

Q1 FY '08 Conference Call Script

OPERATOR:

Ladies and Gentlemen, thank you for standing by.

Welcome to the Cirrus Logic first quarter fiscal year 2008 financial results conference call. At this time, all participants are in a listen-only mode. Later, we will open up the call for your questions. Instructions for queuing up will be provided at that time.

As a reminder, this conference call is being recorded for replay purposes.

I would now like to turn the conference call over to Mr. Thurman Case, chief financial officer.

Mr. Case, you may begin.

THURMAN CASE

Thank you operator, and good afternoon. Joining me on today's call is Jason Rhode, Cirrus Logic's president and chief executive officer.

Before we begin, I would like to remind you that during the course of this conference call, we will make projections and other forward-looking statements regarding, among other things, our estimates for the second quarter fiscal year 2008 revenues, gross margin levels, combined R&D and SG&A expenses, stock compensation expense, as well as our estimates and assumptions regarding our future revenue growth and profitability. These statements are predictions that are subject to risks and uncertainties that may cause actual results to differ materially from our projections. By providing this information, we undertake no obligation to update or revise any projections or forward-looking statements, whether as a result of new developments or otherwise.

Please refer to our press release issued today, which is available on our Web site at www.cirrus.com, our latest Form 10-K for the fiscal year ending March 31, 2007, as well as our other filings made with the Securities and Exchange Commission, for additional discussion of risk factors that could cause actual results to differ materially from our current expectations.

I also want to mention before we proceed that all financial numbers are prepared in accordance with generally accepted accounting principles. We have provided detailed financial information on our Web site in the Investors section.

Before I recap financial highlights from the first quarter, I would like to note that we have modified how we will be reporting revenue. We will now report revenue in two product categories: Audio Products and Industrial Products. Previously, we reported revenue in three product categories: Mixed-Signal Audio, Industrial, and Embedded. The embedded products category included products that were sold into both audio and industrial applications. Audio related products previously reported within this category will now be reported under our new Audio Products category, while our ARM processor and communications product lines will now be reported within the Industrial Products category. We believe that providing financial information in these two categories provides you with a clearer picture toward our end markets and long-term opportunities. This reporting structure also aligns better with our internal product line structure.

(Net Sales)

Moving now to the financial results, net revenue in the June quarter was \$41.1 million, compared with \$43.6 million in the March quarter, and \$45.2 million in the June quarter one year ago. Revenue for our two product categories was as follows:

- Audio Products contributed \$22.5 million in the June quarter;
- while Industrial Products provided \$18.6 million in the quarter.

Historical revenue breakdowns are available on our website for this new product category reporting structure that we are discussing today.

We had no OEM customers representing more than 10 percent of revenue, and one distributor, Avnet, contributing 30 percent of revenue.

(Gross Margin)

Gross margin for the June quarter decreased slightly to 59.2%, compared with 60.2% in the March quarter and 60.1% in June quarter a year ago. This decrease in gross margin was driven primarily by a change in both customer and product mix.

(Combined R&D and SG&A Expenses)

Combined R&D and SG&A expense was \$23.9 million in the June quarter. This includes stock-based compensation expense of \$565,000 in R&D and \$925,000 in SG&A. This also includes approximately \$500,000 in expenses related to our recently concluded stock option review.

(Other P&L line items)

Interest income for the first fiscal quarter was \$3.5 million, up slightly from \$3.4 million in the previous quarter.

(Net Income)

Net income in the fiscal quarter was \$4.0 million, and earnings per share was \$0.04 based on 89.7 million diluted shares.

(Balance Sheet Accounts – Assets)

Turning now to the Balance Sheet --- total cash and marketable securities at the end of June increased to \$278 million from \$272 million at the end of the March quarter. Our total cash per diluted share increased to \$3.10 at the end of the June quarter.

We ended the June quarter with \$19.4 million in net receivables, compared with \$19.1 million at the end of the March quarter.

Inventory at the close of the June quarter was \$17.5 million, up 6 percent or \$1 million from \$16.5 million, at the end of the March quarter.

(Cash Flow Metrics)

Our capital expenditures were \$3.5 million in the June quarter, compared with \$400,000 in the March quarter, as we acquired certain Class D technology assets and intellectual property from Tripath Technologies. Depreciation and amortization expense in the June quarter totaled \$1.7 million, compared with \$1.8 million in the March quarter.

And now Jason will discuss our business operations and guidance for the upcoming quarter. Jason.

JASON RHODE

Thank you, Thurman. In many respects, the first quarter was a challenging quarter. However, we are beginning to see signs of long-term success as a result of our decision a few years ago to focus on high precision analog and digital signal processing products.

As we said last quarter, revenue for older products is declining at a faster rate than we've seen historically, which is impacting near-term overall company revenue.

However, design wins and backlog for newer products are growing, which indicates our strong position for long term growth, and I am confident that our plan is working.

(Industrial Products)

I'd like to now provide a brief update on our products, beginning with the Industrial Products category. These products include integrated circuits designed for a variety of utility metering, power management, precision measurement, energy exploration, and communications applications, as well as our line of ARM processors. Revenue from industrial products in the June quarter came in at \$18.6 million compared to \$19.1 million in the March quarter. As we had expected, revenue for our seismic products softened and we're anticipating continued weakness due to uncertain customer demand patterns. On the other hand, demand for our utility power meter products is something I am particularly excited about as we have made significant progress penetrating key customer accounts.

Last quarter we also introduced a new family of industrial precision measurement A/D converters that offers the best DNL performance in the industry. This product family demonstrates our ability to turn innovation into successful products that our customers value.

A recent highlight occurred yesterday, when we completed the acquisition of Apex Microtechnology. Apex, which is based in Tucson, is a proven innovator in high-precision high-power amplifiers used in a wide variety of applications in aerospace and industrial markets.

Apex has valuable experience in dealing with very challenging products that involve high voltages. Apex has a strong reputation and valued brand within its customer base. Longer-term, we see synergies to combine Apex's high-power, high-voltage knowledge with our signal processing and IC design capabilities to develop longer-term growth opportunities. Bottom line ... this is a great acquisition for Cirrus

Logic! It expands our expertise, gives us entry into new markets and customers and adds top-line revenue growth with strong margins.

This \$42 million acquisition represents a strategic use of our cash. I would like to note that we continue to evaluate opportunities to improve our capital structure. However, at this time we have no plans to announce additional acquisitions or a stock buyback.

Overall, I'm excited about the long-term growth prospects for industrial products.

(Audio)

Let me turn now to our Audio Products. Components in this category, including data converters, Class D amplification products, audio processors and interface circuits, and are used in a wide variety of consumer, professional and automotive audio applications. This product category contributed \$22.5 million of our June quarter revenue, down from \$24.5 million in the March quarter as revenue during the quarter was affected by slower demand for older products.

However, products in strategic markets that we have invested in, such as portable, are continuing to grow. In the portable market, we've achieved year-over-year growth as multiple tier 1 customers begin volume production during the September quarter. We have the opportunity to build and expand upon this initial success for future generations of new products with these same customers.

In digital TV, we continue to gain acceptance and traction for audio processors and mixed-signal components, with the opportunity for meaningful revenue contribution next year.

I'm also pleased with the increased backlog from products that serve the automotive market. We provide solutions for car audio amplifiers, head units and telematics systems. The automotive segment is a market in which we began investing heavily several years ago that is starting to pay off with multiple customers beginning volume production with new programs. Longer term, we believe it is a good market for Cirrus Logic as premium car audio becomes increasingly popular, driving long-term positive trends toward high-quality car audio products.

For audio products overall, our strategic investment in portable and automotive products has positioned us well for long term growth. In the September quarter, we expect audio products to return to revenue growth due to both seasonal factors and strong demand for our innovative products in multiple tier 1 accounts.

(Guidance)

Let me now discuss our guidance for the second quarter of fiscal year 2008, which includes the acquisition of Apex Microtechnology. Our overall expectations are as follows:

- Revenue is expected to range between \$46 million and \$51 million;
- Gross margin is expected to continue to be in the 58 percent to 60 percent range;
- R&D and SG&A expenses are expected to range between \$25 million and \$27 million, including the share-based compensation expense of approximately \$1.6 million.

The September quarter revenue guidance sees growth of 12 to 24 percent sequentially. I am pleased to see revenue growth from new products and new customers, particularly as reflected in the backlog for portable and automotive products.

Longer term we are in a good position as early acceptance of new products from key customers demonstrates that Cirrus Logic can achieve growth and capture market share from our competitors. Building on these successes, I am confident that our strategy is working and I feel that we are well-positioned for long-term growth.

We are now ready to take your questions. Operator...

(Q&A Session)

JASON RHODE

Thank you for all your questions and your interest in Cirrus Logic. I am excited about our prospects and our strategy to drive growth. I also wanted to note that we will be attending the Roth Capital Partners New York Conference on September 5th and 6th. If you are participating in the conference we hope to talk with you then. Thank you again for your interest in Cirrus Logic.