**Q2 FY 2010 Conference Call Script**

**OPERATOR:**

Ladies and Gentlemen, thank you for standing by.

Welcome to the Cirrus Logic second quarter fiscal year 2010 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, and good morning. 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, estimates for next quarter revenues, gross margin levels, combined R&D and SG&A expenses, amortization of acquired intangibles and share-based compensation expense, as well as other estimates and assumptions regarding future demand for products, and expected revenue and market share growth. These statements are predictions that are subject to risks and uncertainties that may cause actual results to differ materially from projections. By providing this information, the company undertakes no obligation to update or revise any projections or forward-looking statements, whether as a result of new developments or otherwise.

Please refer to the press release issued today, which is available on the Cirrus website, the latest Form 10-K and 10-Q, as well as other corporate filings made with the Securities and Exchange Commission, for additional discussion of risk factors that could cause actual results to differ materially from current expectations.

All financial numbers are prepared, unless noted, in accordance with generally accepted accounting principles.

A reconciliation of the non-GAAP financial information provided in today's call to the most directly comparable GAAP information is included in today's press release and on the company's web site in the Investors section. Non-GAAP financial information is not meant as a substitute for GAAP results, but is included because management believes such information is useful to investors for informational and comparative purposes. In addition, management uses certain non-GAAP financial information internally to evaluate and manage operations. As a note, the non-GAAP financial information the company uses may differ from that used by other companies. These non-GAAP measures should be considered in addition to, and not as a substitute for, the results prepared in accordance with GAAP.

I'd like to now discuss our results…

**(Net Sales)**

Net revenue in the September quarter was $55.7 million.

Audio Products contributed $41.3 million in revenue. This product group includes chips used in a variety of devices such as home theater systems, portable media players, smartphones, media-centric computers, and car audio amplifiers. As you see in the tables we issued with our press release today, sales of Audio Products grew 35% year-over-year, and are up sequentially 67% from the June quarter as we began ramping production for a number of new design wins associated with our portable products, and our multi-channel codecs.

Sales of Energy Products were $14.4 million. This product group includes chips designed for a variety of energy measurement and energy control applications. Revenue for our Energy Products was down 36% year-over-year, due mainly to a large decrease in sales of our energy exploration products from a year ago. However, sales in Energy Products were up sequentially 13% due to a broad increase across several product lines.

Historical revenue breakdowns by product category are available on our website.

**(Gross Margin)**

Gross margin for the September quarter was 52%, down from 56% in the quarter a year ago, and flat compared to the previous quarter. We think this is a significant accomplishment as we have seen a large change in our product mix from a year ago as we have replaced record sales of our higher margin energy exploration products with lower margin audio products. Seasonally, sales of audio products have grown from 66% of total revenue in the June quarter to 74% this quarter, and we believe our margins are a clear indication that our efforts to control product costs are working. We believe that gross margins have stabilized at these levels and expect to see improvements moving forward.

**(OPEX and Net Income)**

Total GAAP operating expenses for the September quarter were $22.5 million, compared to $19.8 million in the previous quarter. Non-GAAP operating expenses were approximately $22.4 million for the quarter, compared to $20.9 million for the June quarter. As I stated earlier, reconciliations are available in our press release issued today, as well as on our website.

The increase in non-GAAP operating expenses is primarily associated with higher employee expenses and product development costs. We don’t expect to see continued significant increases in our operating expenses, and we are focused on managing our expenditures.

Income from operations on a GAAP basis was approximately $6.4 million, and income from operations on a non-GAAP basis was $6.7 million.

We recorded GAAP net income for the quarter of $6.8 million, or $0.10 per share, based on 65.5 million diluted shares. In the same quarter a year ago, we reported net income on a GAAP basis of $6.4 million, or $0.10 per share, based on 65.3 million diluted shares.

On a non-GAAP basis we recorded net income for the quarter of approximately $7.0 million, or $0.11 per diluted share. In the September quarter a year ago, we reported non-GAAP net income of $9.7 million or $0.15 per diluted share.

**(Employee Headcount)**

We ended the September quarter with 483 employees.

**(Balance Sheet Accounts – Assets)**

Moving to our Balance Sheet --- We ended the September quarter with $26 million in net receivables, up from $14 million at the end of the June quarter. The increase of $12 million is in line with the large ramp in revenue this quarter. Our days sales outstanding remains consistent, and we continue to actively manage our credit risk.

Ending net inventory increased to $22.5 million from $20.2 million at the end of the June quarter. The increase is necessary to meet our December revenue goals, and represents a solid improvement in our net inventory turns, up to 4.7 turns this quarter compared to 3.6 turns at the end of June.

**(Cash Flow Metrics)**

We ended the quarter with $124 million in total cash and marketable securities, an increase of $1.6 million from $122.4 million at the end of June. During the last four quarters, total cash and marketable securities has grown approximately $14 million on net sales of approximately $171 million.

As you may recall, we have a $20 million stock repurchase program approved. We have not completed any stock repurchases under this program to date.

Capital expenditures for the September quarter were $2.5 million, compared to $500,000 in the June quarter, as we continue to invest in engineering tools and other infrastructure improvements. Depreciation and amortization expense in the September quarter was $2.1 million.

Overall, I'm pleased with our revenue growth and our ability to hold gross margins and improve our cost structure with the production ramps we experienced this quarter.

I'd like to now turn the call over to Jason to discuss our business operations and guidance for the upcoming December quarter.

**JASON RHODE**

Thank you, Thurman.

We had a great second quarter, posting positive year-over-year revenue growth of 5% and sequential growth of 48%. Our response to the difficult economy has been to focus on hiring innovative engineers and putting them to work developing innovative products. I'm extremely pleased not only by our year-over-year growth in revenue, but also by the growth in the number of new products that have ramped into production for home and portable audio applications. With audio revenue growing 35% year-over-year, we expect that momentum to continue to build into next year.

During the quarter, many of our customers challenged us to meet upside demand opportunities with short lead times. I'm proud that our team responded quickly to meet these challenges, and due to a lot of hard work and extra effort, we were able to meet customer demand, while maintaining relatively low inventory levels. I'm also pleased with our gross margin of 52 percent, which was at the high end of our forecast, in the face of increasing demand for our audio products, showcasing the fact we have highly differentiated and innovative products.

Looking now to our product lines, sales of our energy products continue to be impacted by weak industry demand. I am, however, encouraged by the 13% sequential growth we saw in Q2, and we remain optimistic about our long-term opportunities in this category. Sales of our Power Meter products remain a bright spot for the company, and this product line looks to be gaining momentum for next year. We expect growing demand next year as smart grid improvements begin to role out both in the United States and throughout Asia. We expect stronger growth for our energy products to come following the upcoming introduction of new digital energy control products. We continue to work through the technical challenges of our first digital power factor correction, or PFC, product, and customer interest remains high. These products are tailored to meet the specific requirements of multiple market segments, including power supplies for applications such as consumer electronics products, TVs and fluorescent lighting ballasts. We expect some revenue next fiscal year, but the main objective is to gain market acceptance and build momentum and key design wins for fiscal year 2012.

As we've discussed previously, what differentiates Cirrus Logic in this space is that we are developing highly innovative energy control products that enable increased energy efficiency and lower costs. In addition, our chips also eliminate the need for numerous passive components and make it easier to comply with the increasingly stringent regulations for standby power from Energy Star and other global regulatory agencies. We're very excited about the opportunities for the first products in our energy control initiative as they hit the market.

In audio, as I mentioned earlier, revenue from portable and home audio products was a financial highlight of the quarter, as demand exceeded our already high expectations. We experienced continued strong, growing demand for our portable products in exciting new applications. Next year, we will expand on our opportunities and build upon our recent success with a media-centric mobile phone as we launch multiple new products targeting this market. Q2 revenue also reflects strong revenue growth within the home audio segment, driven by growing demand for new products as well as a general seasonal recovery in demand patterns.

Within the automotive segment, we're optimistic that the market may be emerging from the worst of the global economic recession, as we're seeing slight improvement in demand, although we still have a ways to go to return to pre-recession demand levels.

With continued strong demand for our audio products, we expect accelerated year-over-year and sequential growth in the December quarter. We expect that this momentum for portable and home audio products will continue into next year.

**(Guidance)**

With that in mind, we expect revenue for the third fiscal quarter to range between $58 million and $62 million. Gross margin is expected to be between 52 percent and 54 percent, while combined R&D and SG&A expenses are expected to range between $23 million and $25 million and includes approximately $2 million in share-based compensation and amortization of acquisition-related intangibles expenses.

Our long term business model is for annual revenue growth of 15%, gross margins of 55%, and net operating profit of 20%. We expect to be very close to the revenue growth goal for this year, and looking toward next year we believe we are ahead of our goal. We are also continuing to work on our product costs and managing expenses in order to achieve this overall model.

As we celebrate our 25th anniversary and past accomplishments, we are confident about our future. Cirrus Logic is well positioned for long-term success with outstanding engineering talent, and growing revenue from new products that can be found inside some of the hottest new consumer electronic devices in the world. New products for portable, home audio, and power meter applications are driving overall company growth, and we're finalizing energy products that we believe will deliver diversified revenue growth longer term.

We're executing to our vision of being the first choice in signal processing components, and we're excited to demonstrate that our growth strategy is working.

Operator, we are now ready to take questions…

**(Q&A Session)**

**JASON RHODE**

Thank you Operator, and thanks to you all for joining us on the call today.