

CIRRUS LOGIC INC
Form 10-K
May 25, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended March 26, 2016

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.)

800 W. 6th Street, Austin, TX 78701

(Address of principal executive offices)

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

Securities registered pursuant to Section 12(b) of the Act:

None

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Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.001 Par Value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 the 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 Act). YES NO

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates was \$1,538,106,366 based upon the closing price reported on the NASDAQ Global Select Market as of September 26, 2015. Stock held by directors, officers and stockholders owning 5 percent or more of the outstanding common stock were excluded as they may be deemed affiliates. This determination of affiliate status is not a conclusive determination for any other purpose.

As of May 20, 2016, the number of outstanding shares of the registrant's common stock, \$0.001 par value, was 62,229,406.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the registrant's proxy statement for its annual meeting of stockholders to be held July 26, 2016 is incorporated by reference in Part II - Item 5. and Part III of this Annual Report on Form 10-K.

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CIRRUS LOGIC, INC.

FORM 10-K

For The Fiscal Year Ended March 26, 2016

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PART I

ITEM 1. *Business*

Cirrus Logic, Inc. (Cirrus Logic, We, Us, Our, or the Company) is a leader in high performance, low-power integrated circuits (ICs) for audio and voice signal processing applications. Cirrus Logic's products span the entire audio signal chain, from capture to playback, providing innovative products for the world's top smartphones, tablets, digital headsets, wearables and emerging smart home applications.

We were incorporated in California in 1984, became a public company in 1989 and were reincorporated in the State of Delaware in February 1999. Our primary facility housing engineering, sales and marketing, and administrative functions is located in Austin, Texas. We also have offices in various other locations in the United States, United Kingdom, Sweden, Spain, Australia, and Asia, including the People's Republic of China, Hong Kong, South Korea, Japan, Singapore, and Taiwan. Our common stock, which has been publicly traded since 1989, is listed on the NASDAQ Global Select Market under the symbol CRUS.

We maintain a website with the address www.cirrus.com. We are not including the information contained on our website as a part of, or incorporating it by reference into, this Annual Report on Form 10-K. We make available free of charge through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission (the SEC). We also routinely post other important information on our website, including information specifically addressed to investors. We intend for the investor relations section of our website to be a recognized channel of distribution for disseminating information to the securities marketplace in general. To receive a free copy of this Annual Report on Form 10-K, please forward your written request to Cirrus Logic, Inc., Attn: Investor Relations, 800 W. 6th Street, Austin, Texas 78701, or via email at Investor.Relations@cirrus.com. In addition, the SEC maintains a website at www.sec.gov that contains reports, proxy and information statements filed electronically with the SEC by Cirrus Logic.

Company Strategy

Cirrus Logic targets growing markets where we can leverage our expertise in analog and digital signal processing to solve complex problems. Our approach has been to develop custom and general market components that embody our latest innovations, which we use to engage key players in a particular market or application. We focus on building strong engineering relationships with our customers' product teams and work to develop highly differentiated components that address their technical and price requirements across product tiers. Our products are comprised of our best-in-class hardware and software algorithms and a combination of our own intellectual property (IP), algorithms that have been ported to our platform by an ecosystem of third-party partners, and our customers' IP. When we have been successful with this approach, one initial design win has often expanded into additional products. This strategy gives us the opportunity to increase our content with a customer over time through the incorporation of new features, the integration of other system components into our products and the addition of new components.

Markets and Products

The following provides a detailed discussion regarding our portable audio and non-portable audio and other product lines:

Portable Audio Products: High-precision analog and mixed-signal components designed for mobile devices including smartphones, tablets, digital headsets, wearables, smart accessories and portable media players.

Non-Portable Audio and Other Products: High-precision analog and mixed-signal components targeting the consumer market, including emerging smart home applications, and the automotive, energy and industrial markets.

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PORTABLE AUDIO PRODUCTS

We are a leading provider of analog and mixed-signal audio converter and digital signal processing products in many of today's mobile applications. As a leading IC supplier with the complete end-to-end solution from capture to playback, we have an extensive portfolio of products that target flagship and mid-tier devices, including codecs - chips that integrate analog-to-digital converters (ADCs) and digital-to-analog converters (DACs) into a single IC, smart codecs - codecs with digital signal processing integrated, amplifiers, micro-electromechanical systems (MEMS) microphones, as well as standalone digital signal processors (DSPs). Additionally, the Company's SoundClear® technology consists of a broad portfolio of tools, software and algorithms that help to differentiate our customers' products by improving the user experience with features such as enhanced voice quality, voice capture and audio playback. Our products are designed for use in a wide array of mobile applications, including smartphones, tablets, portable media players, wearables and smart accessories such as digital headsets and headphones.

NON-PORTABLE AUDIO AND OTHER PRODUCTS

We provide high-precision analog and mixed-signal ICs for a variety of products in consumer applications, including the emerging smart home market, automotive, industrial and energy. The Company supplies a wide range of products including ICs, codecs, ADCs, DACs, digital interface and amplifiers. Within the consumer market our products are utilized in laptops, audio/video receivers (AVRs), home theater systems, set-up boxes, portable speakers, digital camcorders, musical instruments and professional audio products. Applications for products in the automotive market include satellite radio systems, telematics and multi-speaker car-audio systems. Our products are also used in a wide array of high-precision industrial and energy-related applications including digital utility meters, power supplies, energy control, energy measurement, and energy exploration applications.

Customers, Marketing, and Sales

We offer products worldwide through both direct and indirect sales channels. Our major customers are among the world's leading electronics manufacturers. We target both large existing and emerging customers that derive value from our expertise in advanced analog and mixed-signal design processing, systems-level integrated circuit engineering and embedded software development. We derive our revenues from both domestic and international sales, including sales in Asia, Australia and Europe. Our domestic sales force includes a network of direct sales offices located in California and Texas. International sales offices and staff are located in Hong Kong, Japan, Shanghai and Shenzhen in the People's Republic of China, Singapore, South Korea, Taiwan, and the United Kingdom. We supplement our direct sales force with external sales representatives and distributors. We have technical support centers in China, South Korea, Taiwan and the United States. Our worldwide sales force provides geographically specific support to our customers and specialized selling of product lines with unique customer bases. See Note 17

Segment Information, of the Notes to Consolidated Financial Statements contained in Item 8 for further detail and for additional disclosure regarding sales and property, plant and equipment, net, by geographic locations.

Since the components we produce are largely proprietary and generally not available from second sources, we generally 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, through distributors or third party manufacturers contracted to produce their designs. For fiscal years 2016, 2015, and 2014, our ten largest end customers, represented approximately 89 percent, 87 percent, and 88 percent, of our sales, respectively. For fiscal years 2016, 2015, and 2014, we had one end customer, Apple, Inc., who purchased through multiple contract manufacturers and represented approximately 66 percent, 72 percent, and 80 percent, of the Company's total sales, respectively. Samsung Electronics represented approximately 15 percent of the Company's total sales for fiscal year 2016. No other customer or distributor represented more than 10 percent of net sales in fiscal years 2016, 2015, or 2014.

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Manufacturing

As a fabless semiconductor company, we contract with third parties for wafer fabrication and product assembly and test. We use a variety of foundries in the production of wafers including Taiwan Semiconductor Manufacturing Company, Limited, MagnaChip Semiconductor Corporation and GLOBALFOUNDRIES. The Company's primary assembly and test houses include Advanced Semiconductor Engineering, Inc., Amkor Technology Inc., Nepes Corporation, Siliconware Precision Industries Co., Ltd. and STATS ChipPAC Pte. Ltd. Our outsourced manufacturing strategy allows us to concentrate on our design strengths and minimize fixed costs and capital expenditures while giving us access to advanced manufacturing facilities. It also provides the flexibility to source multiple leading-edge technologies through strategic relationships. After wafer fabrication by the foundry, third-party assembly vendors package the wafer die. The finished products are then tested before shipment to our customers. While we do have some redundancy of fabrication processes by using multiple outside foundries, any interruption of supply by one or more of these foundries could materially impact the Company. As a result, we maintain some amount of business interruption insurance to help reduce the risk of wafer supply interruption, but we are not fully insured against such risk. Our supply chain management organization is responsible for the management of all aspects of the manufacturing, assembly, and testing of our products, including process and package development, test program development, and production testing of products in accordance with our ISO-certified quality management system.

Although our products are made from basic materials (principally silicon, metals and plastics), all of which are available from a number of suppliers, capacity at wafer foundries sometimes becomes constrained. The limited availability of certain materials may impact our suppliers ability to meet our demand needs or impact the price we are charged. The prices of certain other basic materials, such as metals, gases and chemicals used in the production of circuits can increase as demand grows for these basic commodities. In most cases, we do not procure these materials ourselves; nevertheless, we are reliant on such materials for producing our products because our outside foundry and package and test subcontractors must procure them. To help mitigate risks associated with constrained capacity, we use multiple foundries, assembly and test sources.

Patents, Licenses and Trademarks

We rely on patent, copyright, trademark, and trade secret laws to protect our intellectual property, products, and technology. As of March 26, 2016, we held approximately 2,240 pending and issued patents worldwide, which include approximately 1,020 granted U.S. patents, 230 U.S. pending patent applications and various international patents and applications. Our U.S. patents expire in calendar years 2016 through 2033. While our patents are an important element of our success, our business as a whole is not dependent on any one patent or group of patents. We do not anticipate any material effect on our business due to any patents expiring in 2016, and we continue to obtain new patents through our ongoing research and development.

We have maintained U.S. federal trademark registrations for CIRRUS LOGIC, CIRRUS, Cirrus Logic logo designs, WOLFSON, CRYSTAL, and SoundClear, among others. These U.S. registrations may be renewed as long as the marks continue to be used in interstate commerce. We have also filed or obtained foreign registration for these marks in other countries or jurisdictions where we conduct, or anticipate conducting, international business. To complement our own research and development efforts, we have also licensed and expect to continue to license, a variety of intellectual property and technologies important to our business from third parties.

Segments

We determine our operating segments in accordance with Financial Accounting Standards Board (FASB) guidelines. Our Chief Executive Officer (CEO) has been identified as the chief operating decision maker as defined by these guidelines.

The Company operates and tracks its results in one reportable segment, but reports revenue performance in two product lines: 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.

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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 discrete financial information maintained for these product lines. For fiscal years 2016, 2015, and 2014, Portable Audio product sales were \$989.1 million, \$740.3 million, and \$562.7 million, respectively. For fiscal years 2016, 2015, and 2014, Non-Portable Audio and Other product sales were \$180.2 million, \$176.3 million, and \$151.6 million, respectively.

See Note 17 Segment Information, of the Notes to Consolidated Financial Statements contained in Item 8 for further details including sales and property, plant and equipment, net, by geographic locations.

Research and Development

We concentrate our research and development efforts on the design and development of new products for each of our principal markets. We also fund certain advanced-process technology development, as well as other emerging product opportunities. Expenditures for research and development in fiscal years 2016, 2015, and 2014 were \$269.2 million, \$197.9 million, and \$126.2 million, respectively. Our future success is highly dependent upon our ability to develop complex new products, transfer new products to volume production, introduce them into the marketplace in a timely fashion, and have them selected for design into products of systems manufacturers. Our future success may also depend on assisting our customers with integration of our components into their new products, including providing support from the concept stage through design, launch and production ramp.

Competition

Markets for our products are highly competitive and we expect that competition will continue to increase. Our ability to compete effectively and to expand our business will depend on our ability to continue to recruit key engineering talent, execute on new product developments, partner with customers to include these new products into their applications, and provide cost efficient versions of existing products. We compete with other semiconductor suppliers that offer standard semiconductors, application-specific standard products and fully customized ICs, including embedded software, chip and board-level products.

While no single company competes with us in all of our product lines, we face significant competition in all markets where our products are available. Within Portable Audio, Cirrus Logic is the leading IC supplier with the complete end-to-end solution from capture to playback including amplifiers, codecs, DSP and MEMS microphones. We expect to face additional competition from new entrants in our markets, which may include both large domestic and international IC manufacturers and smaller, emerging companies. Our primary competitors include, but are not limited to AAC Technologies, AKM Semiconductor Inc., Analog Devices Inc., Austriamicrosystems AG, DSP Group, ESS Technology, Inc., GoerTek Inc., InvenSense, Inc., Knowles Corporation, Maxim Integrated Products Inc., NXP Semiconductors N.V., Qualcomm Incorporated, Realtek Semiconductor Corporation, ST Microelectronics N.V., and Texas Instruments, Inc.

The principal competitive factors in our markets include: time to market; quality of hardware/software design and end-market systems expertise; price; product performance, features, quality and compatibility with standards; access to advanced process and packaging technologies at competitive prices; and sales and technical support, which includes assisting our customers with integration of our components into their new products and providing support from the concept stage through design, launch and production ramp.

Product life cycles may vary greatly by product category. For example, many portable audio devices have shorter design-in cycles; therefore, our competitors have increasingly frequent opportunities to achieve design wins in next-generation systems. Conversely, this also provides us frequent opportunities to displace competitors in products that have previously not utilized our design. The non-portable audio and other markets typically have longer life cycles, which provide continued revenue streams over longer periods of time.

Backlog

Sales are made primarily pursuant to short-term purchase orders for delivery of products. The quantity actually ordered by the customer, as well as the shipment schedules, are frequently revised, without significant

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penalty, to reflect changes in the customer's needs. The majority of our backlog is typically requested for delivery within six months. In markets where the end system life cycles are relatively short, customers typically request delivery in six to twelve weeks. We believe a backlog analysis at any given time gives little indication of our future business except on a short-term basis, principally within the next 60 days.

We utilize backlog as an indicator to assist us in production planning. However, backlog is influenced by several factors including market demand, pricing, and customer order patterns in reaction to product lead times. Quantities actually purchased by customers, as well as prices, are subject to variations between booking and delivery because of changes in customer needs or industry conditions. As a result, we believe that our backlog at any given time is an incomplete indicator of future sales.

Employees

As of March 26, 2016, we had 1,291 full-time employees, an increase of 187 employees, or 17 percent, from the end of fiscal year 2015. The increase was primarily due to expanding our bandwidth in the area of research and development. Of our full-time employees, 68 percent were engaged in research and product development activities, 25 percent in sales, marketing, general and administrative activities, and 7 percent in manufacturing-related activities. Our future success depends, in part, on our ability to continue to attract, retain and motivate highly qualified technical, marketing, engineering, and administrative personnel.

We have never had a work stoppage and the majority of our employees are not represented by collective bargaining agreements. We consider our employee relations to be good.

Forward Looking Statements

This Annual Report on Form 10-K 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. All statements included or incorporated by reference in this Annual Report on Form 10-K, other than statements that are purely historical, are forward-looking statements. In some cases, forward-looking statements are identified by words such as expect, anticipate, target, project, believe, goals, estimates, and intend. Variations of these types of words and similar expressions are intended to identify these forward-looking statements. 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. Among the important factors that could cause actual results to differ materially from those indicated by our forward-looking statements are those discussed in *Item 1A. Risk Factors* and elsewhere in this report, as well as in the documents filed by us with the SEC, specifically the most recent reports on Form 10-Q and 8-K, each as it may be amended from time to time.

We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K, and we undertake no obligation to update this information to reflect events or circumstances after the filing of this report with the SEC, except as required by law. All forward-looking statements, expressed or implied, included in this Annual Report on Form 10-K and attributable to Cirrus Logic are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we may make or persons acting on our behalf may issue. We undertake no obligation to revise or update publicly any forward-looking statement for any reason.

ITEM 1A. Risk Factors

Our business faces significant risks. The risk factors set forth below may not be the only risks that we face and there is a risk that we may have failed to identify all possible risk factors. Additional risks that we are not aware of yet or that currently are not significant may adversely affect our business operations. You should read the following cautionary statements in conjunction with the factors discussed elsewhere in this and other Cirrus

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Logic filings with the SEC. These cautionary statements are intended to highlight certain factors that may affect the financial condition and results of operations of Cirrus Logic and are not meant to be an exhaustive discussion of risks that apply to companies such as ours.

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 twelve-month periods ending March 26, 2016 and March 28, 2015, our ten largest end customers represented approximately 89 percent and 87 percent of our sales, respectively. For the twelve-month periods ending March 26, 2016 and March 28, 2015, we had one end customer, Apple Inc., who purchased through multiple contract manufacturers and represented approximately 66 percent and 72 percent of the Company's total sales, respectively. Samsung Electronics represented approximately 15 percent of the Company's total sales for fiscal year 2016.

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

- i most of our customers can stop incorporating our products into their own products with limited notice to us and suffer little or no penalty;
- i our agreements with our customers typically do not require them to purchase a minimum quantity of our products;
- i 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;
- i many of our customers have sufficient resources to internally develop technology solutions and semiconductor components that could replace the products that we currently supply in our customers' end products;
- i our customers face intense competition from other manufacturers that do not use our products; and
- i 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 either obtain or dual source components from other suppliers.

In addition, our dependence on a limited number of key customers may make it easier for them to pressure us on price reductions. We have experienced pricing pressure from certain key customers and we expect that the average selling prices for certain of our products will decline from time to time, potentially 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 technology 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.

We frequently develop our products for the specific system architecture of our customers' end products. If our customers were to change system architectures or incorporate some of the features of our products into other parts of the system, we risk the potential loss of revenue and reduced average selling prices.

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Our customers, particularly in the portable audio market, could potentially transition to different audio architectures, develop their own competing technologies and integrated circuits, or integrate the functionality that

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our integrated circuits and software have historically provided into other components in their audio systems. If our customers were to transition to these different system architectures, our results of operations could be adversely affected by the elimination of the need for our current technology and products, resulting in reduced average selling prices for our components and loss of revenue.

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 increases the risk of an investment in our company. If we cannot diversify our customer and revenue opportunities, our financial condition and results of operations could deteriorate.

We have entered into joint development agreements, custom product arrangements, and strategic relationships with some of our largest customers. These arrangements subject us to a number of risks, and any failure to execute on any of these arrangements could have a material adverse effect on our business, results of operations, and financial condition.

We have entered into joint development, product collaboration and technology licensing arrangements with some of our largest customers, and we expect to enter into new strategic arrangements of these kinds from time to time in the future. Such arrangements can magnify several risks for us, including loss of control over the development and development timeline of jointly developed products, risks associated with the ownership of the intellectual property that is developed pursuant to such arrangements, and increased risk that our joint development activities may result in products that are not commercially successful or that are not available in a timely fashion. In addition, any third party with whom we enter into a joint development, product collaboration or technology licensing arrangement may fail to commit sufficient resources to the project, change its policies or priorities or abandon or fail to perform its obligations related to such arrangement. In addition, we may from time to time enter into customer product arrangements that provide for exclusivity periods during which we may only sell specified products or technologies to that particular customer. Any failure to timely develop commercially successful products through our joint development activities as a result of any of these and other challenges could have a material adverse effect on our business, results of operations, and financial condition.

Our failure to develop and ramp new products into production in a timely manner could harm our operating results.

Our success depends upon our ability to develop new products for new and existing customers, and to introduce these products in a timely and cost-effective manner. New product introductions involve significant investment of resources and potential risks. Delays in new product introductions or less-than-anticipated market acceptance of our new products are possible and would have an adverse effect on our sales and earnings. The development of new products is highly complex and, from time-to-time, we have experienced delays in developing and introducing these new products. Successful product development and introduction depend on a number of factors including, but not limited to:

- i proper new product definition;
- i timely completion of design and testing of new products;
- i assisting our customers with integration of our components into their new products, including providing support from the concept stage through design, launch and production ramp;
- i successfully developing and implementing the software necessary to integrate our products into our customers' products;
- i achievement of acceptable manufacturing yields;

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- availability of wafer fabrication, assembly, and test capacity; and

- market acceptance of our products and the products of our customers.

Both sales and/or margins may be materially affected if new product introductions are delayed, or if our products are not designed into successive generations of new or existing customers' products. Our failure to develop and introduce new products successfully could harm our business and operating results.

In addition, difficulties associated with adapting our technology and product design to the proprietary process technology and design rules of outside foundries can lead to reduced yields of our products. Since low yields may result from either design or process technology failures, yield problems may not be effectively determined or resolved until an actual product exists that can be analyzed and tested to identify process sensitivities relating to the design rules that are used. As a result, yield problems may not be identified until well into the production process, and resolution of yield problems may require cooperation between our manufacturer and us. This risk could be compounded by the offshore location of certain of our manufacturers, increasing the effort and time required to identify, communicate and resolve manufacturing yield problems. Manufacturing defects that we do not discover during the manufacturing or testing process may lead to costly product recalls. These risks may lead to increased costs or delayed product delivery, which would harm our profitability and customer relationships.

We are subject to risks relating to product concentration.

We derive a substantial portion of our revenues from a limited number of products, and we expect these products to represent a large percentage of our revenues in the near term. Customer acceptance of these products is critical to our future success. Our business, operating results, financial condition and cash flows could therefore be adversely affected by:

- a decline in demand for any of our more significant products;
- a decline in the average selling prices of our more significant products;
- failure of our products to achieve continued market acceptance;
- competitive products;
- new technological standards or changes to existing standards that we are unable to address with our products;
- manufacturing or supply issues that prevent us from meeting our customers' demand for these products;
- a failure to release new products or enhanced versions of our existing products on a timely basis; and
- the failure of our new products to achieve market acceptance.

In general, our customers may cancel or reschedule orders on short notice without incurring significant penalties; therefore, our sales and operating results in any quarter are difficult to forecast.

In general, we rely on customers issuing purchase orders to buy our products rather than long-term supply contracts. Customers may cancel or reschedule orders on short notice without incurring significant penalties. Therefore, cancellations, reductions, or delays of orders from any significant customer could have a material adverse effect on our business, financial condition, and results of operations.

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In addition, a significant portion of our sales and earnings in any quarter depends upon customer orders for our products that we receive and fulfill in that quarter. Because our expense levels are based in part on our expectations as to future revenue and to a large extent are fixed in the short term, we likely will be unable to adjust spending on a timely basis to compensate for any unexpected shortfall in sales or reductions in average selling prices. Accordingly, any significant shortfall of sales in relation to our expectations could hurt our operating results.

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Strong competition in the semiconductor market may harm our business.

The IC industry is intensely competitive and is frequently characterized by rapid technological change, price erosion, technological obsolescence, and a push towards IC component integration. Because of shortened product life cycles and even shorter design-in cycles in a number of the markets that we serve, our competitors have increasingly frequent opportunities to achieve design wins in next-generation systems. In the event that competitors succeed in supplanting our products, our market share may not be sustainable and our net sales, gross margin and operating results would be adversely affected.

We compete in a number of markets. Our principal competitors in these markets include AAC Technologies, AKM Semiconductor Inc., Analog Devices Inc., Austriamicrosystems AG, DSP Group, ESS Technology, Inc., GoerTek Inc., InvenSense, Inc., Knowles Corporation, Maxim Integrated Products Inc., NXP Semiconductors N.V., Qualcomm Incorporated, Realtek Semiconductor Corporation, ST Microelectronics N.V., and Texas Instruments, Inc. Many of these competitors have greater financial, engineering, manufacturing, marketing, technical, distribution, and other resources; broader product lines; broader intellectual property portfolios; and longer relationships with customers. We also expect intensified competition from emerging companies and from customers who develop their own IC products. In addition, some of our current and future competitors maintain their own fabrication facilities, which could benefit them in connection with cost, capacity, and technical issues.

Increased competition could adversely affect our business. We cannot provide assurances that we will be able to compete successfully in the future or that competitive pressures will not adversely affect our financial condition and results of operations. Competitive pressures could reduce market acceptance of our products and result in price reductions and increases in expenses that could adversely affect our business and our financial condition. In particular, we have seen increased pricing pressures in the portable audio market, which will likely impact revenues and gross margins in the future.

Our debt obligations may be a burden on our future cash flows and cash resources.

On August 29, 2014, we entered into a credit agreement (the "Credit Agreement"), which provides for a \$250 million senior secured revolving credit facility. As of March 26, 2016, the Company had an outstanding balance of \$160.4 million under the facility. The credit facility matures on August 29, 2017. Our ability to repay the principal of, to pay interest on or to refinance our indebtedness, depends on our future performance, which is subject to economic, financial, competitive, regulatory and other factors, some of which are beyond our control. Our business may not generate cash flow from operations in the future sufficient to satisfy our obligations or to make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, or refinancing or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance the indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on the Credit Agreement.

Our Credit Agreement contains restrictions that limit our flexibility in operating our business.

Our Credit Agreement contains various covenants that limit our ability to engage in specified types of transactions. These covenants limit our ability to, among other things:

- i pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments;
- i incur additional indebtedness or issue certain preferred shares;
- i make certain investments;
- i sell certain assets;
- i create liens;

- i consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and
- i enter into certain transactions with our affiliates.

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A breach of any of these covenants could result in a default under Credit Agreement. In the event of a default under the Credit Agreement, the lenders could elect to declare all amounts outstanding to be immediately due and payable. If our lenders accelerate the repayment of borrowings, we may not be able to repay our debt obligations. If we were unable to repay amounts due to the lenders under our credit facility, those lenders could proceed against the collateral granted to them to secure that indebtedness.

Our sales could be materially impacted by the failure of other component suppliers to deliver required parts needed in the final assembly of our customers' end products.

The products we supply our customers are typically a portion of the many components provided from multiple suppliers in order to complete the final assembly of an end product. If one or more of these other component suppliers are unable to deliver their required component(s) in order for the final end product to be assembled, our customers may delay, or ultimately cancel, their orders from us.

We continue to invest in research and development efforts for several new markets. If we are unable to commercialize these technologies, our future results and profits could be affected.

Our investments into new markets subjects us to additional risks. We may have limited or no experience in these markets, and our customers may not adopt our new offerings. These new offerings may present new and difficult challenges, including risks related to technology, customers, competitors, product cycles, customer demand, terms and conditions and other industry specific issues which could negatively affect our operating results.

We have recently increased our investment in our MEMS microphone business. We have limited experience in this market, which leads to a number of risks, including risks related to technology, customers, competition, and other industry specific issues. We may not be successful in this market, which could result in reduced overall operating margins.

We are currently increasing our investment in our MEMS microphone business. This is a competitive market with historically lower gross margins than our existing businesses. Our investment in new markets in which we have limited or no experience increases risks related to technology, customers, competitors, and other industry specific issues. Further, there can be no assurance that we will generate the expected returns and other projected results we anticipate. For example, we may incur costs in excess of what we anticipate and the product line may generate lower gross margins than our existing businesses, which may reduce our overall operating margins.

We may acquire other companies or technologies, which may create additional risks associated with our ability to successfully integrate them into our business.

We continue to consider future acquisitions of other companies, or their technologies or products, to improve our market position, broaden our technological capabilities, and expand our product offerings. If we are able to acquire companies, products or technologies that would enhance our business, we could experience difficulties in integrating them. Integrating acquired businesses involves a number of risks, including, but not limited to:

- i the potential disruption of our ongoing business;
- i unexpected costs or incurring unknown liabilities;
- i the diversion of management resources from other strategic and operational issues;
- i the inability to retain the employees of the acquired businesses;
- i difficulties relating to integrating the operations and personnel of the acquired businesses;

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- i adverse effects on our existing customer relationships or the existing customer relationships of acquired businesses;
- i the potential incompatibility of the acquired business or their business customers;

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- ; adverse effects associated with entering into markets and acquiring technologies in areas in which we have little experience; and
- ; acquired intangible assets becoming impaired as a result of technological advancements or worse-than-expected performance of the acquired business.

If we are unable to successfully address any of these risks, our business could be harmed.

We are dependent on third-party manufacturing and supply relationships for the majority of our products. Our reliance on third-party foundries and suppliers involves certain risks that may result in increased costs, delays in meeting our customers' demand, and loss of revenue.

We do not own or operate a semiconductor fabrication facility and do not have the resources to manufacture the majority of our products internally. We use third parties to manufacture, assemble, package and test the vast majority of our products. As a result, we are subject to risks associated with these third parties, including:

- ; insufficient capacity available to meet our demand;
- ; inadequate manufacturing yields and excessive costs;
- ; inability of these third parties to obtain an adequate supply of raw materials;
- ; difficulties selecting and integrating new subcontractors;
- ; limited warranties on products supplied to us;
- ; potential increases in prices; and
- ; increased exposure to potential misappropriation of our intellectual property.

Our outside foundries and assembly and test suppliers generally manufacture our products on a purchase order basis, and we have few long-term supply arrangements with these suppliers. Therefore, our third-party manufacturers and suppliers are not obligated to supply us with products for any specific period of time, quantity, or price, except as may be provided in any particular purchase order or in relation to an existing supply agreement. A manufacturing or supply disruption experienced by one or more of our outside suppliers or a disruption of our relationship with an outside foundry could negatively impact the production of certain of our products for a substantial period of time.

In addition, difficulties associated with adapting our technology and product design to the proprietary process technology and design rules of outside foundries can lead to reduced yields of our products. Since low yields may result from either design or process technology failures, yield problems may not be effectively determined or resolved until an actual product exists that can be analyzed and tested to identify process sensitivities relating to the design rules that are used. As a result, yield problems may not be identified until well into the production process, and resolution of yield problems may require cooperation between our manufacturer and us. This risk could be compounded by the offshore location of certain of our manufacturers, increasing the effort and time required to identify, communicate and resolve manufacturing yield problems. Manufacturing defects that we do not discover during the manufacturing or testing process may lead to costly product recalls. These risks may lead to increased costs or delayed product delivery, which would harm our profitability and customer relationships.

In some cases, our requirements may represent a small portion of the total production of the third-party suppliers. As a result, we are subject to the risk that a producer will cease production of an older or lower-volume process that it uses to produce our parts. We cannot provide any assurance that our external foundries will continue to devote resources to the production of parts for our products or continue to advance the

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process design technologies on which the manufacturing of our products are based. Each of these events could increase our costs, lower our gross margin, and cause us to hold more inventories, or materially impact our ability to deliver our products on time.

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Our products are complex and could contain defects, which could result in material costs to us.

Product development in the markets we serve is becoming more focused on the integration of multiple functions on individual devices. There is a general trend towards increasingly complex products. The greater integration of functions and complexity of operations of our products increases the risk that we or our customers or end users could discover latent defects or subtle faults after volumes of product have been shipped. Quality and reliability issues could result in material costs and other adverse consequences to us, including, but not limited to:

- i reduced margins;
- i damage to our reputation;
- i a material recall and replacement costs for product warranty and support;
- i payments to our customers related to recall claims, or the delivery of product replacements as part of a recall claim, as a result of various industry or business practices, contractual requirements, or in order to maintain good customer relationships;
- i an adverse impact to our customer relationships by the occurrence of significant defects;
- i a delay in recognition or loss of revenues, loss of market share, or failure to achieve market acceptance;
- i writing off or reserving the value of inventory of such products; and
- i a diversion of the attention of our engineering personnel from our product development efforts.

In addition, any defects or other problems with our products could result in financial losses or other damages to our customers who could seek damages from us for their losses. A product liability or warranty claim brought against us, even if unsuccessful, would likely be time consuming and costly to defend. In particular, the sale of systems and components that are incorporated into certain applications for the automotive industry involves a high degree of risk that such claims may be made.

While we believe that we are reasonably insured against some of these risks and that we have attempted to contractually limit our financial exposure with many of our customers, a warranty or product liability claim against us in excess of our available insurance coverage and established reserves, or a requirement that we participate in a customer product recall, could have material adverse effects on our business, results of operations, and financial condition.

Because we depend on subcontractors internationally to perform key manufacturing functions for us, we are subject to political, economic, and natural disaster risks that could disrupt the fabrication, assembly, packaging, or testing of our products.

We depend on third-party subcontractors, primarily in Asia, for the fabrication, assembly, packaging, and testing of most of our products. International operations may be subject to a variety of risks, including political instability, global health conditions, currency controls, exchange rate fluctuations, changes in import/export regulations, tariff and freight rates, as well as the risks of natural disasters such as earthquakes, tsunamis, and floods. Although we seek to reduce our dependence on any one subcontractor, this concentration of subcontractors and manufacturing operations in Asia subjects us to the risks of conducting business internationally, including associated political and economic conditions. If we experience manufacturing problems at a particular location, or a supplier is unable to continue operating due to financial difficulties, natural disasters, or other reasons, we would be required to transfer manufacturing to a backup supplier. Converting or transferring manufacturing from a primary supplier to a backup facility could be expensive and time consuming. As a result, delays in our production or shipping by the parties to whom we outsource these functions could reduce our sales, damage our customer relationships, and damage our

reputation in the marketplace, any of which could harm our business, results of operations, and financial condition.

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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 the 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 reductions in prices or sales shortfalls. Because of these factors, we may experience material adverse fluctuations in our future operating results on a quarterly or annual basis.

As we carry only limited insurance coverage, uninsured or under-insured losses could adversely affect our financial condition and results of operations.

Our insurance policies may not be adequate to fully offset losses from covered incidents, and we do not have coverage for certain losses. For example, there is limited coverage available with respect to the services provided by our third party foundries and assembly and test subcontractors. Although we believe that our existing insurance coverage is consistent with common practices of companies in our industry, our insurance coverage may be inadequate to protect us against product recalls, natural disasters, and other unforeseen catastrophes that could adversely affect our financial condition and results of operations.

Shifts in industry-wide capacity and our practice of ordering and purchasing our products based on sales forecasts may result in significant fluctuations in inventory and our quarterly and annual operating results.

We rely on independent foundries and assembly and test houses to manufacture our products. Our reliance on these third party suppliers involves certain risks and uncertainties. For example, shifts in industry-wide capacity from shortages to oversupply, or from oversupply to shortages, may result in significant fluctuations in our quarterly and annual operating results. In addition, we may order wafers and build inventory in advance of receiving purchase orders from our customers. Because our industry is highly cyclical and is subject to significant downturns resulting from excess capacity, overproduction, reduced demand, order cancellations, or technological obsolescence, there is a risk that we will forecast inaccurately and produce excess inventories of particular products. In addition, if we experience supply constraints or manufacturing problems at a particular supplier, we could be required to switch suppliers or qualify additional suppliers. Switching and/or qualifying additional suppliers could be an expensive process and take as long as six to twelve months to complete, which could result in material adverse fluctuations to our operating results.

We generally order our products through non-cancelable purchase orders from third-party foundries based on our sales forecasts, and our customers can generally cancel or reschedule orders they place with us without significant penalties. If we do not receive orders as anticipated by our forecasts, or our customers cancel orders that are placed, we may experience increased inventory levels.

Due to the product manufacturing cycle characteristic of IC manufacturing and the inherent imprecision in the accuracy of our customers forecasts, product inventories may not always correspond to product demand, leading to shortages or surpluses of certain products. As a result of such inventory imbalances, future inventory write-downs and charges to gross margin may occur due to lower of cost or market accounting, excess inventory, and inventory obsolescence.

We may experience difficulties transitioning to advanced manufacturing process technologies, which could materially adversely affect our results.

Our future success depends in part on our ability to transition our current development and production efforts to advanced manufacturing process technologies on circuit geometries of 55 nano-meter and smaller. To the extent that we do not timely transition to smaller geometries, experience difficulties in shifting to smaller geometries, or have significant quality or reliability issues at these smaller geometries, our results could be materially adversely affected.

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We have historically experienced fluctuations in our operating results and expect these fluctuations to continue in future periods.

Our quarterly and annual operating results are affected by a wide variety of factors that could materially and adversely affect our net sales, gross margin, and operating results. If our operating results fall below expectations of market analysts or investors, the market price of our common stock could decrease significantly. We are subject to business cycles and it is difficult to predict the timing, length, or volatility of these cycles. These business cycles may create pressure on our sales, gross margin, and/or operating results.

Factors that could cause fluctuations and materially and adversely affect our net sales, gross margin and/or operating results include, but are not limited to:

- i the volume and timing of orders received;
- i changes in the mix of our products sold;
- i market acceptance of our products and the products of our customers;
- i excess or obsolete inventory;
- i pricing pressures from competitors and key customers;
- i our ability to introduce new products on a timely basis;
- i the timing and extent of our research and development expenses;
- i the failure to anticipate changing customer product requirements;
- i disruption in the supply of wafers, assembly, or test services;
- i reduction of manufacturing yields;
- i certain production and other risks associated with using independent manufacturers, assembly houses, and testers;
- i increases in our effective tax rate; and
- i product obsolescence, price erosion, competitive developments, and other competitive factors.

We have significant international sales, and risks associated with these sales could harm our operating results.

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International sales represented 93 percent of our net sales in fiscal year 2016, 95 percent of our net sales in fiscal year 2015, and 94 percent of our net sales in fiscal year 2014. We expect international sales to continue to represent a significant portion of product sales. This reliance on international sales subjects us to the risks of conducting business internationally, including risks associated with political and economic instability, global health conditions, currency controls, exchange rate fluctuations and changes in import/export regulations, tariff and freight rates, as well as the risks of natural disasters, especially in Asia. For example, the political or economic instability in a given region may have an adverse impact on the financial position of end users in the region, which could affect future orders and harm our results of operations. Our international sales operations involve a number of other risks including, but not limited to:

- i unexpected changes in government regulatory requirements;

- i tax regulations and treaties and potential changes in regulations and treaties in the United States and in and between countries in which we manufacture or sell our products;

- i fluctuations in tax expense and net income due to differing statutory tax rates in various domestic and international jurisdictions;

- i changes to countries banking and credit requirements;

- i changes in diplomatic and trade relationships;

- i delays resulting from difficulties in obtaining export licenses for technology;

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- i tariffs and other barriers and restrictions;
- i competition with non-U.S. companies or other domestic companies entering the non-U.S. markets in which we operate;
- i longer sales and payment cycles;
- i problems in collecting accounts receivable; and
- i the burdens of complying with a variety of non-U.S. laws.

In addition, our competitive position may be affected by the exchange rate of the U.S. dollar against other currencies. Consequently, increases in the value of the dollar would increase the price in local currencies of our products in non-U.S. markets and make our products relatively more expensive. Alternatively, decreases in the value of the dollar will increase the relative cost of operations that are based overseas. We cannot provide assurances that regulatory, political and other factors will not adversely affect our operations in the future or require us to modify our current business practices.

After the acquisition of Wolfson Microelectronics (Wolfson) (the Acquisition), we began restructuring our corporate organization to more closely align with the international nature of our business activities. In addition to the primary operational benefits, we expect to achieve certain ancillary tax benefits as a result of our corporate restructuring. However, if we do not achieve those benefits, our financial condition and operating results could be adversely affected.

After the Acquisition and subsequent integration of Wolfson, we restructured our corporate organization to more closely align our corporate structure with the international nature of our business activities. We expect this corporate restructuring activity to provide certain operational benefits and to also reduce our overall effective tax rate through changes in how we develop, own and use our intellectual property and changes in the structure of our international procurement and sales operations. There can be no assurance that the taxing authorities of the jurisdictions in which we operate or in which we are otherwise deemed to be subject to tax will not challenge the tax benefits that we expect to realize as a result of the restructuring. In addition, future changes to U.S. or non-U.S. tax laws (including tax treaties) could negatively impact the anticipated tax benefits of the proposed restructuring. Any benefits to our tax rate will also depend on our ability to operate our business in a manner consistent with our restructured corporate organization and applicable taxing provisions. If the intended tax treatment is not accepted by the applicable taxing authorities, changes in tax laws negatively impact our new structure or we do not operate our business consistent with the restructuring and applicable tax provisions, we may fail to achieve the financial efficiencies that we anticipate as a result of the restructuring and our future operating results and financial condition may be negatively impacted.

We could be subject to changes in tax laws, the adoption of new U.S. or international tax legislation or exposure to additional tax liabilities.

We are subject to taxes in the U.S. and numerous foreign jurisdictions, including the United Kingdom, where a number of our subsidiaries are organized. Due to economic and political conditions, tax laws in various jurisdictions may be subject to significant change. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation, including in the U.S. and the United Kingdom. We are also subject to the examination of our tax returns and other tax matters by the Internal Revenue Service of the United States (the IRS) and other tax authorities and governmental bodies. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these examinations. If our effective tax rates were to increase, particularly in the U.S. or the United Kingdom, or if the ultimate determination of taxes owed is for an amount in excess of amounts previously accrued, our operating results, cash flows, and financial condition could be adversely affected.

Significant judgment is required in the calculation of our tax provision and the resulting tax liabilities. Our estimates of future taxable income and the regional mix of this income can change as new information becomes

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available. Any such changes in our estimates or assumptions can significantly impact our tax provision in a given period. In addition, failure to comply with complex tax accounting regulations could result in a restatement our financial statements. Restatements are generally costly and could adversely impact our results of operations or have a negative impact on the trading price of our common stock.

We hold cash and cash equivalents at various foreign subsidiaries that may not be readily available to meet domestic cash requirements.

We expect our various foreign subsidiaries, in particular subsidiaries in the United Kingdom, to increase holdings in cash and cash equivalents over time. Any cash balances held outside the United States may not be readily available, or may not be available without an additional tax burden, to meet our domestic cash requirements. We require a substantial amount of cash in the United States for operating requirements, purchases of property and equipment, debt service, returning capital to investors, and potentially for future acquisitions. If we are unable to meet our domestic cash requirements using domestic cash flows from operations, domestic cash and cash equivalents, by settling loans receivable with our foreign subsidiaries, or by domestic borrowing, it may be necessary for us to consider repatriation of earnings that we have designated as indefinitely reinvested. This may require us to record additional income tax expense and remit additional taxes, which could have a material effect on our results of operations, cash flows and financial condition.

Our international operations subject our business to additional political and economic risks that could have an adverse impact on our business.

In addition to international sales constituting a large portion of our net sales, we maintain international operations, sales, and technical support personnel. International expansion has required, and will continue to require, significant management attention and resources. There are risks inherent in expanding our presence into non-U.S. regions, including, but not limited to:

- i difficulties in staffing and managing non-U.S. operations;
- i failure in non-U.S. regions to adequately protect our intellectual property, patent, trademarks, copyrights, know-how, and other proprietary rights;
- i global health conditions and potential natural disasters;
- i political and economic instability in international regions;
- i international currency controls and exchange rate fluctuations;
- i vulnerability to terrorist groups targeting American interests abroad; and
- i legal uncertainty regarding liability and compliance with non-U.S. laws and regulatory requirements.

If we are unable to successfully manage the demands of our international operations, it may have a material adverse effect on our business, financial condition, or results of operations.

We may be adversely impacted by global economic conditions. As a result, our financial results and the market price of our common shares may decline.

Global economic conditions could make it difficult for our customers, our suppliers, and us to accurately forecast and plan future business activities, and could cause global businesses to defer or reduce spending on our products, or increase the costs of manufacturing our products. During challenging economic times our customers and distributors may face issues gaining timely access to sufficient credit, which could impact their ability to make timely payments to us. If that were to occur, we may be required to increase our allowance for doubtful accounts and our

days sales outstanding would increase.

We cannot predict the timing, strength, or duration of any economic slowdown or subsequent economic recovery. If the economy or markets in which we operate were to deteriorate, our business, financial condition, and results of operations will likely be materially and/or adversely affected.

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Our foreign currency exposures may change over time as the level of activity in foreign markets grows and could have an adverse impact upon financial results.

As a global enterprise, we face exposure to adverse movements in foreign currency exchange rates. Certain of our assets, including certain bank accounts, exist in non-U.S. dollar-denominated currencies, which are sensitive to foreign currency exchange rate fluctuations. The non-U.S. dollar-denominated currencies are principally the British Pound Sterling. We also have a significant number of employees that are paid in foreign currency, the largest group being United Kingdom-based employees who are paid in British Pounds Sterling.

If the value of the U.S. dollar weakens relative to these specific currencies, the cost of doing business in terms of U.S. dollars rises. With the growth of our international business, our foreign currency exposures may grow and under certain circumstances, could harm our business.

We do not currently hedge currency exposures relating to operating expenses incurred outside of the United States, but we may do so in the future. If we do not hedge against these risks, or our attempts to hedge against these risks are not successful, our financial condition and results of operations could be adversely affected.

Our results may be affected by the fluctuation in sales in the consumer entertainment and smartphone markets.

Because we sell products primarily in the consumer entertainment and smartphone markets, we are likely to be affected by seasonality in the sales of our products and the cyclical nature of these markets. Further, a decline in consumer confidence and consumer spending relating to economic conditions, terrorist attacks, armed conflicts, oil prices, global health conditions, natural disasters, and/or the political stability of countries in which we operate or sell products could have a material adverse effect on our business.

We may be unable to protect our intellectual property rights.

Our success depends in part on our ability to obtain patents and to preserve our other intellectual property rights covering our products. We seek patent protection for those inventions and technologies for which we believe such protection is suitable and is likely to provide a competitive advantage to us. We also rely on trade secrets, proprietary technology, non-disclosure and other contractual terms, and technical measures to protect our technology and manufacturing knowledge. We actively work to foster continuing technological innovation to maintain and protect our competitive position. We cannot provide assurances that steps taken by us to protect our intellectual property will be adequate, that our competitors will not independently develop or design around our patents, or that our intellectual property will not be misappropriated. In addition, the laws of some non-U.S. countries may not protect our intellectual property as well as the laws of the United States.

Any of these events could materially and adversely affect our business, operating results, or financial condition. Policing infringement of our technology is difficult, and litigation may be necessary in the future to enforce our intellectual property rights. Any such litigation could be expensive, take significant time, and divert management's attention.

Potential intellectual property claims and litigation could subject us to significant liability for damages and could invalidate our proprietary rights.

The IC industry is characterized by frequent litigation regarding patent and other intellectual property rights. We may find it necessary to initiate lawsuits to assert our patent or other intellectual property rights. These legal proceedings could be expensive, take significant time, and divert management's attention. We cannot provide assurances that we will ultimately be successful in any lawsuit, nor can we provide assurances that any patent owned by us will not be invalidated, circumvented, or challenged. We cannot provide assurances that rights granted under our patents will provide competitive advantages to us, or that any of our pending or future patent applications will be issued with the scope of the claims sought by us, if at all.

As is typical in the IC industry, our customers and we have, from time to time, received and may in the future receive, communications from third parties asserting patents, mask work rights, or copyrights. In the event third parties were to make a valid intellectual property claim and a license was not available on commercially

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reasonable terms, our operating results could be harmed. Litigation, which could result in substantial cost to us and diversion of our management, technical and financial resources, may also be necessary to defend us against claimed infringement of the rights of others. An unfavorable outcome in any such litigation could have an adverse effect on our future operations and/or liquidity.

System security risks, data protection breaches, cyber-attacks and other related cyber security issues could disrupt our internal operations, and any such disruption could increase our expenses, damage our reputation and adversely affect our stock price.

Experienced computer programmers and hackers may be able to penetrate our security controls and misappropriate or compromise our confidential information or that of third parties, create system disruptions or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms and other malicious software programs that attack our websites, products or otherwise exploit any security vulnerabilities of our websites and products. The costs to us to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service and loss of existing or potential customers that may impede our sales, manufacturing, distribution or other critical functions.

We manage and store various proprietary information and sensitive or confidential data relating to our business. In addition, we manage and store a significant amount of proprietary and sensitive confidential information from our customers. Any breach of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us or our customers, including the potential loss or disclosure of such information or data as a result of fraud, trickery or other forms of deception, could result in litigation and potential liability for us, damage our brand and reputation or otherwise harm our business.

If we fail to attract, hire and retain qualified personnel, we may not be able to develop, market, or sell our products or successfully manage our business.

Competition for highly qualified personnel in our industry is intense. The number of technology companies in the geographic areas in which we operate is greater than it has been historically and we expect competition for qualified personnel to intensify. There are only a limited number of individuals in the job market with the requisite skills. Our Human Resources organization focuses significant efforts on attracting and retaining individuals in key technology positions. The loss of the services of key personnel or our inability to hire new personnel with the requisite skills could restrict our ability to develop new products or enhance existing products in a timely manner, sell products to our customers, or manage our business effectively.

If we fail to effectively manage our hiring needs and successfully assimilate new talent, our ability to meet development schedules, productivity, employee morale and retention could be impacted, resulting in an adverse effect on our business and operating results.

We continue to experience rapid growth in hiring new employees. As we continue to grow, we must effectively integrate, develop and motivate a large number of new employees, while at the same time not losing key personnel. While managing those risks, we still must sustain the beneficial aspects of our award-winning corporate culture, which we believe fosters innovation, teamwork and mitigates voluntary turnover.

We intend to make substantial investments to expand our engineering, research and development organizations. The challenges of integrating a rapidly growing employee base into our corporate culture are exacerbated by the tight product development schedules for our key customers. Therefore, if we fail to effectively manage our hiring needs and successfully assimilate new talent, our ability to meet development schedules, productivity, employee morale and retention could be impacted, resulting in an adverse effect on our business and operating results.

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We are subject to the export control regulations of the U.S. Department of State and the Department of Commerce. A violation of these export control regulations could have a material adverse effect on our business or our results of operations, cash flows, or financial position.

The nature of our international business subjects us to the export control regulations of the U.S. Department of State and the Department of Commerce. Violation of these export control regulations could result in monetary penalties and denial of export privileges. The U.S. government is very strict with respect to compliance and has served notice generally that failure to comply with these regulations may subject violators to fines and/or imprisonment. Although we are not aware of any material violation of any export control regulations, a failure to comply with any of these regulations could have a material adverse effect on our business.

Our stock price has been and is likely to continue to be volatile.

The market price of our common stock fluctuates significantly. This fluctuation has been or may be the result of numerous factors, including, but not limited to:

- i actual or anticipated fluctuations in our operating results;
- i announcements concerning our business or those of our competitors, customers, or suppliers;
- i loss of a significant customer, or customers;
- i changes in financial estimates by securities analysts or our failure to perform as anticipated by the analysts;
- i news, commentary, and rumors emanating from the media relating to our customers, the industry, or us. These reports may be unrelated to the actual operating performance of the Company, and in some cases, may be potentially misleading or incorrect;
- i announcements regarding technological innovations or new products by us or our competitors;
- i announcements by us of significant acquisitions, strategic partnerships, joint ventures, or capital commitments;
- i announcements by us of significant divestitures or sale of certain assets or intellectual property;
- i litigation arising out of a wide variety of matters, including, among others, employment matters and intellectual property matters;
- i departure of key personnel;
- i single significant stockholders selling for any reason;
- i general conditions in the IC industry; and

i general market conditions and interest rates.

We have provisions in our Certificate of Incorporation and Bylaws, and are subject to certain provisions of Delaware law, which could prevent, delay or impede a change of control of our company. These provisions could affect the market price of our stock.

Certain provisions of Delaware law and of our Certificate of Incorporation and Bylaws could make it more difficult for a third party to acquire us, even if our stockholders support the acquisition. These provisions include, but are not limited to:

i the inability of stockholders to call a special meeting of stockholders;

i a prohibition on stockholder action by written consent; and

i a requirement that stockholders provide advance notice of any stockholder nominations of directors or any proposal of new business to be considered at any meeting of stockholders.

We are also subject to the anti-takeover laws of Delaware that may prevent, delay or impede a third party from acquiring or merging with us, which may adversely affect the market price of our common stock.

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We are subject to the risks of owning real property.

We currently own our U.S. headquarters in Austin, Texas as well as an office in Edinburgh, Scotland, United Kingdom. The ownership of our U.S. and United Kingdom properties subjects us to the risks of owning real property, which may include:

- i the possibility of environmental contamination and the costs associated with correcting any environmental problems;
- i adverse changes in the value of these properties, due to interest rate changes, changes in the neighborhood in which the property is located, or other factors; and
- i the risk of financial loss in excess of amounts covered by insurance, or uninsured risks, such as the loss caused by damage to the buildings as a result of fire, floods, or other natural disasters.

ITEM 1B. *Unresolved Staff Comments*

None.

ITEM 2. *Properties*

As of May 1, 2016, our principal facilities are located in Austin, Texas and Edinburgh, Scotland, United Kingdom. The Austin facilities, which we own, consist of approximately 155,000 square feet of office space and are primarily occupied by research and development personnel and testing equipment. In addition, our failure analysis and reliability facility occupies approximately 27,000 square feet.

Additionally, we have various leased facilities in Austin, Texas, consisting of approximately 88,000 square feet. This includes approximately 59,000 square feet of leased space that houses a mixture of administrative personnel as well as research and development personnel.

In connection with our Acquisition on August 21, 2014, we indirectly acquired Wolfson's corporate headquarters located in Edinburgh, Scotland, United Kingdom. This building consists of approximately 50,000 square feet of office space and is primarily occupied by research and development personnel and testing equipment. We have entered into an agreement to lease approximately 70,000 square feet of new office space in Edinburgh. Upon completion of this new facility, expected to occur within the 2017 fiscal year, our Edinburgh employees will relocate to the new office space. The Company will evaluate our future needs related to the use of the previously-mentioned building.

Below is a detailed schedule that identifies our principal locations of occupied leased and owned property as of May 1, 2016, with various lease terms through calendar year 2026:

<u>Design Centers</u>	<u>Sales Support Offices International</u>
Austin, Texas	Hong Kong, China
Mesa, Arizona	Shanghai, China
Edinburgh, Scotland, United Kingdom	Shenzhen, China
Newbury, England, United Kingdom	Tokyo, Japan
London, England, United Kingdom	Singapore
Melbourne, Australia	Seoul, South Korea
Madrid, Spain	Taipei, Taiwan
Stockholm, Sweden	

See Note 12 Commitments and Contingencies of the Notes to Consolidated Financial Statements contained in Item 8 for further detail.

Table of Contents**ITEM 3. 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 to assess whether a loss is probable or there is a reasonable possibility that a loss or additional loss may have been incurred and to 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.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II**ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock is traded on the NASDAQ Global Select Market under the symbol CRUS.

As of May 20, 2016, there were approximately 528 holders of record of our common stock.

We have not paid cash dividends on our common stock and currently intend to continue a policy of retaining any earnings for reinvestment in our business, repayment of debt, potential acquisition, or share repurchases.

The information under the caption *Equity Compensation Plan Information* in the proxy statement to be delivered to stockholders in connection with our Annual Meeting of Stockholders to be held on July 26, 2016 (the *Proxy Statement*) is incorporated herein by reference.

The following table shows, for the periods indicated, the high and low intra-day sales prices for our common stock.

	High	Low
Fiscal year ended March 26, 2016		
First quarter	\$ 38.20	\$ 31.95
Second quarter	37.60	24.56
Third quarter	36.03	28.11
Fourth quarter	36.95	25.09
Fiscal year ended March 28, 2015		
First quarter	\$ 24.06	\$ 18.42
Second quarter	25.00	21.17
Third quarter	23.94	16.80
Fourth quarter	34.46	22.63

Table of Contents*Purchases of Equity Securities by the Issuer and Affiliated Purchasers*

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 March 26, 2016 (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)
December 27, 2015 - January 23, 2016		\$		\$
January 24, 2016 - February 20, 2016	667	31.95	667	191,216
February 21, 2016 - March 26, 2016				
Total	667	\$ 31.95	667	\$ 191,216

- (1) The Company currently has one active share repurchase program: the \$200 million share repurchase program authorized by the Board of Directors in October 2015. 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 \$21.3 million during the fourth 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 March 26, 2016.

Table of Contents*Stock Price Performance Graph*

The following graph and table show a comparison of the five-year cumulative total stockholder return, calculated on a dividend reinvestment basis, for Cirrus Logic, the Standard & Poor's 500 Composite Index (the "S&P 500 Index"), and the Semiconductor Subgroup of the Standard & Poor's Electronics Index (the "S&P 500 Semiconductors Index").

Comparison of 5 Year Cumulative Total Return

Assumes Initial Investment of \$100

March 2016

	3/26/2011	3/31/2012	3/30/2013	3/29/2014	3/28/2015	3/26/2016
Cirrus Logic, Inc.	100.00	112.48	107.51	92.25	157.33	162.90
S&P 500 Index	100.00	109.57	124.87	150.96	170.93	172.52
S&P 500 Semiconductors Index	100.00	115.04	103.99	133.82	169.37	170.63

(1) The graph assumes that \$100 was invested in our common stock and in each index at the market close on March 26, 2011, and that all dividends were reinvested. No cash dividends were declared on our common stock during the periods presented.

(2) Stockholder returns over the indicated period should not be considered indicative of future stockholder returns.

The information in this Annual Report on Form 10-K appearing under the heading "Stock Price Performance Graph" is being furnished pursuant to Item 201(e) of Regulation S-K under the Securities Act of 1933, as amended, and shall not be deemed to be soliciting material or filed with the Securities and Exchange Commission or subject to Regulation 14A or 14C, other than as provided in Item 201(e) of Regulation S-K, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

Table of Contents**ITEM 6. Selected Financial Data**

The information contained below should be read along with *Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Item 8 Financial Statements and Supplementary Data* (amounts in thousands, except per share amounts).

	Fiscal Years				
	2016	2015	2014	2013	2012
	(1)	(1)	(1)		
Net sales	\$ 1,169,251	\$ 916,568	\$ 714,338	\$ 809,786	\$ 426,843
Net income	123,630	55,178	108,111	136,598	87,983
Basic earnings per share	\$ 1.96	\$ 0.88	\$ 1.72	\$ 2.12	\$ 1.35
Diluted earnings per share	\$ 1.87	\$ 0.85	\$ 1.65	\$ 2.00	\$ 1.29
Financial position at year end:					
Cash, cash equivalents, restricted investments and marketable securities	250,006	260,719	384,510	236,547	184,788
Total assets	\$ 1,181,883	\$ 1,148,778	\$ 724,744	\$ 651,347	\$