million in operating activities for the corresponding period of fiscal year 2013. The source of cash in operations during the current period was

primarily related to the cash components of our net income. The primary use of cash in operations during the corresponding period of fiscal year 2013 was primarily related to a \$126.8 million net decrease in working capital, offset by the cash components of our net income. Working capital fluctuates depending on end-market demand and our management of certain items such as receivables, inventory and payables. In times of anticipated escalating demand, our working capital requirements increase as we purchase additional manufacturing materials and increase production; this activity increased our inventory balances significantly in the first and second quarters of fiscal year 2013.

Net cash used in investing activities was \$77.6 million during the first six months of fiscal year 2014 as compared to \$43.4 million provided by investing activities during the first six months of fiscal year 2013. The decrease is primarily a result of net purchases of marketable securities of \$69.3 million and \$8.2 million for the purchase of property, equipment and software. For the corresponding period in fiscal year 2013, we received net proceeds from the sale of marketable securities of \$52.1 million and \$22.2 million in proceeds from the Apex sale, offset by capital expenditures of \$31.4 million. Of this amount, we utilized approximately \$22 million in headquarters facility construction costs and \$7 million for testing-related equipment for our products for the prior period.

Net cash used in financing activities was \$11.0 million during the first six months of fiscal year 2014 as compared to a source of cash of \$7.3 million during the first six months of fiscal year 2013. The cash used during the first six months of fiscal year 2014 was due to the stock repurchase (discussed in Note 10) of \$12.7 million, partially offset by proceeds of \$1.6 million from the issuance of common stock, net of shares withheld for taxes. The cash provided during the first six months of fiscal year 2013 was due to the issuance of common stock, net of shares withheld for taxes.

The Company began expansion of operations in fiscal year 2014 with the acquisition and building of additional facilities in Austin. We anticipate future costs related to the current expansion to range from \$15 million to \$20 million over the next several years. We anticipate these cash uses to be funded from current cash sources.

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 existing capital resources and cash flow generated from future operations will enable us to maintain our current level of operations for at least the next 12 months.

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 2013 Annual Report on Form 10-K filed with the

Commission on May 29, 2013. There have been no significant changes to our exposure to market risks since we filed our fiscal year 2013 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) under 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 28, 2013 at the reasonable assurance level.

Changes in control over financial reporting

There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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.

On June 4, 2012, U.S. Ethernet Innovations, LLC (the "Plaintiff") filed suit against Cirrus Logic and two other defendants in the U.S. District Court, Eastern District of Texas. The Plaintiff alleges that Cirrus Logic infringed four U.S. patents relating to Ethernet technology. In its complaint, the Plaintiff indicated that it is seeking unspecified monetary damages, including up to treble damages for willful infringement. We answered the complaint on June 29, 2012 denying the allegations of infringement and seeking a declaratory judgment that the patents in suit were invalid and not infringed. The parties entered into a settlement agreement on May 30, 2013. In exchange for a full release of claims as it relates to the asserted patent, we paid the Plaintiff \$0.7 million. This amount is recorded as a separate line item on the consolidated condensed statements of comprehensive income under the caption "Patent infringement settlements, net".

For the cases described below, management is unable to provide a meaningful estimate of the possible loss or range of possible loss because, among other reasons, (i) the proceedings are in various stages; (ii) damages have not been sought or specified; (iii) damages are unsupported and/or exaggerated; (iv) there is uncertainty as to the outcome of pending appeals or motions; (v) there are significant factual issues to be resolved; and/or (vi) there are novel legal issues or unsettled legal theories to be presented or a large number of parties. For these cases, however, management does not believe, based on currently available information, that the outcomes of these proceedings will have a material

adverse effect on our financial condition. However, the ultimate resolutions of these various proceedings and matters are inherently difficult to predict; as such, our operating results could be materially affected by the unfavorable resolution of one or more of these proceedings or matters for any particular period, depending, in part, upon the operating results for such period. We intend to vigorously defend ourselves against the allegations made in the legal cases described below.

On February 4, 2013, a purported shareholder filed a class action complaint in the U.S. District Court, Southern District of New York against the Company and two of the Company's executives (the "Securities Case"). Kopyay v. Cirrus Logic, Inc., et al. Civil Action No. 13-CV-0790. The complaint alleges that the defendants violated the federal securities laws by making materially false and misleading statements regarding our business results between July 31, 2012, and October 31, 2012, and seeks unspecified damages along with plaintiff's costs and expenses, including attorneys' fees. A second complaint was filed on April 13, 2013, by a different purported shareholder, in the same Court, setting forth substantially the same allegations. On April 19, 2013, the Court appointed the plaintiff and counsel in the first class action complaint as the lead plaintiff and lead counsel. The lead plaintiff filed an amended complaint on May 1, 2013, including substantially the same allegations as the original complaint. On May 24, 2013, the

Company filed a motion to dismiss the amended complaint for failure to state a claim. The parties completed the briefing on that motion on June 16, 2013.

On April 13, 2013, another purported shareholder filed a shareholder derivative complaint against several of our current officers and directors in the District Court of Travis County, Texas, 53rd Judicial District. Graham, derivatively on behalf of Cirrus Logic, Inc. v. Rhode, et al., Cause No. D-1-GN-13-001285. In this complaint, the plaintiff makes allegations similar to those presented in the Securities Case, but the plaintiff asserts various state law causes of action, including claims of breach of fiduciary duty and unjust enrichment. The Company is named solely as a nominal defendant against whom no recovery is sought. On May 16, 2013, the Court granted the parties' joint motion to temporarily defer prosecution of this case until certain events occur in the Securities Case described above.

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 30, 2013, as filed with the Commission on May 29, 2013, 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 30, 2013.

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 2014 and 2013, our ten largest end customers represented approximately 88 percent and 80 percent of our sales, respectively. We had one end customer, Apple Inc. that purchased through multiple contract manufacturers and represented approximately 79 percent and 72 percent of the Company's total sales for the first six months of fiscal years 2014 and 2013, respectively.

We had no distributors that represented more than 10 percent of net sales for the six month periods ending September 28, 2013 or September 29, 2012.

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.

Our products may be subject to average selling prices that decline over time. If we are unable to maintain average selling prices for existing products, increase our volumes, introduce new or enhanced products with higher selling prices, or reduce our costs, our business and operating results could be harmed.

Historically in the semiconductor industry, average selling prices of products have decreased over time. Moreover, our dependence on a limited number of key customers may make it easier for key customers to pressure us to reduce prices of the products we sell to them. If the average selling price of any of our products declines and we are unable to increase our unit volumes, introduce new or enhanced products with higher margins, and/or reduce manufacturing costs to offset anticipated decreases in the prices of our existing products, our operating results may be adversely affected. In addition, because of procurement lead times, we are limited in our ability to reduce total costs quickly in response to any sales shortfalls. Because of these factors, we may experience material adverse fluctuations in our future operating results on a quarterly or annual basis.

Our lack of diversification in our revenue and customer base increases the risk of an investment in our company, and our consolidated financial condition, results of operations, and stock price may deteriorate if we fail to diversify.

Although we continue to invest in and investigate opportunities to diversify our revenue and customer base, our sales, marketing, and development efforts have historically been focused on a limited number of customers and opportunities. Larger companies have the ability to manage their risk by product, market, and customer diversification. However, we lack diversification, in terms of both the nature and scope of our business, which enhances our risk profile. If we cannot diversify our customer and revenue opportunities, our financial condition and results of operations could deteriorate.

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

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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 28, 2013 (in thousands, except per share amounts):

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| 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 30, 2013 - July 27, 2013 | - | \$ - | - | \$ - |
| July 28, 2013 - August 24, 2013 | 310 | 20.73 | 310 | 107,959 |
| August 25, 2013 - September 28, 2013 | 291 | 21.43 | 291 | 101,728 |
| Total | 601 | \$ 21.07 | 601 | \$ 101,728 |

(1) On November 20, 2012, we announced that our Board of Directors authorized a share repurchase program of up to \$200 million of the Company's common stock. The repurchases were to be funded from existing cash and were 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 0.6 million shares of its common stock for \$12.7 million during the second quarter of fiscal year 2014. 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 28, 2013.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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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 with this Form 10-Q.

Not considered to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section.

- (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

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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 29, 2013 By: /s/ Thurman K. Case
Thurman K. Case
Chief Financial Officer and Chief Accounting Officer

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