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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				
	2017	2016	2015	2014	2013
	(1)	(1)	(1)		
Net sales	$ 1,538,940	$ 1,169,251	$ 916,568	$ 714,338	$ 809,786
Net income	261,209	123,630	55,178	108,111	136,598
Basic earnings per share	$ 4.12	$ 1.96	$ 0.88	$ 1.72	$ 2.12
Diluted earnings per share	$ 3.92	$ 1.87	$ 0.85	$ 1.65	$ 2.00
Financial position at year end:					
Cash, cash equivalents, restricted investments and marketable securities	450,979	250,006	260,719	384,510	236,547
Total assets	$ 1,413,470	$ 1,181,883	$ 1,148,778	$ 724,744	$ 651,347
Working capital	631,853	378,005	275,335	392,810	351,455
Long-term liabilities	117,703	194,276	215,429	4,863	10,094
Total stockholders' equity	$ 1,151,692	$ 859,483	$ 756,771	$ 637,358	$ 548,174

1) Refer to the consolidated financial statements and the Notes thereto contained in Item 8 of this Form 10-K for fiscal years 2017, 2016, and 2015, 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 report 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 15 — 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. Prior to the fourth quarter of fiscal year 2016, we had a number of arrangements with distributors whereby we deferred revenue at the time of shipment of our products to those distributors. As part of those arrangements, when a distributor resold those products to an end customer, the Company would credit the distributor the difference between (1) the original distributor price and the distributor's agreed upon margin and (2) the final sales price to the end customer (known as the "Ship and Debit Arrangement"). For those transactions, revenue was deferred until the product was resold by the distributor and we determined that the final sales price to the distributor was fixed or determinable. For certain of our smaller distributors, we did not have similar Ship and Debit Arrangements and the distributors were billed at a fixed upfront price. For those transactions, revenue was recognized upon delivery to the distributor based upon the distributor's individual shipping terms, less an allowance for estimated returns, as the Company determined that the revenue recognition criteria were met.

  In light of the fact that the distributor program had been declining as a portion of the overall business for several years, in fiscal year 2016 the Company performed a review of all distributor arrangements in an effort to streamline our distribution program and reduce overhead costs. Based upon this review, the Company terminated its Ship and Debit Arrangements with Distributors during the fourth quarter of fiscal year 2016. Subsequent to the termination of the Ship and Debit Arrangements, the Company began recognizing revenue for all distributors upon delivery to the distributor based upon the distributor's individual shipping terms, less an allowance for estimated returns, as the Company's final sales price to the distributor was fixed and determinable and the Company determined that all four criteria for revenue recognition were met.

  Although the Company terminated its Ship and Debit Arrangements with all distributors along with certain ancillary agreements related to the Ship and Debit Arrangements, the Company continues to grant varying levels of stock rotation and price protection rights based on individual distributor agreements. To the extent these rights are implicated in any transaction with a distributor, we continue to evaluate their effect on when the revenue recognition criteria have been met.

- Inventories are recorded at the lower of cost or net realizable value, following the adoption of ASU 2015-11 (as discussed below), with cost being determined on a first-in, first-out basis. We write down inventories to net realizable value based on forecasted demand while taking into account product release schedules and product life cycles, which may drive management judgment. We also review and write down inventory, as appropriate, based on the age and condition of the 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 2017, 2016, and 2015. There were no material intangible asset impairments in fiscal years 2017, 2016, and 2015.
- We are subject to the possibility of loss contingencies for various legal matters. See Note 12 — 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 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 in the process of reviewing our customers' contracts in respect of performance obligation identification and satisfaction, pricing, warranties, and return rights, among other considerations. Through this process, the Company currently expects no material modifications to its financial statements upon adoption 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 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 adopted this ASU in the fourth quarter of fiscal year 2017 with no material modifications to the Company's financial statements as a result.

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 adopted these ASUs in fiscal year 2017 with no material impact to its financial statements.

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 adopted this ASU in the first quarter of fiscal year 2017, with no material impact 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 early adopted this ASU in fiscal year 2017 with no material modifications to its financial statements as a result.

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 future lease payments 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 all excess tax benefits and deficiencies to be recognized as income tax benefit / expense 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, as required by current guidance, or when forfeitures actually occur. 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 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 early adopted in the third quarter of fiscal year 2017, which resulted in the following:

- We recorded excess tax benefits within income tax expense, rather than in additional paid-in capital ("APIC"), of $2.2 million, $8.0 million, $10.8 million and $1.9 million for the first, second, third and fourth quarters of fiscal year 2017, respectively.
- We recorded a cumulative-effect adjustment as of March 27, 2016 to increase retained earnings by $5.6 million, with a corresponding increase to deferred tax assets, to recognize net operating loss and tax credit carryforwards attributable to excess tax benefits on stock-based compensation that had not been previously recognized.
- We now include the excess tax benefits in net operating cash rather than net financing cash in our Consolidated Statements of Cash Flows.

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We applied this change in presentation prospectively and thus prior years have not been adjusted.

We elected not to change our policy on accounting for forfeitures and continue to estimate forfeitures expected to occur to determine the amount of compensation cost to be recognized in each period.

The adoption of this new guidance impacted our previously reported quarterly results for fiscal year 2017 as follows:

	Three Months Ended				Six Months Ended	
	June 25, 2016		September 24, 2016		September 24, 2016	
	As reported	As adjusted	As reported	As adjusted	As reported	As adjusted
	(in thousands, except per share data)					
Consolidated Condensed Statements of Income:						
Income tax expense	$ 5,805	$ 3,598	$ 24,608	$ 16,634	$ 30,413	$ 20,232
Net income	$ 15,864	$ 18,071	$ 78,065	$ 86,039	$ 93,929	$ 104,110
Basic net income per share	$ 0.25	$ 0.29	$ 1.24	$ 1.37	$ 1.50	$ 1.66
Diluted net income per share	$ 0.24	$ 0.27	$ 1.19	$ 1.30	$ 1.43	$ 1.58
Weighted average shares used in diluted net income per share computation	65,232	65,723	65,717	66,410	65,521	66,101
Consolidated Condensed Statements of Cash Flows:						
Net cash provided by operating activities	$ 12,226	$ 12,756	$ 19,990	$ 24,091	$ 32,216	$ 36,847
Net cash used in financing activities	$ (13,140)	$ (13,670)	$ (13,859)	$ (17,960)	$ (26,999)	$ (31,630)

In June 2016, the FASB issued ASU 2016-13,*Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU requires credit losses on available-for-sale debt securities to be presented as an allowance rather than a write-down. Unlike current U.S. GAAP, the credit losses could be reversed with changes in estimates, and recognized in current year earnings. This ASU is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted for annual periods beginning after December 15, 2018, including interim periods. The Company is currently evaluating the impact of this ASU with no expected material impact.

In August 2016, the FASB issued ASU 2016-15,*Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This ASU covers several cash flow issues, including the presentation of contingent consideration payments made after a business combination. Cash payments up to the amount of the liability recognized at the acquisition date (including measurement-period adjustments) should be classified as financing activities. This ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted, including in an interim period, with a required retrospective transition method applied to each period presented. The Company early adopted in the fourth quarter of fiscal year 2017. See Statement of Cash Flows for presentation of contingent consideration payment.

In October 2016, the FASB issued ASU 2016-16,*Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. This ASU relates to income tax consequences of non-inventory intercompany asset transfers. This ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted, as of the beginning of an annual reporting period. The guidance requires companies to apply a modified retrospective approach with a cumulative catch-up adjustment to beginning retained earnings in the period of adoption. The Company is currently evaluating the impact of this ASU with no expected material impact.

In January 2017, the FASB issued ASU 2017-01,*Business Combinations (Topic 805): Clarifying the Definition of a Business*. The update states that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business, and should be treated as an asset acquisition instead. This ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted under specific circumstances, including in an interim period, with prospective application. The Company is currently evaluating the financial statement impact of this ASU, which is dependent upon the specific terms of any applicable future acquisitions or dispositions.

In January 2017, the FASB issued ASU 2017-03, Accounting Changes and Error Corrections (Topic 250) and Investments — Equity Method and Joint Ventures (Topic 323). This ASU amends the disclosure requirements for ASU 2014-09, Revenue from Contracts with Customers (Topic 606), ASU 2016-02, Leases (Topic 842) and ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This ASU states that if a registrant does not know or cannot reasonably estimate the impact that the adoption of the above ASUs is expected to have on the financial statements, then in addition to making a statement to that effect, the registrant should consider additional qualitative financial statement disclosures to assist the reader in assessing the significance of the impact that the standard will have on the financial statements of the registrant when adopted. This ASU was effective upon issuance. The adoption did not have a material impact on the Company's financial statements.

In January 2017, the FASB issued ASU 2017-04,*Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* This ASU eliminates step two of the goodwill impairment test. An impairment charge is to be recognized for the amount by which the current value exceeds the fair value. This ASU is effective for annual periods beginning after December 15, 2019, including interim periods. Early adoption is permitted, for interim or annual goodwill impairment tests performed after January 1, 2017 and should be applied prospectively. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. That disclosure should be provided in the first annual period and in the interim period within the first annual period when the entity initially adopts the amendments in this update. 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 2017, the Company introduced a variety of new products related to flagship and mid-tier smartphones and the emerging digital headset market. The Company benefited from several new technology trends including the transition from the traditional 3.5mm headset jack to a digital interface. Increasing interest in boosted amplifiers was fueled by the desire of OEMs to deliver louder and higher quality sound output, including a shift toward dual speakers to drive stereo sound. We also saw certain key flagship features trickling into mid-tier phones as OEMs pushed to enable a differentiated audio experience in these devices. In China, providing high-fidelity music content and playback on mobile devices continued to be a critical feature and drove the need for high performance hi-fi DACs.

Fiscal Year 2017

Fiscal year 2017 net sales of $1.5 billion represented a 32 percent increase over fiscal year 2016 net sales of $1.2 billion. Portable audio product line sales of $1.4 billion in fiscal year 2017 represented a 39 percent increase over fiscal year 2016 sales of $989.1 million, attributable primarily to significant increases in the sales of smart codecs and boosted amplifiers for the period, which was partially offset by a reduction in revenue generated by certain general market smart codecs as a leading Android customer reverted to a dual sourcing strategy on core chipsets. Non-portable audio and other product line sales of $165.1 million represented an 8 percent decrease from fiscal year 2016 sales of $180.2 million.

Overall, gross margin for fiscal year 2017 was 49 percent. The increase in gross margin for fiscal year 2017 was primarily due to higher volumes and supply chain efficiencies versus the prior year. The Company's number of employees increased to 1,444 as of March 25, 2017. The Company achieved net income of $261.2 million in fiscal year 2017, which included an income tax provision in the amount of $53.8 million.

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 versus fiscal year 2015. 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, fiscal year 2015 gross margin was negatively affected by approximately 1% due to the fair value adjustments made to inventory 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.

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 25, 2017	March 26, 2016	March 28, 2015
Net sales	100%	100%	100%
Gross margin	49%	47%	46%
Research and development	20%	23%	21%
Selling, general and administrative	8%	10%	11%
Acquisition related costs	0%	0%	2%
Restructuring and other, net	0%	0%	0%
Asset impairment	0%	0%	0%
Patent agreement and other	0%	-1%	0%
Income from operations	21%	15%	12%
Interest income	0%	0%	0%
Interest expense	0%	0%	-1%
Other expense	0%	0%	-1%
Income before income taxes	21%	15%	10%
Provision for income taxes	4%	4%	4%
Net income	17%	11%	6%

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 25, 2017	March 26, 2016	March 28, 2015
Portable Audio Products	$ 1,373,848	$ 989,101	$ 740,301
Non-Portable Audio and Other Products	165,092	180,150	176,267
	$ 1,538,940	$ 1,169,251	$ 916,568

Net sales for fiscal year 2017 increased 32 percent, to $1.5 billion from $1.2 billion in fiscal year 2016. The increase in net sales reflects a $384.7 million increase in portable audio product sales and a $15.1 million decrease 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 fiscal year 2017. Non-portable audio and other product line sales of $165.1 million represented an 8 percent decrease from fiscal year 2016 sales of $180.2 million, which was primarily attributable to a decrease in sales of DAC and surround codec products for the period.

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 reflected 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 fiscal year 2016, 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 an increase 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.

Sales to foreign customers, principally located in Asia, including sales to U.S.-based customers that manufacture products at plants overseas, were approximately $1.5 billion in fiscal year 2017, $1.1 billion in fiscal year 2016, and $869.9 million in fiscal year 2015. Sales to foreign customers located in Asia, excluding Japan, were 95 percent in net sales in fiscal year 2017, 89 percent in net sales in fiscal year 2016 and 92 percent of net sales in fiscal year 2015. Sales to foreign customers in Japan and Europe represented 2 percent of net sales in fiscal year 2017, 4 percent of net sales in fiscal year 2016 and 3 percent of net sales in fiscal year 2015.

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 2017 or 2016.

Gross Margin

Overall gross margin of 49 percent for fiscal year 2017 reflects an increase from fiscal year 2016 gross margin of 47 percent. The increase was primarily attributable to supply chain efficiencies in the current fiscal year versus the prior year. 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 2017.

Overall gross margin of 47 percent for fiscal year 2016 reflected 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 2016 fiscal year versus fiscal year 2015. 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.

Research and Development Expenses

Fiscal year 2017 research and development expenses of $303.7 million reflect an increase of $34.5 million, or 13 percent, from fiscal year 2016. The increase was primarily attributable to a 16 percent increase in research and development headcount and the associated salary and employee-related expenses. The Company also experienced higher facilities-related costs in the fiscal year 2017 versus fiscal year 2016, partially offset by the adjustment to the contingent consideration liability discussed in Note 4, the UK's Research and Development Expenditure Credit (RDEC), which went into effect beginning in fiscal year 2017, and a sales tax refund in the third quarter of fiscal year 2017.

Fiscal year 2016 research and development expenses of $269.2 million reflected 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 during the fiscal year.

Selling, General and Administrative Expenses

Fiscal year 2017 selling, general and administrative expenses of $127.3 million reflect an increase of $10.2 million, or 9 percent, compared to fiscal year 2016. The increase was primarily attributable to increased salary and employee-related expenses, as well as higher occupancy costs in fiscal year 2017.

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 fiscal year.

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 years 2017 and 2016 were immaterial.

Restructuring and Other, net

There were no restructuring costs for fiscal years 2017 and 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 and the consolidation of our sales functions. These charges are shown as a separate line item in the Consolidated Statements of Income under the caption "*Restructuring and other, net.*"

Asset Impairment

In the fourth quarter of fiscal year 2017, the Company reported an asset impairment charge of $9.8 million related to a building owned by the Company in Edinburgh, Scotland. The Company determined that the undiscounted cash flows associated with the property of the asset was less than the carrying value. Considering the fact that the building will no longer be used as the primary office space for Edinburgh employees and that market conditions had weakened, the Company hired an independent consultant to assess the fair value of the building. The variance in the assessed valuation amount and the carrying value was recorded and is presented as a separate line item on the Consolidated Statements of Income under the caption *"Asset impairment."*

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 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.

Interest Income

Interest income in fiscal years 2017, 2016, and 2015, was $1.7 million, $0.9 million, and $0.6 million, respectively. The increase in interest income in fiscal year 2017 and 2016 was due to higher average cash, cash equivalent, and marketable securities balances throughout the year versus the previous year.

Interest Expense

The Company reported interest expense of $3.6 million, $3.3 million and $5.6 million for fiscal years 2017, 2016 and 2015, respectively, primarily as a result of the revolving credit facilities described in Note 7. Additional costs were incurred in fiscal year 2015 in relation to an interim revolving facility.

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 2017 are immaterial.

Provision for Income Taxes

We recorded income tax expense of $53.8 million in fiscal year 2017 on a pre-tax income of $315.0 million, yielding an effective tax provision rate of 17.1 percent. Our effective tax rate was lower than the U.S. statutory rate of 35 percent, primarily due to income earned in jurisdictions with a lower statutory tax rate, excess tax benefits from stock based compensation due to the early adoption of the ASU 2016-09 accounting standard, and research and development tax credits in the U.S.

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.

Outlook

Looking ahead, we anticipate gross margin to remain in the upper 40 percent range for the foreseeable future with a long-term target operating profit model in the mid-20 percent range. We anticipate modest revenue growth for fiscal year 2018.

Liquidity and Capital Resources

In fiscal year 2017, our net cash provided by operating activities was $369.8 million. The positive cash flow from operations was predominantly due to the cash components of our net income, offset by a $24.9 million increase in working capital, driven primarily by an increase in accounts receivable and inventories, partially offset by a decrease in payables for the year. In fiscal year 2016, our net cash provided by operating activities was $149.0 million. The positive cash flow from operations was predominantly due to the cash components of our net income, offset by a $108.7 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, as well as 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 2017, the Company used approximately $69.9 million in cash related to investing activities principally related to $18.6 million in net purchases of marketable securities, and capital expenditures and technology investments of $51.3 million. In fiscal year 2016, the Company received approximately $20.2 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, and acquisitions of $36.8 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 2017, the Company used $117.5 million in financing activities. 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 revolver balances in fiscal year 2017 and 2016 were $100.4 million and $20.0 million, respectively. See Note 7 and *Revolving Credit Facilities* below for more information relating to debt agreements and terms that existed during the periods. Beginning in fiscal year 2017 with the adoption of ASU 2016-09, excess tax benefits or shortfalls are not shown separately as a financing activity, as the income tax effects of employee stock-based compensation are shown as a component of net income as an operating activity. Excess tax benefits related to employee stock-based compensation generated $3.9 million and $37.7 million, in fiscal years 2016, and 2015, respectively. Additionally, in fiscal years 2017, 2016, and 2015, the Company utilized approximately $15.4 million, $60.5 million, and $10.5 million, respectively, in cash to repurchase and retire portions of its outstanding common stock. See Note 13 for a description of our Share Repurchase Program.

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. While we expect our offshore cash to represent a greater portion of our total cash over time, we believe our expected future cash earnings, existing cash, cash equivalents, investment balances, and available borrowings under our Credit Facility will be sufficient to meet our capital requirements both domestically and internationally, 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 provided for a $250 million senior secured revolving credit facility (the “Credit Facility”). Borrowings under The Credit Facility were used for general corporate purposes.

On July 12, 2016, Cirrus Logic entered into an amended and restated credit agreement (the “Amended Credit Agreement”) with Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto, for the purpose of amending the Credit Agreement and providing ongoing working capital. The Amended Credit Agreement provides for a $300 million senior secured revolving credit facility (the “Amended

Facility”). The Amended Facility matures on July 12, 2021. Cirrus Logic must repay the outstanding principal amount of all borrowings, together with all accrued but unpaid interest thereon, on the maturity date. The Amended Facility is required to be guaranteed by all of Cirrus Logic’s material domestic subsidiaries (the “Subsidiary Guarantors”) and is secured by substantially all of the assets of Cirrus Logic and any Subsidiary Guarantors, except for certain excluded assets.

Borrowings under the Amended 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 .50% per annum for Base Rate Loans and 1.25% to 2.00% per annum for LIBOR Rate Loans based on the Leverage Ratio (as defined below). A commitment fee accrues at a rate per annum ranging from 0.20% to 0.30% (based on the Leverage Ratio) on the average daily unused portion of the commitment of the lenders. The Amended Credit Agreement 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 3.00 to 1.00 (the “Leverage Ratio”) and (b) the ratio of consolidated EBITDA for the prior four consecutive fiscal quarters to consolidated fixed charges (including amounts paid in cash for consolidated interest expenses, capital expenditures, scheduled principal payments of indebtedness, and income taxes) for the prior four consecutive fiscal quarters must not be less than 1.25 to 1.00 as of the end of each fiscal quarter. The Amended Credit Agreement also contains negative covenants limiting the Company’s or any Subsidiary’s ability to, among other things, incur debt, grant liens, make investments, effect certain fundamental changes, make certain asset dispositions, and make certain restricted payments. At March 25, 2017, the Company was in compliance with all covenants under the Amended Credit Agreement and had $60.0 million of indebtedness outstanding under the Amended Facility, which is included in long-term liabilities on the Consolidated Balance Sheet.

See also Note 7 — Revolving Line of Credit.

Off Balance Sheet Arrangements

As of March 25, 2017, the Company did not have any off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K, that were reasonably likely to have a material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

In our business activities, we incur certain commitments to make future payments under contracts such as debt agreements, purchase orders, operating leases and other long-term contracts. Maturities under these contracts are set forth in the following table as of March 25, 2017:

	Payment due by period (in thousands)				
	< 1 year	1-3 years	3-5 years	> 5 years	Total
Revolving line of credit	$ —	$ —	$ 60,000	$ —	$ 60,000
Interest on revolving line of credit (1)	1,942	5,296	735	—	7,973
Facilities leases, net	6,688	19,508	18,397	38,212	82,805
Equipment and other commitments	67	225	220	432	944
Wafer purchase commitments	182,331	—	—	—	182,331
Assembly purchase commitments	3,557	—	—	—	3,557
Outside test purchase commitments	14,482	—	—	—	14,482
Other purchase commitments	18,445	3,148	—	—	21,593
Total	$ 227,512	$ 28,177	$ 79,352	$ 38,644	$ 373,685

(1) Our debt is 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 $30.9 million for unrecognized tax benefits is not included in the table above. See Note 15 — 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 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 25, 2017. Actual results may differ materially.

Interest Rate Risk

Our primary financial instruments include cash equivalents, marketable securities, accounts receivable, pension plan assets / liabilities, 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, the Company performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of the investment portfolio assuming a 100 basis point parallel shift in the yield curve. Based on investment positions as of March 25, 2017 and March 26, 2016, a hypothetical 100 basis point increase in interest rates across all maturities would result in a $0.9 million and $0.4 million decline in the fair market value of the portfolio, respectively. The larger hypothetical decline in fair value at the end of fiscal year 2017 was due to the larger balance in total marketable securities, when compared to fiscal year 2016. Such losses would only be realized if the Company sold the investments prior to maturity.

Foreign Currency Exchange Risk

Our revenue and spending is transacted primarily in U.S. dollars; however, in fiscal years 2017, 2016, and 2015, 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 25, 2017 and March 26, 2016, 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 2017 and 2016, 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.