

## PART I

### ITEM 1. *Business*

Cirrus Logic, Inc. (“Cirrus Logic,” “We,” “Us,” “Our,” or the “Company”) is a leader in high performance, low-power integrated circuits (“ICs”) for audio and voice signal processing applications. Cirrus Logic’s products span the entire audio signal chain, from capture to playback, providing innovative products for the world’s top smartphones, tablets, digital headsets, wearables and emerging smart home applications.

We were incorporated in California in 1984, became a public company in 1989 and were reincorporated in the State of Delaware in February 1999. Our primary facility housing engineering, sales and marketing, and administrative functions is located in Austin, Texas. We also have offices in various other locations in the United States, United Kingdom, Sweden, Spain, Australia, and Asia, including the People’s Republic of China, Hong Kong, South Korea, Japan, Singapore, and Taiwan. Our common stock, which has been publicly traded since 1989, is listed on the NASDAQ Global Select Market under the symbol CRUS.

We maintain a website with the address [www.cirrus.com](http://www.cirrus.com). We are not including the information contained on our website as a part of, or incorporating it by reference into, this Annual Report on Form 10-K. We make available free of charge through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission (the “SEC”). We also routinely post other important information on our website, including information specifically addressed to investors. We intend for the investor relations section of our website to be a recognized channel of distribution for disseminating information to the securities marketplace in general. To receive a free copy of this Annual Report on Form 10-K, please forward your written request to Cirrus Logic, Inc., Attn: Investor Relations, 800 W. 6<sup>th</sup> Street, Austin, Texas 78701, or via email at [Investor.Relations@cirrus.com](mailto:Investor.Relations@cirrus.com). In addition, the SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements filed electronically with the SEC by Cirrus Logic.

#### **Company Strategy**

Cirrus Logic targets growing markets where we can leverage our expertise in analog and digital signal processing to solve complex problems. Our approach has been to develop custom and general market components that embody our latest innovations, which we use to engage key players in a particular market or application. We focus on building strong engineering relationships with our customers’ product teams and work to develop highly differentiated components that address their technical and price requirements across product tiers. Our products are comprised of our best-in-class hardware and software algorithms and a combination of our own intellectual property (“IP”), algorithms that have been ported to our platform by an ecosystem of third-party partners, and our customers’ IP. When we have been successful with this approach, one initial design win has often expanded into additional products. This strategy gives us the opportunity to increase our content with a customer over time through the incorporation of new features, the integration of other system components into our products and the addition of new components.

#### **Markets and Products**

The following provides a detailed discussion regarding our portable audio and non-portable audio and other product lines:

**Portable Audio Products:** High-precision analog and mixed-signal components designed for mobile devices including smartphones, tablets, digital headsets, wearables, smart accessories and portable media players.

**Non-Portable Audio and Other Products:** High-precision analog and mixed-signal components targeting the consumer market, including emerging smart home applications, and the automotive, energy and industrial markets.

### **PORTABLE AUDIO PRODUCTS**

We are a leading provider of analog and mixed-signal audio converter and digital signal processing products in many of today's mobile applications. As a leading IC supplier with the complete end-to-end solution from capture to playback, we have an extensive portfolio of products that target flagship and mid-tier devices, including "codecs" - chips that integrate analog-to-digital converters ("ADCs") and digital-to-analog converters ("DACs") into a single IC, "smart codecs" - codecs with digital signal processing integrated, amplifiers, micro-electromechanical systems ("MEMS") microphones, as well as standalone digital signal processors ("DSPs"). Additionally, the Company's SoundClear® technology consists of a broad portfolio of tools, software and algorithms that help to differentiate our customers' products by improving the user experience with features such as enhanced voice quality, voice capture and audio playback. Our products are designed for use in a wide array of mobile applications, including smartphones, tablets, portable media players, wearables and smart accessories such as digital headsets and headphones.

### **NON-PORTABLE AUDIO AND OTHER PRODUCTS**

We provide high-precision analog and mixed-signal ICs for a variety of products in consumer applications, including the emerging smart home market, automotive, industrial and energy. The Company supplies a wide range of products including ICs, codecs, ADCs, DACs, digital interface and amplifiers. Within the consumer market our products are utilized in laptops, audio/video receivers ("AVRs"), home theater systems, set-up boxes, portable speakers, digital camcorders, musical instruments and professional audio products. Applications for products in the automotive market include satellite radio systems, telematics and multi-speaker car-audio systems. Our products are also used in a wide array of high-precision industrial and energy-related applications including digital utility meters, power supplies, energy control, energy measurement, and energy exploration applications.

### **Customers, Marketing, and Sales**

We offer products worldwide through both direct and indirect sales channels. Our major customers are among the world's leading electronics manufacturers. We target both large existing and emerging customers that derive value from our expertise in advanced analog and mixed-signal design processing, systems-level integrated circuit engineering and embedded software development. We derive our revenues from both domestic and international sales, including sales in Asia, Australia and Europe. Our domestic sales force includes a network of direct sales offices located in California and Texas. International sales offices and staff are located in Hong Kong, Japan, Shanghai and Shenzhen in the People's Republic of China, Singapore, South Korea, Taiwan, and the United Kingdom. We supplement our direct sales force with external sales representatives and distributors. We have technical support centers in China, South Korea, Taiwan and the United States. Our worldwide sales force provides geographically specific support to our customers and specialized selling of product lines with unique customer bases. See Note 17 — Segment Information, of the Notes to Consolidated Financial Statements contained in Item 8 for further detail and for additional disclosure regarding sales and property, plant and equipment, net, by geographic locations.

Since the components we produce are largely proprietary and generally not available from second sources, we generally consider our end customer to be the entity specifying the use of our component in their design. These end customers may then purchase our products directly from us, through distributors or third party manufacturers contracted to produce their designs. For fiscal years 2016, 2015, and 2014, our ten largest end customers, represented approximately 89 percent, 87 percent, and 88 percent, of our sales, respectively. For fiscal years 2016, 2015, and 2014, we had one end customer, Apple, Inc., who purchased through multiple contract manufacturers and represented approximately 66 percent, 72 percent, and 80 percent, of the Company's total sales, respectively. Samsung Electronics represented approximately 15 percent of the Company's total sales for fiscal year 2016. No other customer or distributor represented more than 10 percent of net sales in fiscal years 2016, 2015, or 2014.

---

## [Table of Contents](#)

### **Manufacturing**

As a fabless semiconductor company, we contract with third parties for wafer fabrication and product assembly and test. We use a variety of foundries in the production of wafers including Taiwan Semiconductor Manufacturing Company, Limited, MagnaChip Semiconductor Corporation and GLOBALFOUNDRIES. The Company's primary assembly and test houses include Advanced Semiconductor Engineering, Inc., Amkor Technology Inc., Nepes Corporation, Siliconware Precision Industries Co., Ltd. and STATS ChipPAC Pte. Ltd. Our outsourced manufacturing strategy allows us to concentrate on our design strengths and minimize fixed costs and capital expenditures while giving us access to advanced manufacturing facilities. It also provides the flexibility to source multiple leading-edge technologies through strategic relationships. After wafer fabrication by the foundry, third-party assembly vendors package the wafer die. The finished products are then tested before shipment to our customers. While we do have some redundancy of fabrication processes by using multiple outside foundries, any interruption of supply by one or more of these foundries could materially impact the Company. As a result, we maintain some amount of business interruption insurance to help reduce the risk of wafer supply interruption, but we are not fully insured against such risk. Our supply chain management organization is responsible for the management of all aspects of the manufacturing, assembly, and testing of our products, including process and package development, test program development, and production testing of products in accordance with our ISO-certified quality management system.

Although our products are made from basic materials (principally silicon, metals and plastics), all of which are available from a number of suppliers, capacity at wafer foundries sometimes becomes constrained. The limited availability of certain materials may impact our suppliers' ability to meet our demand needs or impact the price we are charged. The prices of certain other basic materials, such as metals, gases and chemicals used in the production of circuits can increase as demand grows for these basic commodities. In most cases, we do not procure these materials ourselves; nevertheless, we are reliant on such materials for producing our products because our outside foundry and package and test subcontractors must procure them. To help mitigate risks associated with constrained capacity, we use multiple foundries, assembly and test sources.

### **Patents, Licenses and Trademarks**

We rely on patent, copyright, trademark, and trade secret laws to protect our intellectual property, products, and technology. As of March 26, 2016, we held approximately 2,240 pending and issued patents worldwide, which include approximately 1,020 granted U.S. patents, 230 U.S. pending patent applications and various international patents and applications. Our U.S. patents expire in calendar years 2016 through 2033. While our patents are an important element of our success, our business as a whole is not dependent on any one patent or group of patents. We do not anticipate any material effect on our business due to any patents expiring in 2016, and we continue to obtain new patents through our ongoing research and development.

We have maintained U.S. federal trademark registrations for CIRRUS LOGIC, CIRRUS, Cirrus Logic logo designs, WOLFSON, CRYSTAL, and SoundClear, among others. These U.S. registrations may be renewed as long as the marks continue to be used in interstate commerce. We have also filed or obtained foreign registration for these marks in other countries or jurisdictions where we conduct, or anticipate conducting, international business. To complement our own research and development efforts, we have also licensed and expect to continue to license, a variety of intellectual property and technologies important to our business from third parties.

### **Segments**

We determine our operating segments in accordance with Financial Accounting Standards Board ("FASB") guidelines. Our Chief Executive Officer ("CEO") has been identified as the chief operating decision maker as defined by these guidelines.

The Company operates and tracks its results in one reportable segment, but reports revenue performance in two product lines: Portable Audio and Non-Portable Audio and Other. Our CEO receives and uses enterprise-wide financial information to assess financial performance and allocate resources, rather than detailed information at a product line level. Additionally, our product lines have similar characteristics and customers.

---

## [Table of Contents](#)

They share operations support functions such as sales, public relations, supply chain management, various research and development and engineering support, in addition to the general and administrative functions of human resources, legal, finance and information technology. Therefore, there is no discrete financial information maintained for these product lines. For fiscal years 2016, 2015, and 2014, Portable Audio product sales were \$989.1 million, \$740.3 million, and \$562.7 million, respectively. For fiscal years 2016, 2015, and 2014, Non-Portable Audio and Other product sales were \$180.2 million, \$176.3 million, and \$151.6 million, respectively.

See Note 17 — Segment Information, of the Notes to Consolidated Financial Statements contained in Item 8 for further details including sales and property, plant and equipment, net, by geographic locations.

### **Research and Development**

We concentrate our research and development efforts on the design and development of new products for each of our principal markets. We also fund certain advanced-process technology development, as well as other emerging product opportunities. Expenditures for research and development in fiscal years 2016, 2015, and 2014 were \$269.2 million, \$197.9 million, and \$126.2 million, respectively. Our future success is highly dependent upon our ability to develop complex new products, transfer new products to volume production, introduce them into the marketplace in a timely fashion, and have them selected for design into products of systems manufacturers. Our future success may also depend on assisting our customers with integration of our components into their new products, including providing support from the concept stage through design, launch and production ramp.

### **Competition**

Markets for our products are highly competitive and we expect that competition will continue to increase. Our ability to compete effectively and to expand our business will depend on our ability to continue to recruit key engineering talent, execute on new product developments, partner with customers to include these new products into their applications, and provide cost efficient versions of existing products. We compete with other semiconductor suppliers that offer standard semiconductors, application-specific standard products and fully customized ICs, including embedded software, chip and board-level products.

While no single company competes with us in all of our product lines, we face significant competition in all markets where our products are available. Within Portable Audio, Cirrus Logic is the leading IC supplier with the complete end-to-end solution from capture to playback including amplifiers, codecs, DSP and MEMS microphones. We expect to face additional competition from new entrants in our markets, which may include both large domestic and international IC manufacturers and smaller, emerging companies. Our primary competitors include, but are not limited to AAC Technologies, AKM Semiconductor Inc., Analog Devices Inc., Austriamicrosystems AG, DSP Group, ESS Technology, Inc., GoerTek Inc., InvenSense, Inc., Knowles Corporation, Maxim Integrated Products Inc., NXP Semiconductors N.V., Qualcomm Incorporated, Realtek Semiconductor Corporation, ST Microelectronics N.V., and Texas Instruments, Inc.

The principal competitive factors in our markets include: time to market; quality of hardware/software design and end-market systems expertise; price; product performance, features, quality and compatibility with standards; access to advanced process and packaging technologies at competitive prices; and sales and technical support, which includes assisting our customers with integration of our components into their new products and providing support from the concept stage through design, launch and production ramp.

Product life cycles may vary greatly by product category. For example, many portable audio devices have shorter design-in cycles; therefore, our competitors have increasingly frequent opportunities to achieve design wins in next-generation systems. Conversely, this also provides us frequent opportunities to displace competitors in products that have previously not utilized our design. The non-portable audio and other markets typically have longer life cycles, which provide continued revenue streams over longer periods of time.

### **Backlog**

Sales are made primarily pursuant to short-term purchase orders for delivery of products. The quantity actually ordered by the customer, as well as the shipment schedules, are frequently revised, without significant

---

## [Table of Contents](#)

penalty, to reflect changes in the customer's needs. The majority of our backlog is typically requested for delivery within six months. In markets where the end system life cycles are relatively short, customers typically request delivery in six to twelve weeks. We believe a backlog analysis at any given time gives little indication of our future business except on a short-term basis, principally within the next 60 days.

We utilize backlog as an indicator to assist us in production planning. However, backlog is influenced by several factors including market demand, pricing, and customer order patterns in reaction to product lead times. Quantities actually purchased by customers, as well as prices, are subject to variations between booking and delivery because of changes in customer needs or industry conditions. As a result, we believe that our backlog at any given time is an incomplete indicator of future sales.

### **Employees**

As of March 26, 2016, we had 1,291 full-time employees, an increase of 187 employees, or 17 percent, from the end of fiscal year 2015. The increase was primarily due to expanding our bandwidth in the area of research and development. Of our full-time employees, 68 percent were engaged in research and product development activities, 25 percent in sales, marketing, general and administrative activities, and 7 percent in manufacturing-related activities. Our future success depends, in part, on our ability to continue to attract, retain and motivate highly qualified technical, marketing, engineering, and administrative personnel.

We have never had a work stoppage and the majority of our employees are not represented by collective bargaining agreements. We consider our employee relations to be good.

### **Forward—Looking Statements**

This Annual Report on Form 10-K and certain information incorporated herein by reference contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements included or incorporated by reference in this Annual Report on Form 10-K, other than statements that are purely historical, are forward-looking statements. In some cases, forward-looking statements are identified by words such as “expect,” “anticipate,” “target,” “project,” “believe,” “goals,” “estimates,” and “intend.” Variations of these types of words and similar expressions are intended to identify these forward-looking statements. Any statements that refer to our plans, expectations, strategies or other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by our forward-looking statements are those discussed in *Item 1A. Risk Factors* and elsewhere in this report, as well as in the documents filed by us with the SEC, specifically the most recent reports on Form 10-Q and 8-K, each as it may be amended from time to time.

We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K, and we undertake no obligation to update this information to reflect events or circumstances after the filing of this report with the SEC, except as required by law. All forward-looking statements, expressed or implied, included in this Annual Report on Form 10-K and attributable to Cirrus Logic are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we may make or persons acting on our behalf may issue. We undertake no obligation to revise or update publicly any forward-looking statement for any reason.

### **ITEM 1A. Risk Factors**

Our business faces significant risks. The risk factors set forth below may not be the only risks that we face and there is a risk that we may have failed to identify all possible risk factors. Additional risks that we are not aware of yet or that currently are not significant may adversely affect our business operations. You should read the following cautionary statements in conjunction with the factors discussed elsewhere in this and other Cirrus