**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 | | | | |
|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| | (1) | (1) | (1) | | |
| Net sales | $ 916,568 | $ 714,338 | $ 809,786 | $ 426,843 | $ 369,571 |
| Net income | 55,178 | 108,111 | 136,598 | 87,983 | 203,503 |
| Basic earnings per share | $ 0.88 | $ 1.72 | $ 2.12 | $ 1.35 | $ 3.00 |
| Diluted earnings per share | $ 0.85 | $ 1.65 | $ 2.00 | $ 1.29 | $ 2.82 |
| Financial position at year end: | | | | | |
| Cash, cash equivalents, restricted investments and marketable securities | 260,719 | 384,510 | 236,547 | 184,788 | 215,055 |
| Total assets | $ 1,148,778 | $ 724,744 | $ 651,347 | $ 544,462 | $ 496,621 |
| Working capital | 275,335 | 392,810 | 351,455 | 278,602 | 267,416 |
| Long-term liabilities | 215,429 | 4,863 | 10,094 | 5,620 | 6,188 |
| Total stockholders' equity | $ 756,771 | $ 637,358 | $ 548,174 | $ 465,857 | $ 438,379 |

1) Refer to the consolidated financial statements and the Notes thereto contained in Item 8 of this Form 10-K for fiscal years 2015, 2014, and 2013, 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 provide for the recognition of deferred tax assets if realization of such assets is more likely than not. The Company evaluates the ability to realize its deferred tax assets based on all the facts and circumstances, including projections of future taxable income and expiration dates of carryover attributes.

  The calculation of our tax liabilities involves assessing uncertainties with respect to the application of complex tax rules and the potential for future adjustment of our uncertain tax positions by the Internal

Revenue Service or other taxing jurisdiction. If our estimates of these taxes are greater or less than actual results, an additional tax benefit or charge will result. See Note 17 — 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. We evaluate our distributor arrangements, on a distributor by distributor basis, with respect to each of the four criteria above. For a majority of our distributor arrangements, we provide rights of price protection and stock rotation. Revenue is 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 is not fixed or determinable. Once the distributor has resold the product, and our final sales price is fixed or determinable, we recognize revenue for the final sales price and record the related costs of sales. For certain of our smaller international distributors, we do not grant price protection rights and provide minimal stock rotation rights. For these distributors, revenue is recognized upon delivery to the distributor, less an allowance for estimated returns, as the revenue recognition criteria have been met upon shipment.

  Further, the Company defers the associated cost of goods sold on our Consolidated Balance Sheet, net within the deferred income caption. The Company routinely evaluates the products held by our distributors for impairment to the extent such products may be returned by the distributor within these limited rights and such products would be considered excess or obsolete if included within our own inventory. Products returned by distributors and subsequently scrapped have historically been immaterial to the Company.

- 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 — Goodwill and Intangibles, net of the Notes to Consolidated Financial Statements contained in Item 8.

- The Company evaluates the collectability of accounts receivable. We maintain allowances for doubtful accounts for estimated losses resulting from the inability or failure of our customers to make required payments. We regularly evaluate our allowance for doubtful accounts based upon the age of the receivable, our ongoing customer relations, as well as any disputes with the customer. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required, which could have a material effect on our operating results and financial position. Additionally, we may maintain an allowance for doubtful accounts for estimated losses on receivables from customers with whom we are involved in litigation. See Note 5 – Accounts Receivable, net 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 2015, 2014 and 2013. There were no material intangible asset impairments in fiscal years 2015, 2014 and 2013.

- Our available-for-sale investments, non-marketable securities and other investments are subject to a periodic impairment review Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. This determination requires significant judgment and actual results may be materially different than our estimate. Marketable securities are evaluated for impairment if the decline in fair value below cost basis is significant and/or has lasted for an extended period of time. Non-marketable securities or other investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. For investments accounted for using the cost method of accounting, we evaluate information (e.g., budgets, business plans, financial statements) in addition to quoted market prices, if any, in determining whether an other-than-temporary decline in value exists. Factors indicative of an other-than-temporary decline include recurring operating losses, credit defaults, and subsequent rounds of financings at an amount below the cost basis of the investment. This list is not all inclusive and we weigh all quantitative and qualitative factors in determining if an other-than-temporary decline in value of an investment has occurred. When a decline in value is deemed to be other-than-temporary, we recognize an impairment loss in the current period's operating results to the extent of the decline. Actual values could be different from those estimated by management, which could have a material effect on our operating results and financial position. See Note 3 — Marketable Securities of the Notes to Consolidated Financial Statements contained in Item 8.

- We are subject to the possibility of loss contingencies for various legal matters. See Note 14 — 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 August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("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 the impact of this ASU and expects no material modifications to its financial statements.

In May 2014, the FASB issued 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. The amendments in this ASU are effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption not permitted by the FASB; however, in April 2015 the FASB issued for public comment a proposal to delay the effective date of this ASU to annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of this ASU on its consolidated financial position, results of operations and cash flows.

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 be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. ASU 2015-03 is to be applied retrospectively and represents a change in accounting principle. This ASU is 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 the effect that the adoption of this ASU will have on its financial statements.

**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 2015, the Company grew its diverse analog and mixed-signal product portfolio, delivering optimized products for a variety of audio, industrial and energy-related applications. The Company continued to target fast-growing markets and develop innovative products. We acquired Wolfson in the current year, and with it, the Company reported a revenue increase of 28 percent from the prior fiscal year, including a contribution from Wolfson of approximately $98.3 million and an increase in the investment in research and development of $71.7 million, discussed below.

*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 current 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 current 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.

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 the prior fiscal year, 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.

*Fiscal Year 2013*

Fiscal year 2013 was a year focused on ramping new custom products and introducing general market portable audio and non-portable audio and other products that we expected to drive revenue growth and customer diversification longer-term. The Company targeted tier-one customers in growing markets who were able to differentiate their products with our innovative technology, highlighted by the fact that our top ten end customer concentration had increased to 89 percent of sales in fiscal year 2013, from 74 percent in fiscal year 2012.

Fiscal year 2013 net sales of $809.8 million represented a 90 percent increase over fiscal year 2012 net sales of $426.8 million. Portable audio product line sales of $652.0 million in fiscal year 2013 represented a 161 percent increase over fiscal year 2012 sales of $249.7 million, attributable primarily to higher sales of custom portable audio products. Non-portable audio and other product line sales of $157.8 million in fiscal year 2013 represented an 11 percent decrease from fiscal year 2012 sales of $177.1 million, which was attributable, primarily to the absence of revenue related to the products associated with our Tucson office asset sale, coupled with decreased sales from our power meter components. Additionally, the restructuring discussed in Note 10 – Restructuring Costs of the consolidated financial statements contributed to this decrease.

In fiscal year 2013, we experienced substantial growth in our revenue and operating profit, significantly expanded our footprint in portable audio, and continued our investments in new LED lighting products.

Overall, gross margin for fiscal year 2013 was 49 percent. Decreases in gross margin for fiscal year 2013 were primarily due to inventory write-downs, including scrapped inventory, and unfavorable product mix. The Company achieved net income of $136.6 million in fiscal year 2013, which included an income tax provision in the amount of $64.6 million. Additionally, the Company's number of employees decreased slightly to 652 in fiscal year 2013, due to the restructuring discussed in Note 10, partially offset by an increase in new hires.

**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 28, 2015 | March 29, 2014 | March 30, 2013 |
| Net sales | 100% | 100% | 100% |
| Gross margin | 46% | 50% | 49% |
| Research and development | 21% | 18% | 14% |
| Selling, general and administrative | 11% | 10% | 10% |
| Acquisition related costs | 2% | 0% | 0% |
| Restructuring and other | 0% | 0% | 0% |
| Patent infringement settlements, net | 0% | 0% | 0% |
| Income from operations | 12% | 22% | 25% |
| Interest income | 0% | 0% | 0% |
| Interest expense | -1% | 0% | 0% |
| Other expense | -1% | 0% | 0% |
| Income before income taxes | 10% | 22% | 25% |
| Provision for income taxes | 4% | 7% | 8% |
| Net income | 6% | 15% | 17% |

*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 28, 2015 | March 29, 2014 | March 30, 2013 |
| Portable Audio Products | $ 740,301 | $ 562,718 | $ 651,974 |
| Non-Portable Audio and Other Products | 176,267 | 151,620 | 157,812 |
| | $ 916,568 | $ 714,338 | $ 809,786 |

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 the current fiscal year. 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.

Net sales for fiscal year 2014 decreased 12 percent, to $714.3 million from $809.8 million in fiscal year 2013. The decrease in net sales reflects an $89.3 million decrease in portable audio product sales and a $6.2 million decrease in non-portable audio and other product sales. The portable audio products group experienced a decline in sales, primarily due to anticipated declines in ASPs. The decline in non-portable audio and other product group sales was attributable primarily to the absence of revenue related to the products associated with our Tucson office asset sale.

Export sales, principally to Asia, including sales to U.S.-based customers that manufacture products at plants overseas, were approximately $869.9 million in fiscal year 2015, $673.7 million in fiscal year 2014, and $764.9 million in fiscal year 2013. Export sales to customers located in Asia were 92 percent of net sales in fiscal years 2015 and 2014 and 91 percent in fiscal year 2013. All other export sales represented 3 percent of net sales in each of fiscal years 2015, 2014 and 2013.

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 2014 or 2013.

*Gross Margin*

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 current year. Gross margin was also negatively affected by approximately 1% due to the fair value adjustments made to inventory in the current 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.

Overall gross margin of 50 percent for fiscal year 2014 reflects an increase from fiscal year 2013 gross margin of 49 percent. The increase was primarily attributable to the absence of a significant inventory write-down, which occurred during the 2013 fiscal year in the amount of $25.5 million, partially offset by changes in product mix. Fiscal year 2014 sales of product written down in prior periods contributed $12.2 million to gross margin compared to less than $0.1 million, in fiscal year 2013. In total, excess and obsolete inventory charges, including scrapped inventory, decreased by $33.6 million from fiscal year 2013 and resulted in an increase of gross margin of 4.7 percent.

*Research and Development Expenses*

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 current year. The Company also experienced an 80% increase in R&D expense related to the amortization of software maintenance contracts, primarily CAD software.

Fiscal year 2014 research and development expenses of $126.2 million reflect an increase of $12.1 million, or 11 percent, from fiscal year 2013. The increase was primarily attributable to a 23 percent increase in research and development headcount and associated salary-related expenses. Additionally, during fiscal year 2014, we experienced higher headcount and associated facilities costs, driving increased depreciation and amortization costs. CAD software costs also increased for the year.

*Selling, General and Administrative Expenses*

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.

Fiscal year 2014 selling, general and administrative expenses of $74.9 million reflect a decrease of $2.1 million, or 3 percent, compared to fiscal year 2013. The decrease was primarily attributable to decreases in variable compensation, sales commissions and travel expenses for the period, despite an increase in headcount of 7 percent.

*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.

*Restructuring and other, net*

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 current fiscal year and the consolidation of our sales functions. The credits included in this line item for the prior fiscal year related to changes in estimates for the Tucson, Arizona design center facility, due to a new sublease on the vacated property in connection with the closing of this facility. One-time charges for relocation, severance-related items and facility-related costs made up the fiscal year 2013 restructuring costs in relation to the closing of the Tucson, Arizona design center facility.

*Patent Infringement Settlements, Net*

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 14 — Legal Matters. This item is presented as a separate line item on the Consolidated Statements of Income within operating expenses under the caption “Patent infringement settlements, net.”

*Interest Income*

Interest income in fiscal years 2015, 2014, and 2013, was $0.6 million, $0.8 million, and $0.4 million, respectively. The decrease from fiscal year 2014 was due to lower cash and cash equivalent balances for the year compared to prior year. The increase in interest income in fiscal year 2014 was due to higher cash and cash equivalent balances, compared to fiscal year 2013.

*Interest expense*

The Company reported interest expense of $5.6 million for the year ended March 28, 2015, primarily as a result of the new $250 million revolving credit facility described in Note 9. No interest expense was recorded for fiscal years 2014 or 2013.

*Other expense*

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 fiscal year and the foreign currency exchange losses on hedges purchased in relation to the Acquisition during the second quarter of the current fiscal year. The corresponding amounts in the prior fiscal years are immaterial.

*Provision for Income Taxes*

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. Another factor causing our tax expense to be below the federal statutory rate was the federal research and development credit which was in effect through December 31, 2013 as a result of the American Taxpayer Relief Act of 2013, which was enacted on January 2, 2013.

We recorded income tax expense of $64.6 million in fiscal year 2013 on a pre-tax income of $201.2 million, yielding an effective tax provision rate of 32.1 percent. Our effective tax rate was lower than the U.S. statutory rate of 35 percent, primarily as a result of federal research and development credits that were recorded during the year due to the retroactive extension of the credit by the enactment of the American Taxpayer Relief Act of 2012 on January 2, 2013. Our effective tax rate was also lowered slightly by the release of $2.6 million of valuation allowance that had been placed on our federal capital loss carryforward from the capital gain income generated by the sale of assets associated with the Company's Apex products.

We evaluate our ability to realize our deferred tax assets on a quarterly basis. The deferred tax assets that we have recognized result from a more likely than not assessment that these assets will be realized.

**Outlook**

Our long-term gross margin goal is to remain in the mid-40 percent range with operating profit of approximately 20 percent. We anticipate significant revenue growth for fiscal year 2016, with continued production ramps of our latest smart codecs.

**Liquidity and Capital Resources**

In fiscal year 2015, our net cash provided by operating activities was $163.5 million. The positive cash flow from operating activities was predominantly due to the cash components of our net income, including a $17.3 million increase in changes to working capital, primarily due to decreases in inventory when excluding the impact of inventory obtained through the Acquisition, offset by a larger increase in accounts payable for the period. In fiscal year 2014, our net cash provided by operating activities was $228.0 million. The positive cash flow from operating activities was predominantly due to the cash components of our net income, and a $48.1 million increase in changes to working capital, primarily due to decreases in inventory for the period. In fiscal year 2013, our net cash provided by operating activities was $160.8 million. The positive cash flow from operating activities was predominantly due to the cash components of our net income, partially offset by a $76.1 million reduction in changes to working capital, primarily due to an increase in inventory and accounts receivable as our business grew.

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 Acquisition discussed in Note 7. An additional use of cash for the period was the $32.3 million in property, equipment and software purchases for the year. These uses of cash were offset by net proceeds from the sale of marketable securities of $168.4 million in anticipation of financing the Acquisition, referenced above, in the current fiscal year. 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, $15.1 million in capital expenditures and $20.4 million related to the Acoustic Technologies, Inc. ("Acoustic") acquisition. In fiscal year 2013, we used approximately $84.8 million in cash for investing activities, principally due to the net purchases of marketable securities of $51.5 million and $52.9 million in capital expenditures, partially offset by $22.2 million in proceeds from the sale of assets associated with the Company's Apex business in Tucson, Arizona.

In fiscal year 2015, the Company received $205.5 million in cash provided by financing activities, principally as a result of the new long-term revolving credit facility entered into in the second quarter of the current fiscal year. The related influx of $226.4 million was offset by payments against the revolver balance of $46.0 million for the period. During fiscal years 2015, 2014, and 2013, we generated $0.7 million, $1.5 million, and $10.3 million, respectively from the issuance of common stock, net of shares withheld and repurchased to satisfy tax withholdings. In fiscal years 2015, 2014 and 2013, the Company utilized approximately $10.5 million, $52.1 million and $86.1 million, respectively, in cash to repurchase and retire portions of its outstanding common stock as part of the $200 million stock repurchase program announced in the third quarter of fiscal year 2013. Additionally, excess tax benefits related to employee stock options exercises generated $37.7 million, $8.4 million and $0.1 million, in fiscal years 2015, 2014 and 2013, respectively.

The Company began expansion of operations in fiscal year 2014 with the acquisition and building of additional facilities in Austin. We anticipate future costs related to the current expansion to be approximately $7 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 Cirrus Logic's Interim Credit Facility described below, and may be used for general corporate purposes. The Credit Facility matures on August 29, 2017.

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 28, 2015, the Company was in compliance with all covenants under the Credit Agreement. As of March 28, 2015, the Company had $180.4 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 the Interim Credit Facility described below (which was used for financing the Acquisition).

Cirrus Logic entered into a credit agreement (the "Interim Credit Agreement") with Wells Fargo Bank, National Association as administrative agent and lender, on April 29, 2014, in connection with the Acquisition. The Interim Credit Agreement provided for a $225 million senior secured revolving credit facility (the "Interim Credit Facility"). The Interim Credit Facility was to be used for, among other things, payment of the offer consideration in connection with the Acquisition. The Interim Credit Facility would have matured on the earliest to occur of (a) January 23, 2015, (b) the date of termination of the Commitments as a result of a permanent reduction of all of the Commitments (as defined in the Interim Credit Agreement) by Cirrus Logic or (c) the date of termination of the Commitments as a result of an event of default. The Interim Credit Facility was replaced with the Credit Facility described above and matured under scenario (b) above with no outstanding borrowings or accrued interest on the maturity date.

See also Note 9 — Revolving Line of Credit.

**Off Balance Sheet Arrangements**

As of March 28, 2015, 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 28, 2015:

| | Payment due by period (in thousands) | | | | |
|---|---|---|---|---|---|
| | < 1 year | 1 - 3 years | 3 - 5 years | > 5 years | Total |
| Revolving line of credit | $ — | $ 180,439 | $ — | $ — | $ 180,439 |
| Facilities leases, net | 4,361 | 5,988 | 1,584 | 193 | 12,126 |
| Equipment leases | 26 | 31 | 4 | — | 61 |
| Capital leases | 246 | 491 | 245 | — | 982 |
| Wafer purchase commitments | 98,244 | — | — | — | 98,244 |
| Assembly purchase commitments | 5,528 | — | — | — | 5,528 |
| Outside test purchase commitments | 10,161 | — | — | — | 10,161 |
| Other purchase commitments | 19,175 | 27,133 | 464 | — | 46,772 |
| Total | $ 137,741 | $ 214,082 | $ 2,297 | $ 193 | $ 354,313 |

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

**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 equity securities. We assess these risks on a regular basis and have established policies that are designed to protect against the adverse effects of these and other potential exposures. All of the potential changes noted below are based on sensitivity analyses as of March 29, 2015. Actual results may differ materially.

**Interest Rate Risk**

Our primary financial instruments include cash equivalents, marketable securities, accounts receivable, accounts payable, and accrued liabilities. The Company's investments are managed by outside professional managers within investment guidelines set by the Company. These guidelines include security type, credit quality, and maturity, and are intended to limit market risk by restricting the Company's investments to high quality debt instruments with relatively short-term maturities. The Company does not currently use derivative financial instruments in its investment portfolio. Due to the short-term nature of our investment portfolio and the current low interest rate environment, our downside exposure to interest rate risk is minimal.

To provide a meaningful assessment of the interest rate risk associated with our investment portfolio, we performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of our investment portfolio. At March 28, 2015, an immediate one percent, or 100 basis points, increase or decrease in interest rates could result in a $2.6 million fluctuation in our annual interest income. However, our investment portfolio holdings as of March 28, 2015, yielded less than 100 basis points, which reduces our downside interest rate risk to the amount of interest income recognized in fiscal year 2015, or $0.6 million. At March 29, 2014, an immediate one percent, or 100 basis points, increase or decrease in interest rates could result in a $3.4 million fluctuation in our annual interest income. However, our investment portfolio holdings as of March 29, 2014, yielded less than 100 basis points, which reduces our downside interest rate risk to the amount of interest income recognized in fiscal year 2014, or $0.8 million. At March 30, 2013, an immediate one percent, or 100 basis points, increase or decrease in interest rates could result in a $1.8 million fluctuation in our annual interest income. However, our investment portfolio holdings as of March 30, 2013, yielded less than 100 basis points, which reduces our downside interest rate risk to the amount of interest income recognized in fiscal year 2013, or $0.4 million. For all of these fiscal years, the risks associated with fluctuating interest rates were limited to our annual interest income and not the underlying principal as we generally have the ability to hold debt related investments to maturity. The amounts disclosed in this paragraph are based on a 100 basis point fluctuation in interest rates applied to the average cash balance for that fiscal year.

**Foreign Currency Exchange Risk**

Our revenue and spending is transacted primarily in U.S. dollars; however, in fiscal years 2015, 2014, and 2013, we entered into routine transactions in other currencies to fund the operating needs of our technical support, and sales offices outside of the U.S. As of March 28, 2015 and March 29, 2014, a ten percent change in the value of the related currencies would not have a material impact on our results of operations and financial position. During fiscal years 2014 and 2013, we did not enter into any foreign currency hedging contracts. In fiscal year 2015, the Company acquired foreign currency hedging contracts that expired within the same fiscal year.

In addition to the direct effects of changes in exchange rates on the value of open exchange contracts, we may, from time to time, have changes in exchange rates that can also affect the volume of sales or the foreign currency sales prices of our products and the relative costs of operations based overseas.

See additional information on foreign currency exchange risk in Note 8.