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	$ 544,462
Working capital	378,005	275,335	392,810	351,455	278,602
Long-term liabilities	194,276	215,429	4,863	10,094	5,620
Total stockholders' equity	$ 859,483	$ 756,771	$ 637,358	$ 548,174	$ 465,857

1) Refer to the consolidated financial statements and the Notes thereto contained in Item 8 of this Form 10-K for fiscal years 2016, 2015, and 2014, for an expanded discussion of factors that materially affect the comparability of the information reflected in the selected consolidated financial data presented above.

ITEM 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Please read the following discussion in conjunction with our audited historical consolidated financial statements and notes thereto, which are included elsewhere in this Form 10-K. Management's Discussion and Analysis of Financial Condition and Results of Operations contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risk, uncertainties and other factors. Actual results could differ materially because of the factors discussed in Part I, Item 1A. "Risk Factors" of this Form 10-K.

Critical Accounting Policies

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

We believe the following critical accounting policies involve significant judgments and estimates that are used in the preparation of the consolidated financial statements:

- We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the financial reporting basis and tax basis of assets and liabilities, which are measured using the enacted tax laws and tax rates that will be in effect when the differences are expected to reverse. We assess the likelihood that the deferred tax assets will be realized. A valuation allowance is established against deferred tax assets to the extent the Company believes that it is more likely than not that the deferred tax assets will not be realized, taking into consideration the level of historical taxable income and projections for future taxable income over the periods in which the temporary differences are deductible.

The calculation of our tax liabilities involves assessing uncertainties with respect to the application of complex tax rules. Uncertain tax positions must meet a more likely than not threshold to be recognized in the financial statements and the tax benefits recognized are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon final settlement. See Note 16 — Income Taxes of the Notes to Consolidated Financial Statements contained in Item 8 for additional details.

- We recognize revenue when all of the following criteria are met: persuasive evidence that an arrangement exists, delivery of goods has occurred, the sales price is fixed or determinable and collectability is reasonably assured. For our distributors, we provide minimal stock rotation rights. Prior to the fourth quarter of fiscal year 2016, revenue was deferred at the time of shipment to our domestic distributors and certain international distributors due to the determination that the ultimate sales price to the distributor was not fixed or determinable. Upon distributor resale, the final sales price was fixed or determinable, and the Company recognized revenue for the final sales price and recorded the related cost of sales. Beginning in the fourth quarter of fiscal year 2016, revenue is recognized upon delivery to the distributor, as the final sales price is now fixed and determinable at the time of shipment, less an allowance for estimated returns.

- Inventories are recorded at the lower of cost or market, with cost being determined on a first-in, first-out basis. We write down inventories to net realizable value based on forecasted demand, product release schedules, product life cycles, management judgment, and the age of inventory. Actual demand and market conditions may be different from those projected by management, which could have a material effect on our operating results and financial position. See Note 2 — Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements contained in Item 8.

- We evaluate the recoverability of property, plant, and equipment and intangible assets by testing for impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. An impairment loss is recognized in the event the carrying value of these assets exceeds the fair value of the applicable assets. Impairment evaluations involve management estimates of asset useful lives and future cash flows. Actual useful lives and cash flows could be different from those estimated by management, which could have a material effect on our operating results and financial position. See Note 6 — Intangibles, net and Goodwill of the Notes to Consolidated Financial Statements contained in Item 8.

- The Company evaluates goodwill and other intangible assets. Goodwill is recorded at the time of an acquisition and is calculated as the difference between the total consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired. The Company tests goodwill and other intangible assets for impairment on an annual basis or more frequently if the Company believes indicators of impairment exist. Impairment evaluations involve management's assessment of qualitative factors to determine whether it is more likely than not that goodwill and other intangible assets are impaired. If management concludes from its assessment of qualitative factors that it is more likely than not that impairment exists, then a quantitative impairment test will be performed involving management estimates of asset useful lives and future cash flows. Significant management judgment is required in the forecasts of future operating results that are used in these evaluations. If our actual results, or the plans and estimates used in future impairment analyses, are lower than the original estimates used to assess the recoverability of these assets, we could incur additional impairment charges in a future period. The Company has recorded no goodwill impairments in fiscal years 2016, 2015, and 2014. There were no material intangible asset impairments in fiscal years 2016, 2015, and 2014.

- We are subject to the possibility of loss contingencies for various legal matters. See Note 13 — Legal Matters of the Notes to Consolidated Financial Statements contained in Item 8. We regularly evaluate current information available to us to determine whether any accruals should be made based on the status of the case, the results of the discovery process and other factors. If we ultimately determine that an accrual should be made for a legal matter, this accrual could have a material effect on our operating results and financial position and the ultimate outcome may be materially different than our estimate.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09,*Revenue from Contracts with Customers (ASC Topic 606)*. The purpose of this ASU is to converge revenue recognition requirements per GAAP and International Financial Reporting Standards (IFRS). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* after public comment respondents supported a proposal to delay the effective date of this ASU to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. The Company is currently evaluating the impact of this ASU.

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

In April 2015, the FASB issued ASU No. 2015-03,*Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The amendments in this update require that debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability and that the amortization of debt issuance costs is reported as interest expense. ASU 2015-03 is to be applied retrospectively and represents a change in accounting principle. In August 2015, the FASB issued FASB ASU No. 2015-15, *Interest — Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*. ASU 2015-15 clarified the presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. Debt issuance costs related to a line-of-credit arrangement may be presented in the balance sheet as an asset and subsequently amortized ratably over the term of the arrangement regardless of whether there are any outstanding borrowings. Both ASU 2015-03 and ASU 2015-15 are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. Earlier adoption is permitted for financial statements that have not been previously issued. The Company is currently evaluating and plans to adopt these ASUs in the first quarter of fiscal year 2017.

In April 2015, the FASB issued ASU No. 2015-04,*Compensation — Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets.* The ASU is part of the FASB's "Simplification Initiative" to reduce complexity in accounting standards. The FASB decided to permit entities to measure defined benefit plan assets and obligations as of the month-end that is closest to their fiscal year-end. An entity is required to disclose the accounting policy election and the date used to measure defined benefit plan assets and obligations in accordance with the amendments in this update. The amendments in this update are effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with earlier application permitted. The Company is currently evaluating the likelihood of adoption and expects no material modifications to its financial statements.

In July 2015, ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory* was issued. This ASU requires companies to subsequently measure inventory at the lower of cost and net realizable value versus the previous lower of cost or market. The amendments in this update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, to be applied prospectively. Early application is permitted. The Company is currently evaluating this ASU and expects no material modifications to its financial statements as a result.

In September 2015, the FASB issued ASU No. 2015-16,*Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments* This ASU requires an acquirer in a business combination to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The effect on earnings of changes in depreciation, amortization or other income effects, as a result of the change in provisional amounts, are to be included in the same period's financial statements, calculated as if the accounting had been completed at the acquisition date. The amendments in this Update are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years and shall be applied prospectively to adjustments to provisional amounts that occur after the effective date of this ASU. Earlier application is permitted for financial statements that have not been issued. The Company adopted this ASU in the fourth quarter of fiscal year 2016, with no material impact to its financial statements as a result.

In November 2015, the FASB issued ASU No. 2015-17,*Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.* The FASB determined that the current practice of separating deferred tax liabilities and assets into current and noncurrent amounts in the balance sheet resulted in little to no benefit to financial statement users. Effective for financial statements issued for annual periods beginning after December 15, 2016 and interim periods therein, this ASU will require that deferred tax liabilities and assets be classified as noncurrent. Earlier application is permitted as of the beginning of an interim or annual reporting period and can be applied either prospectively to all deferred tax assets and liabilities or retrospectively to all periods presented. The Company early adopted this ASU on a prospective basis in the fourth quarter of fiscal year 2016. Prior periods were not retrospectively adjusted.

In February 2016, the FASB issued ASU No. 2016-02,*Leases (Topic 842).* The FASB issued this Update to increase transparency and comparability by recognizing lease assets and lease liabilities on the balance sheet and disclosing key leasing arrangement details. Lessees would recognize operating leases on the balance sheet under this ASU – with the lease payment recognized as a liability, measured at present value, and the right-of-use asset recognized for the lease term. A single lease cost would be recognized over the lease term. For terms less than twelve months, a lessee would be permitted to make an accounting policy election to recognize lease expense for such leases generally on a straight-line basis over the lease term. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of this ASU.

In March 2016, the FASB issued ASU 2016-09,*Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This ASU requires the following:

- all excess tax benefits and deficiencies to be recognized as income tax expense / benefit in the income statement and presented as an operating activity in the statement of cash flows;
- forfeitures can be calculated based on either the estimated number of awards that are expected to vest (current guidance) or when forfeitures actually occur; and
- cash paid by an employer for directly withheld shares for tax purposes is to be classified as a financing activity within the statement of cash flows.

This ASU is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted, but all of the described amendments must be adopted in the same period and any adjustments should be reflected as of the beginning of the fiscal year if adopted in an interim period. The Company is currently evaluating the impact of this ASU.

Overview

Cirrus Logic develops high-precision analog and mixed-signal ICs for a broad range of innovative customers. We track operating results in one reportable segment, but report revenue performance by product line, currently portable audio and non-portable audio and other products. In fiscal year 2016, the Company grew its product portfolio with smart codecs, amplifiers and MEMS microphones and diversified our customer base, while increasing content and share with key customers. The Company continued to invest in research and development, with a 36 percent increase over prior year, discussed below.

Fiscal Year 2016

Fiscal year 2016 net sales of $1.2 billion represented a 28 percent increase over fiscal year 2015 net sales of $916.6 million. Portable audio product line sales of $989.1 million in fiscal year 2016 represented a 34 percent increase over fiscal year 2015 sales of $740.3 million, attributable primarily to significant increases in the sales of smart codecs and boosted amplifiers for the period. Non-portable audio and other product line sales of $180.2 million represented a 2 percent increase from fiscal year 2015 sales of $176.3 million.

Overall, gross margin for fiscal year 2016 was 47 percent. The increase in gross margin for fiscal year 2016 was primarily due to the absence of the fair market adjustments related to the Acquisition discussed below, creating an approximate 1% favorable impact to gross margin in the current fiscal year versus the prior year. The Company’s number of employees increased to 1,291 as of March 26, 2016. The Company achieved net income of $123.6 million in fiscal year 2016, which included an income tax provision in the amount of $52.4 million.

Fiscal Year 2015

Fiscal year 2015 net sales of $916.6 million represented a 28 percent increase over fiscal year 2014 net sales of $714.3 million. Portable audio product line sales of $740.3 million in fiscal year 2015 represented a 32 percent increase over fiscal year 2014 sales of $562.7 million, attributable primarily to Wolfson contributions and significant increases in the sales of certain portable audio products for the period. Non-portable audio and other product line sales of $176.3 million represented a 16 percent increase from fiscal year 2014 sales of $151.6 million, which was primarily attributable to Wolfson contributions for the prior fiscal year, as well as increases in certain computer and DAC products.

Overall, gross margin for fiscal year 2015 was 46 percent. The decrease in gross margin for fiscal year 2015 was primarily due to the increase in inventory write-downs compared to fiscal year 2014, which had a 1.5% negative impact on fiscal year 2015 margin. Additionally, gross margin was negatively affected by approximately 1% due to the fair value adjustments made to inventory in the prior year as a result of the Acquisition. The Company’s number of employees increased to 1,104 as of March 28, 2015. The Company achieved net income of $55.2 million in fiscal year 2015, which included an income tax provision in the amount of $36.4 million.

Fiscal Year 2014

Fiscal year 2014 was a year focused on developing innovative new products, strengthening existing customer relationships and establishing new relationships with key players in the markets we serve. With the addition of the embedded SoundClear® technology and existing hardware, the Company leveraged its engineering expertise to develop custom and general market audio subsystems that intelligently solve system design issues. Also in fiscal year 2014, we expanded our footprint in portable audio with the addition of several new top tier smartphone customers, while reducing investment in LED lighting.

Fiscal year 2014 net sales of $714.3 million represented a 12 percent decrease over fiscal year 2013 net sales of $809.8 million. Portable audio product line sales of $562.7 million in fiscal year 2014 represented a 14 percent decrease over fiscal year 2013 sales of $652.0 million, attributable to lower sales of portable audio products due to reduced average selling prices (“ASPs”) to certain customers. Non-portable audio and other product line sales of $151.6 million in fiscal year 2014 represented a 4 percent decrease from fiscal year 2013 sales of $157.8 million, which was attributable, primarily to the absence of revenue related to the products associated with our Tucson office asset sale.

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Overall, gross margin for fiscal year 2014 was 50 percent. The increase in gross margin for fiscal year 2014 was primarily due to the absence of the significant inventory write-down, including scrapped inventory, experienced in fiscal year 2013, which had a 3.1% negative impact on fiscal year 2013 margin. The Company achieved net income of $108.1 million in fiscal year 2014, which included an income tax provision in the amount of $47.6 million. Additionally, the Company's number of employees increased to 751 as of March 29, 2014.

Results of Operations

The following table summarizes the results of our operations for each of the past three fiscal years as a percentage of net sales. All percentage amounts were calculated using the underlying data, in thousands:

	Fiscal Years Ended		
	March 26, 2016	March 28, 2015	March 29, 2014
Net sales	100%	100%	100%
Gross margin	47%	46%	50%
Research and development	23%	21%	18%
Selling, general and administrative	10%	11%	10%
Acquisition related costs	0%	2%	0%
Restructuring and other, net	0%	0%	0%
Patent agreement and other	-1%	0%	0%
Income from operations	15%	12%	22%
Interest income	0%	0%	0%
Interest expense	0%	-1%	0%
Other expense	0%	-1%	0%
Income before income taxes	15%	10%	22%
Provision for income taxes	4%	4%	7%
Net income	11%	6%	15%

Net Sales

We report sales in two product categories: portable audio products and non-portable audio and other products. Our sales by product line are as follows (in thousands):

	Fiscal Years Ended		
	March 26, 2016	March 28, 2015	March 29, 2014
Portable Audio Products	$ 989,101	$ 740,301	$ 562,718
Non-Portable Audio and Other Products	180,150	176,267	151,620
	$ 1,169,251	$ 916,568	$ 714,338

Net sales for fiscal year 2016 increased 28 percent, to $1.2 billion from $916.6 million in fiscal year 2015. The increase in net sales reflects a $248.8 million increase in portable audio product sales and a $3.9 million increase in non-portable audio and other product sales. The portable audio products group experienced an increase in net sales attributable to significant increases in the sales of smart codecs and boosted amplifiers for the current fiscal year, which includes a full year revenue effect of the Wolfson acquisition. Non-portable audio and other product line sales of $180.2 million represented a 2 percent increase from fiscal year 2015 sales of $176.3 million, which was primarily attributable to increases in ADC and power meter products for the period. In addition, during fiscal year 2016, the Company realized an additional $5.4 million of net sales, primarily related to non-portable audio, due to the conversion to a point-of-purchase model for our larger distributors.

Net sales for fiscal year 2015 increased 28 percent, to $916.6 million from $714.3 million in fiscal year 2014. The increase in net sales reflects a $177.6 million increase in portable audio product sales and a $24.7 million increase in non-portable audio and other product sales. The portable audio products group experienced an increase in net sales attributable to Wolfson contributions of $83.9 million, as well as significant increases in the sales of certain portable audio products for fiscal year 2014. Non-portable audio and other product line sales of $176.3 million represented a 16 percent increase from fiscal year 2014 sales of $151.6 million, which was attributable to Wolfson contributions of $14.4 million, a $5.6 million increase in custom computer products and a $4.6 million increase in DAC products for the period.

Sales to foreign customers, principally located in Asia, including sales to U.S.-based customers that manufacture products at plants overseas, were approximately $1.1 billion in fiscal year 2016, $869.9 million in fiscal year 2015, and $673.7 million in fiscal year 2014. Sales to foreign customers located in Asia were 89 percent in net sales in fiscal year 2016 and 92 percent of net sales in fiscal years 2015 and 2014. Sales to foreign customers in all other regions represented 4 percent of net sales in fiscal year 2016 and 3 percent of net sales in each of fiscal years 2015 and 2014.

Our sales are denominated primarily in U.S. dollars. During fiscal year 2015, we acquired foreign currency hedging contracts related to the Acquisition. The contracts expired in fiscal year 2015. No foreign currency hedging contracts were entered into in fiscal year 2016 or 2014.

Gross Margin

Overall gross margin of 47 percent for fiscal year 2016 reflects an increase from fiscal year 2015 gross margin of 46 percent. The increase was primarily attributable to the absence of the fair market adjustments related to the Acquisition discussed below, in the current fiscal year versus prior year. This contributed an approximate 1% favorable impact to gross margin in fiscal year 2016. Changes in excess and obsolete inventory charges, including scrapped inventory, and sales of product written down in prior periods did not have a material impact on margin in fiscal year 2016.

Overall gross margin of 46 percent for fiscal year 2015 reflects a decrease from fiscal year 2014 gross margin of 50 percent. The decrease was primarily attributable to the increase in excess and obsolete inventory charges, including scrapped inventory, of $13.8 million from fiscal year 2014, resulting in a 1.5% negative impact on margin in the prior year. Gross margin was also negatively affected by approximately 1% due to the fair value adjustments made to inventory in the prior year as a result of the Acquisition. Fiscal year 2015 sales of product written down in prior periods contributed $1.8 million to gross margin compared to $12.2 million, in fiscal year 2014.

Research and Development Expenses

Fiscal year 2016 research and development expenses of $269.2 million reflect an increase of $71.3 million, or 36 percent, from fiscal year 2015. The increase was primarily attributable to a 20 percent increase in research and development headcount and the associated salary and employee-related expenses, due in part to including a full year of expenses over the prior year, associated with the Acquisition. The Company also experienced higher product development costs in the current year.

Fiscal year 2015 research and development expenses of $197.9 million reflect an increase of $71.7 million, or 57 percent, from fiscal year 2014. The increase was primarily attributable to a 45 percent increase in research and development headcount (both at Cirrus Logic and due to the Acquisition) and the associated salary and employee-related expenses. As a result of the Acquisition, we experienced increased amortization costs on acquisition-related intangibles, as well as higher product development costs in the prior year. The Company also experienced an 80% increase in R&D expense related to the amortization of software maintenance contracts, primarily CAD software.

Selling, General and Administrative Expenses

Fiscal year 2016 selling, general and administrative expenses of $117.1 million reflect an increase of $17.6 million, or 18 percent, compared to fiscal year 2015. The increase was primarily attributable to a full year of expenses over the prior year associated with the Acquisition. Overall, SG&A headcount increased along with related salary and employee expenses, as well as higher occupancy and maintenance and supplies costs in the current year.

Fiscal year 2015 selling, general and administrative expenses of $99.5 million reflect an increase of $24.6 million, or 33 percent, compared to fiscal year 2014. The increase was primarily attributable to the Acquisition, resulting in increased SG&A headcount and related salary and employee-related expenses, as well as higher costs associated with outside professional services.

Acquisition related costs

The Company reported $18.1 million in costs in conjunction with the Acquisition for the year ended March 28, 2015. The majority of the costs included in this amount were associated with bank and legal fees, as well as certain expenses for stock compensation related to the Acquisition. Acquisition related costs incurred in fiscal year 2016 were immaterial.

Restructuring and other, net

There were no restructuring costs for fiscal year 2016. Restructuring costs related to the Acquisition were $1.5 million for the year ended March 28, 2015, primarily made up of severance payments associated with the Acquisition in the prior fiscal year and the consolidation of our sales functions. The credits included in this line item for fiscal year 2014 related to changes in estimates, due to a new sublease on the vacated property in connection with the closing of our Tucson, Arizona design facility.

Patent agreement and other

On May 8, 2015, we entered into a patent purchase agreement for the sale of certain Company-owned patents relating to our LED lighting products. As a result of this agreement, on June 22, 2015, the Company received cash consideration of $12.5 million from the purchaser. Under the agreement, the Company undertook to no longer be engaged in LED lighting and received a license under the sold patents for all other fields of use. The proceeds were recorded during fiscal year 2016 as a recovery of costs previously incurred and are reflected as a separate line item on the Consolidated Condensed Statements of Income in operating expenses under the caption *"Patent agreement and other."* Additionally, in the second quarter and third quarter of fiscal year 2016, the Company recorded $0.8 million and $0.1 million, respectively, in expense related to a negotiated adjustment to a legal settlement.

The Company reported a $0.7 million expense in the first quarter of fiscal year 2014 in connection with the settlement of the U.S. Ethernet Innovations, LLC case discussed in Note 13 — Legal Matters. This item is presented as a separate line item on the Consolidated Statements of Income within operating expenses under the caption "Patent agreement and other."

Interest Income

Interest income in fiscal years 2016, 2015, and 2014, was $0.9 million, $0.6 million, and $0.8 million, respectively. The increase in interest income in fiscal year 2016 was due to higher average cash and cash equivalent balances throughout the year, compared to fiscal year 2015. The decrease in interest income in fiscal year 2015 was due to lower average cash and cash equivalent balances for the year compared to fiscal year 2014.

Interest expense

The Company reported interest expense of $3.3 million and $5.6 million for fiscal years 2016 and 2015, respectively, primarily as a result of the $250 million revolving credit facility described in Note 8. Additional costs were incurred in fiscal year 2015 in relation to an interim revolving facility. No interest expense was recorded for fiscal year 2014.

Other expense

In fiscal year 2016, the Company reported $1.8 million in other expense, primarily foreign exchange costs. For the year ended March 28, 2015, the Company reported $12.2 million in other expense primarily related to recognized losses on expired contracts during the prior fiscal year and the foreign currency exchange losses on hedges purchased in relation to the Acquisition during the second quarter of fiscal year 2015. The corresponding amounts in fiscal year 2014 are immaterial.

Provision for Income Taxes

We recorded income tax expense of $52.4 million in fiscal year 2016 on a pre-tax income of $176.0 million, yielding an effective tax provision rate of 29.8 percent. Our effective tax rate was lower than the U.S. statutory rate of 35 percent, primarily due to research and development tax credits in the U.S. and the impact of earnings in jurisdictions with a lower statutory tax rate.

We recorded income tax expense of $36.4 million in fiscal year 2015 on a pre-tax income of $91.5 million, yielding an effective tax provision rate of 39.7 percent. Our effective tax rate was higher than the U.S. statutory rate of 35 percent, primarily due to the inclusion of foreign losses from the date of acquisition of Wolfson to the end of the fiscal year at foreign statutory rates below the U.S. federal statutory rate. The impact of these losses was partially offset by the federal research and development credit, which was extended through December 31, 2014 by the Tax Increase Prevention Act of 2014, which was enacted on December 19, 2014.

We recorded income tax expense of $47.6 million in fiscal year 2014 on a pre-tax income of $155.7 million, yielding an effective tax provision rate of 30.6 percent. Our effective tax rate was lower than the U.S. statutory rate of 35 percent, primarily due to the effect of a tax benefit of $6.3 million provided by the Extraterritorial Income Exclusion Act, an elective provision of the Internal Revenue Code, and the federal research and development credit.

Outlook

Looking ahead to the current fiscal year, we continue to expect our long-term gross margin goal to range from 46 to 48 percent with operating profit of approximately 20 percent. We anticipate revenue growth to exceed our long-term target of 15 percent in terms of year-over-year growth for fiscal year 2017, driven by new product introductions and share expansion with new and existing customers.

Liquidity and Capital Resources

In fiscal year 2016, our net cash provided by operating activities was $155.3 million. The positive cash flow from operations was predominantly due to the cash components of our net income, offset by a $102.5 million increase in working capital, driven primarily by an increase in inventories and a decrease in accounts payable for the year. In fiscal year 2015, our net cash provided by operating activities was $163.5 million. The positive cash flow from operations was predominantly due to the cash components of our net income, including a $17.3 million decrease in working capital, primarily due to a decrease in inventory and increase in accounts payable, offset by an increase in accounts receivable for the period. In fiscal year 2014, our net cash provided by operating activities was $228.0 million. The positive cash flow from operations was predominantly due to the cash components of our net income, and a $48.1 million favorable change in working capital, primarily due to decreases in inventory for the period. Other non-cash charges included in the Consolidated Statements of Cash Flows within operating activities primarily relate to offsetting changes in assets and liabilities relating to software maintenance contracts as well as the monthly amortization of the assets relating to these software maintenance contracts.

In fiscal year 2016, the Company received approximately $14.0 million in cash provided by investing activities, principally due to the net maturities and sales of marketable securities of $103.1 million, partially offset by $46.1 million in capital expenditures and technology investments, current fiscal year acquisitions of $36.8 million, and increases in deposits and other assets of $6.2 million. In fiscal year 2015, approximately $324.4 million was used in investing activities, primarily due to the $444.1 million, net of cash obtained, used in conjunction with the Wolfson acquisition. An additional use of cash for the period was the $36.7 million in capital expenditures and technology investments. These uses of cash were offset by net maturities and sales of marketable securities of $168.4 million in anticipation of financing the Acquisition. In fiscal year 2014, we used approximately $220.3 million in cash for investing activities, principally due to the net purchases of marketable securities of $182.5 million, $17.4 million in capital expenditures and technology investments and $20.4 million related to the Acoustic Technologies, Inc. acquisition.

In fiscal year 2016, the Company used $76.9 million in financing activities. In fiscal year 2015, the Company received $205.5 million in cash provided by financing activities, principally as a result of the long-term revolving credit facility entered into in the second quarter of fiscal year 2015. The related influx of $226.4 million was offset by payments against the revolver balance of $46.0 million for the period. Payments against the revolver balance in fiscal year 2016 were $20.0 million. During fiscal years 2016, 2015, and 2014, we generated $6.6 million, $5.3 million, and $5.3 million, respectively from the issuance of common stock. The Company also utilized $6.9 million, $4.6 million, and $3.9 million in fiscal years 2016, 2015, and 2014, respectively, for the repurchase of common stock to satisfy related employee tax withholding obligations. Excess tax benefits related to employee stock-based compensation generated $3.9 million, $37.7 million, and $8.4 million, in fiscal years 2016, 2015, and 2014, respectively. Additionally, in fiscal years 2016, 2015, and 2014, the Company utilized approximately $60.5 million, $10.5 million, and $52.1 million, respectively, in cash to repurchase and retire portions of its outstanding common stock. See Note 14 for a description of our Share Repurchase Program.

We anticipate costs related to the build out of our new to-be leased space in the U.K. to be up to $20 million over the next year. We anticipate these cash uses to be funded from current cash sources.

Our future capital requirements will depend on many factors, including the rate of sales growth, market acceptance of our products, the timing and extent of research and development projects, potential acquisitions of companies or technologies and the expansion of our sales and marketing activities. We believe our expected future cash earnings, existing cash, cash equivalents, investments and available borrowings under our Credit Facility will be sufficient to meet our capital requirements through at least the next 12 months, although we could be required, or could elect, to seek additional funding prior to that time.

Revolving Credit Facilities

On August 29, 2014, Cirrus Logic entered into a credit agreement (the “Credit Agreement”) with Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto. The Credit Agreement provides for a $250 million senior secured revolving credit facility (the “Credit Facility”). The Credit Facility replaced an interim credit facility, and may be used for general corporate purposes. The Credit Facility matures on August 29, 2017.

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

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

The Credit Agreement contains customary affirmative covenants, including, among others, covenants regarding the payment of taxes and other obligations, maintenance of insurance, reporting requirements and compliance with applicable laws and regulations. Further, the Credit Agreement contains customary negative covenants limiting the ability of Cirrus Logic or any Subsidiary to, among other things, incur debt, grant liens, make investments, effect certain fundamental changes, make certain asset dispositions, and make certain restricted payments. The Credit Facility also contains certain financial covenants providing that (a) the ratio of consolidated funded indebtedness to consolidated EBITDA for the prior four consecutive quarters must not be greater than 2.00 to 1.00 (the "Leverage Ratio") and (b) the sum of cash and Cash Equivalents, which includes marketable securities, of Cirrus Logic and its Subsidiaries on a consolidated basis must not be less than $100 million. At March 26, 2016, the Company was in compliance with all covenants under the Credit Agreement and had $160.4 million of indebtedness outstanding under the Credit Facility, which is included in long-term liabilities on the consolidated balance sheets. The borrowings were primarily used for refinancing an interim credit facility.

See also Note 8 — Revolving Line of Credit.

Off Balance Sheet Arrangements

As of March 26, 2016, the Company did not have any material off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Contractual Obligations

In our business activities, we incur certain commitments to make future payments under contracts such as debt agreements, purchase orders, operating and capital leases and other long-term contracts. Maturities under these contracts are set forth in the following table as of March 26, 2016:

	Payment due by period (in thousands)				
	< 1 year	1-3 years	3-5 years	> 5 years	Total
Revolving line of credit	$ —	$160,439	$ —	$ —	$160,439
Interest on revolving line of credit (1)	3,588	1,511	—	—	5,099
Facilities leases, net	4,530	12,724	13,752	37,543	68,549
Equipment leases	58	134	119	59	370
Capital leases	234	468	—	—	702
Wafer purchase commitments	98,243	—	—	—	98,243
Assembly purchase commitments	4,779	—	—	—	4,779
Outside test purchase commitments	9,665	—	—	—	9,665
Other purchase commitments	20,772	9,065	—	—	29,837
Total	$141,869	$184,341	$13,871	$37,602	$377,683

(1) As of March 26, 2016, all of our debt was subject to a variable interest rate based on LIBOR. The interest included in the table above is based on the indexed rate in effect at the balance sheet date.

Certain of our operating lease obligations include escalation clauses. These escalating payment requirements are reflected in the table.

We are unable to make a reasonably reliable estimate as to when or if a cash settlement with taxing authorities will occur related to our unrecognized tax benefits. Therefore, our liability of $18.8 million for unrecognized tax benefits is not included in the table above. See Note 16 — Income Taxes, to the Consolidated Financial Statements for additional information.

ITEM 7A. *Quantitative and Qualitative Disclosures about Market Risk*

We are exposed to market risks associated with interest rates on our debt securities, currency movements on non-U.S. dollar denominated assets and liabilities, and the effect of market factors on the value of our marketable