CIRRUS LOGIC INC
Form 10-Q
July 25, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 25, 2011

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Transition Period from __________ to __________
Commission File Number 0-17795

CIRRUS LOGIC, INC.

DELAWARE	**2901 Via Fortuna, Austin, TX 78746**	**77-0024818**
(State of incorporation)		**(I.R.S. ID)**

Registrant s telephone number, including area code:
(512) 851-4000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES þ NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO þ

The number of shares of the registrant s common stock, $0.001 par value, outstanding as of July 20, 2011 was 65,201,100.

CIRRUS LOGIC, INC.
FORM 10-Q QUARTERLY REPORT
QUARTERLY PERIOD ENDED JUNE 25, 2011
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Part I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CIRRUS LOGIC, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(in thousands)

	June 25, 2011 (unaudited)	March 26, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 41,490	$ 37,039
Restricted investments	5,755	5,786
Marketable securities	107,016	159,528
Accounts receivable, net	41,967	39,098
Inventories	46,851	40,497
Deferred tax assets	30,800	30,797
Other current assets	8,042	6,725
Total current assets	281,921	319,470
Long-term marketable securities	1,334	12,702
Property and equipment, net	42,465	34,563
Goodwill and intangibles, net	25,532	26,152
Deferred tax assets	97,152	102,136
Other assets	8,566	1,598
Total assets	$ 456,970	$ 496,621
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 31,063	$ 27,639
Accrued salaries and benefits	8,120	12,402
Other accrued liabilities	7,505	5,169
Deferred income	9,745	6,844
Total current liabilities	56,433	52,054
Long-term obligations	6,666	6,188
Stockholders equity:		
Capital stock	994,746	991,947
Accumulated deficit	(600,126)	(552,814)
Accumulated other comprehensive loss	(749)	(754)
Total stockholders equity	393,871	438,379
Total liabilities and stockholders equity	$ 456,970	$ 496,621

The accompanying notes are an integral part of these consolidated condensed financial statements.

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CIRRUS LOGIC, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts; unaudited)

	Three Months Ended	
	June 25, 2011	**June 26, 2010**
Net sales	$ 92,242	$ 81,915
Cost of sales	44,533	35,180
Gross margin	47,709	46,735
Operating expenses:		
Research and development	18,767	15,092
Selling, general and administrative	14,606	14,011
Provision for litigation expenses and settlements		135
Total operating expenses	33,373	29,238
Income from operations	14,336	17,497
Interest income, net	154	228
Other income (expense), net	(17)	32
Income before income taxes	14,473	17,757
Provision for income taxes	5,295	155
Net income	$ 9,178	$ 17,602
Basic income per share:	$ 0.14	$ 0.26
Diluted income per share:	$ 0.13	$ 0.25
Basic weighted average common shares outstanding:	67,099	66,639
Diluted weighted average common shares outstanding:	70,445	70,755

The accompanying notes are an integral part of these consolidated condensed financial statements.

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CIRRUS LOGIC, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(in thousands; unaudited)

	Three Months Ended June 25, 2011	Three Months Ended June 26, 2010
Cash flows from operating activities:		
Net income	$ 9,178	$ 17,602
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,262	1,921
Stock compensation expense	2,442	1,356
Deferred income taxes	4,981	
Loss on retirement or writeoff of long-lived assets	2	53
Other non-cash charges		7
Net change in operating assets and liabilities:		
Accounts receivable, net	(2,869)	(10,573)
Inventories	(6,354)	(7,019)
Other assets	(2,794)	(517)
Accounts payable and other accrued liabilities	675	6,946
Deferred income	2,901	2,073
Income taxes payable	193	54
Net cash provided by operating activities	10,617	11,903
Cash flows from investing activities:		
Additions to property, equipment and software	(8,162)	(3,720)
Investments in technology	(6,095)	(307)
Purchase of marketable securities	(34,066)	(7,786)
Proceeds from sale and maturity of marketable securities	97,951	18,192
Decrease (increase) in restricted investments	31	(500)
Decrease in deposits and other assets	308	12
Net cash provided by investing activities	49,967	5,891
Cash flows from financing activities:		
Repurchase and retirement of common stock	(56,493)	
Net proceeds from the issuance of common stock	360	12,255
Net cash provided by (used in) financing activities	(56,133)	12,255
Net increase in cash and cash equivalents	4,451	30,049
Cash and cash equivalents at beginning of period	37,039	16,109
Cash and cash equivalents at end of period	$ 41,490	$ 46,158

The accompanying notes are an integral part of these consolidated condensed financial statements.

CIRRUS LOGIC, INC.
NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

The consolidated condensed financial statements have been prepared by Cirrus Logic, Inc. (we, us, our, or the Company) pursuant to the rules and regulations of the Securities and Exchange Commission (Commission). The accompanying unaudited consolidated condensed financial statements do not include complete footnotes and financial presentations. As a result, these financial statements should be read along with the audited consolidated financial statements and notes thereto for the year ended March 26, 2011, included in our Annual Report on Form 10-K filed with the Commission on May 25, 2011. In our opinion, the financial statements reflect all adjustments, including normal recurring adjustments, necessary for a fair presentation of the financial position, operating results and cash flows, for those periods presented. The preparation of financial statements in conformity with United States (U.S.) generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect reported assets, liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates and assumptions. Moreover, the results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the entire year. Certain reclassifications have been made to the 2011 fiscal year presentation to conform to the fiscal year 2012 presentation. This reclassification had no effect on the results of operations or stockholders equity.

2. Recently Issued Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurement (Accounting Standards Codification (ASC) Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The amendments in this ASU result in common fair value measurement and disclosure requirements in U.S. GAAP and international financial reporting standards (IFRS). Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. To improve consistency in application across jurisdictions some changes in wording are necessary to ensure that U.S. GAAP and IFRS fair value measurement and disclosure requirements are described in the same way. The ASU also provides for certain changes in current GAAP disclosure requirements, for example with respect to the measurement of level 3 assets and for measuring the fair value of an instrument classified in a reporting entity s shareholders equity. The amendments in this ASU are to be applied prospectively, and are effective during interim and annual periods beginning after December 15, 2011. The adoption of this guidance is not anticipated to have a material impact on our consolidated financial position, results of operations or cash flows.

In May 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (ASC Topic 220) Presentation of Comprehensive Income.* The amendments from this update will result in more converged guidance on how comprehensive income is presented under both U.S. GAAP and IFRS. With this update to ASC 220, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The amendments in this update do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income, nor does it affect how earnings per share is calculated or presented. Current U.S. GAAP allows reporting entities three alternatives for presenting other comprehensive income and its components in financial statements. One of those presentation options is to present the components of other comprehensive income as part of the statement of changes in stockholders equity. This update eliminates that option. The amendments in this ASU should be applied retrospectively, and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance is not anticipated to have a material impact on our consolidated financial position, results of operations or cash flows.

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3. Fair Value of Financial Instruments

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As of June 25, 2011, the Company s cash and cash equivalents and restricted investments of $47.2 million, and short and long-term investments of $108.4 million, were valued using quoted prices generated by market transactions involving identical assets, or Level 1 assets, as defined under FASB ASC Topic 820.

The following table summarizes the carrying amount and fair value of the Company s financial instruments (in thousands):

	June 25, 2011		March 26, 2011	
Financial instruments	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Cash and cash equivalents	$ 41,490	$ 41,490	$ 37,039	$ 37,039
Restricted investments	5,755	5,755	5,786	5,786
Marketable securities	107,016	107,016	159,528	159,528
Long-term marketable securities	1,334	1,334	12,702	12,702
	$ 155,595	$ 155,595	$ 215,055	$ 215,055

Financial assets with carrying amounts approximating fair value include cash and cash equivalents, restricted investments, and marketable securities. The carrying amount of these financial assets approximates fair value because of their short maturity. The fair values of long-term marketable securities are valued using quoted prices generated by market transactions involving identical assets.

The Company s investments that have original maturities greater than 90 days have been classified as available-for-sale securities in accordance with ASC Topic 320 *Investments Debt and Equity Securities.* Marketable securities are categorized on the consolidated condensed balance sheet as restricted investments and marketable securities, as appropriate.

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The following table is a summary of available-for-sale securities at June 25, 2011 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value (Net Carrying Amount)
Corporate securities U.S.	$ 43,723	$ 26	$ (30)	$ 43,719
U.S. Government securities	21,485	9		21,494
Agency discount notes	10,841	6		10,847
Commercial paper	32,280	10		32,290
Total securities	$ 108,329	$ 51	$ (30)	$ 108,350

The Company s specifically identified gross unrealized losses of $30 thousand relates to ten different securities with amortized costs of approximately $21.5 million at June 25, 2011. The securities with gross unrealized losses have been in a continuous unrealized loss position for less than 12 months as of June 25, 2011.
The following table is a summary of available-for-sale securities at March 26, 2011 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value (Net Carrying Amount)
Corporate securities U.S.	$ 64,228	$ 22	$ (38)	$ 64,212
U.S. Government securities	35,268	13		35,281
Agency discount notes	16,588	5	(2)	16,591
Commercial paper	56,130	23	(7)	56,146
Total securities	$ 172,214	$ 63	$ (47)	$ 172,230

The Company s specifically identified gross unrealized losses of $47 thousand relates to 28 different securities with a total amortized cost of approximately $61.8 million at March 26, 2011. The securities with gross unrealized losses had been in a continuous unrealized loss position for less than 12 months as of March 26, 2011.

4. Accounts Receivable, net

The following are the components of accounts receivable, net (in thousands):

	June 25, 2011	March 26, 2011
Gross accounts receivable	$ 42,399	$ 39,519
Allowance for doubtful accounts	(432)	(421)
	$ 41,967	$ 39,098

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5. Inventories

Inventories are comprised of the following (in thousands):

	June 25, 2011	March 26, 2011
Work in process	$ 24,989	$ 22,048
Finished goods	21,862	18,449
	$ 46,851	$ 40,497

The increase in inventory balances at June 25, 2011, as compared to March 26, 2011, is primarily related to the expected increased demand for our products, and reflects planned inventory builds.

6. Income Taxes

We recorded income tax expense of $5.3 million, primarily a non-cash charge, on pre-tax income of $14.5 million for the first quarter of fiscal year 2012, yielding an effective tax rate of 36.6 percent. Our income tax expense for the first quarter of fiscal year 2012 is based on an estimated effective tax rate derived from an estimate of consolidated earnings before taxes, adjusted for nondeductible expenses and other permanent differences for fiscal year 2012. The estimated effective tax rate was impacted primarily by the worldwide mix of consolidated earnings before taxes. Our income tax expense for the first quarter of fiscal year 2012 was slightly above the federal statutory rate primarily due to the effect of state income taxes and nondeductible expenses.

We recorded income tax expense of $155 thousand for the first quarter of fiscal year 2011, yielding an effective tax rate of 0.9 percent. Our income tax expense for the first quarter of fiscal year 2011 was based on an estimated effective tax rate, which was derived from an estimate of consolidated earnings before taxes for fiscal year 2011. The estimated effective tax rate was impacted primarily by the worldwide mix of consolidated earnings before taxes and an assessment regarding the ability to realize our deferred tax assets. Our income tax expense for the first quarter of fiscal year 2011 was less than the federal statutory rate primarily as a result of the utilization of a portion of our U.S. deferred tax asset and related valuation allowance.

We had no unrecognized tax benefits as of June 25, 2011. We do not expect our unrecognized tax benefits to change significantly over the next 12 months. Our policy is to recognize interest and penalties related to income tax matters in income tax expense. As of June 25, 2011, the balance of accrued interest and penalties was zero. No interest or penalties were incurred during the first quarter of fiscal year 2012.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax in multiple state and foreign jurisdictions. Fiscal years 2008 through 2011 remain open to examination by the major taxing jurisdictions to which we are subject.

7. Net Income Per Share

Basic net income per share is based on the weighted effect of common shares issued and outstanding and is calculated by dividing net income by the basic weighted average shares outstanding during the period. Diluted net income per share is calculated by dividing net income by the weighted average number of common shares used in the basic net income per share calculation, plus the equivalent number of common shares that would be issued assuming exercise or conversion of all potentially dilutive items outstanding.

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The weighted average outstanding options excluded from our diluted calculation for the quarters ended June 25, 2011, and June 26, 2010, were 901,000, and 620,000, respectively, as the strike price of the options exceeded the average market price during the respective periods.

8. Legal Matters

During the first quarter of fiscal year 2011, the Company incurred $135 thousand in settlement costs related to a dispute with a former distributor of the Company s products. This transaction is reflected as a separate line item on the consolidated condensed statement of operations in operating expenses under the caption *Provision for litigation expenses and settlements.*

From time to time, other various claims, charges and litigation are asserted or commenced against us arising from, or related to, contractual matters, intellectual property, employment disputes, as well as other issues. Frequent claims and litigation involving these types of issues are not uncommon in our industry. As to any of these claims or litigation, we cannot predict the ultimate outcome with certainty.

9. Stockholder s Equity

Common Stock

The Company issued 0.1 million and 2.0 million shares of common stock, respectively, for the three month periods ending June 25, 2011, and June 26, 2010, in connection with stock option exercises during the periods.

Comprehensive Income

The components of comprehensive income, net of tax, are as follows (in thousands):

	Three Months Ended	
	June 25, 2011	June 26, 2010
Net income	$ 9,178	$ 17,602
Adjustments to arrive at comprehensive income:		
Change in unrealized gain on marketable securities	5	(100)
Comprehensive income	$ 9,183	$ 17,502

Share Repurchase Program

On November 4, 2010, we announced that a new $80 million share repurchase program had been approved by our Board of Directors. In the third quarter of fiscal year 2011, 216 thousand shares were repurchased at a cost of $2.8 million, or an average price of $12.80 per share. In the first quarter of fiscal year 2012, the Company completed the repurchase of approximately 3.5 million shares of the Company s stock, at a total cost of $56.5 million, or an average cost of $15.94 per share. As of June 25, 2011, approximately $20.7 million remains available for share repurchases under this $80 million share repurchase program. All shares of our common stock that were repurchased were cancelled and retired.

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10. Segment Information

We determine our operating segments in accordance with FASB ASC Topic 280, *Segment Reporting.* Our Chief Executive Officer (CEO) has been identified as the chief operating decision maker as defined by FASB ASC Topic 280.

The Company operates and tracks its results in one reportable segment based on the aggregation of activity from its two product lines under ASC Topic 280. 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. 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 complete, discrete financial information maintained for these product lines.

Revenue from our product lines are as follows (in thousands):

	Three Months Ended	
	June 25, 2011	June 26, 2010
Audio Products	$ 71,119	$ 53,988
Energy Products	21,123	27,927
	$ 92,242	$ 81,915

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read along with the unaudited consolidated condensed financial statements and notes thereto included in Item 1 of this Quarterly Report on Form 10-Q, as well as the audited consolidated financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended March 26, 2011, contained in our fiscal year 2011 Annual Report on Form 10-K filed with the Securities and Exchange Commission (Commission) on May 25, 2011. We maintain a web site at investor.cirrus.com, which makes available free of charge our most recent annual report and all other filings we have made with the SEC. This Management s Discussion and Analysis of Financial Condition and Results of Operations 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 Exchange Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations, estimates, forecasts and projections and the beliefs and assumptions of our management. In some cases, forward-looking statements are identified by words such as expect, anticipate, target, project, believe, goals, estimates, intend, and variations of these types of words and similar expressions which a intended to identify these forward-looking statements. In addition, 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. We undertake no obligation to revise or update publicly any forward-looking statement for any reason.

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 Affecting our Business and Prospects* in our 2011 Annual Report on Form 10-K filed with the Commission on May 25, 2011. Readers should carefully review these risk factors, as well as those identified in other documents filed by us with the Commission.

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Overview

Cirrus Logic, Inc. (Cirrus Logic, Cirrus, We, Us, Our, or the Company) develops high-precision, analog and mixed-signal integrated circuits (ICs) for a broad range of audio and energy markets. Building on our diverse analog mixed-signal patent portfolio, Cirrus Logic delivers highly optimized products for consumer and commercial audio, automotive entertainment and targeted industrial and energy-related applications. We develop ICs, board-level modules and hybrids for high-power amplifier applications branded as the Apex Precision Power (Apex) line of products and provide complete system reference designs based on our technology that enable our customers to bring products to market in a timely and cost-effective manner.

Critical Accounting Policies

Our discussion and analysis of the Company s financial condition and results of operations are based upon the unaudited consolidated condensed 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.

There were no material changes in the first quarter of fiscal year 2012 to the information provided under the heading *Critical Accounting Policies* included in our Annual Report on Form 10-K for the fiscal year ended March 26, 2011, which was filed with the Commission on May 25, 2011.

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Results of Operations

The following table summarizes the results of our operations for the first quarter of fiscal years 2012 and 2011 as a percent of net sales. All percentage amounts were calculated using the underlying data in thousands, unaudited:

	Percentage of Net Sales Three Months Ended	
	June 25, 2011	**June 26, 2010**
Audio products	77%	66%
Energy products	23%	34%
Net sales	100%	100%
Cost of sales	48%	43%
Gross margin	52%	57%
Research and development	20%	18%
Selling, general and administrative	16%	17%
Provision for litigation expenses and settlements		1%
Total operating expenses	36%	36%
Income from operations	16%	21%
Interest income, net	0%	1%
Other income (expense), net	0%	0%
Income before income taxes	16%	22%
Provision for income taxes	6%	1%
Net income	10%	21%

Net Sales

Net sales for the first quarter of fiscal year 2012 increased $10.3 million, or 13 percent, to $92.2 million from $81.9 million for the first quarter of fiscal year 2011. Net sales from our audio products increased $17.1 million, or 32 percent, as compared to the comparable period from the prior fiscal year and were attributable to increased sales in our portable products. Energy product sales decreased $6.8 million, or 24 percent, during the first quarter of fiscal year 2012 versus the comparable quarter of the prior fiscal year. These decreases were attributable to sales reductions across various products within the energy product line and in particular certain end of life products.

Export sales, principally to Asia, including sales to U.S.-based customers with manufacturing plants overseas, were 86 percent and 80 percent of net sales during the first quarter of fiscal years 2012 and 2011, respectively. Our sales are denominated primarily in U.S. dollars. As a result, we have not entered into foreign currency forward exchange and option contracts.

Since the components we produce are largely proprietary and generally not available from second sources, we 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, from an external sales representative or distributor, or through a third party manufacturer contracted to produce their designs. For the first quarter of fiscal years 2012 and 2011, our ten largest end customers represented approximately 68 percent and 54 percent of our sales, respectively.

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Sales to one end customer, Apple Inc., which purchased through multiple contract manufacturers, represented approximately 53 percent and 34 percent of the Company s total sales for the first quarter of fiscal years 2012 and 2011, respectively.

We had one distributor, Avnet Inc., which represented 20 percent and 29 percent of our sales for the first quarter of fiscal years 2012 and 2011, respectively.

No other end customer or distributor represented more than 10 percent of net sales for the three month periods ending June 25, 2011 or June 26, 2010.

Gross Margin

Gross margin was 51.7 percent in the first quarter of fiscal year 2012, down from 57.1 percent in the first quarter of fiscal year 2011. Gross margin during the current fiscal quarter was reduced by the residual effects of the production issue disclosed in our 2011 Form 10-K pertaining to the new audio device that ramped into high volume production in March 2011. Further, gross margin year over year was effected by a change in product mix primarily to higher revenue in our Audio products combined with a reduction in revenue from our Energy products.

Research and Development Expense

Research and development expense for the first quarter of fiscal year 2012 was $18.8 million, an increase of $3.7 million, or 24.4 percent, from $15.1 million in the first quarter of fiscal year 2011. This increase was primarily due to a 21 percent increase in research and development headcount and the associated employee related expenses including salaries and wages and equity expenses, coupled with higher integrated circuit design tool expenses and equipment.

Selling, General and Administrative Expense

Selling, general and administrative (SG&A) expense in the first quarter of fiscal year 2012 was $14.6 million, an increase of $0.6 million, or 4.2 percent, from $14.0 million in the first quarter of fiscal year 2011. The increase was primarily attributable to employee related expenses and higher amortization related to purchased software.

Provision for Litigation Expenses and Settlements

During the first quarter of fiscal year 2011, the Company incurred $135 thousand in settlement costs related to a dispute with a former distributor of the Company s products. This transaction is reflected as a separate line item on the consolidated condensed statement of operations in operating expenses under the caption *Provision for litigation expenses and settlements.*

Interest Income

Interest income in the first quarter of fiscal years 2012 and 2011 was $0.2 million and $0.2 million, respectively. The average invested capital balances on which interest was earned for the quarterly periods ending June 25, 2011, and June 26, 2010, was $185.3 million and $151.6 million, respectively.

Income Taxes

We recorded income tax expense of $5.3 million, primarily a non-cash charge, on pre-tax income of $14.5 million for the first quarter of fiscal year 2012, yielding an effective tax rate of 36.6 percent. Our income tax expense for the first quarter of fiscal year 2012 is based on an estimated effective tax rate derived from an estimate of consolidated earnings before taxes, adjusted for nondeductible expenses and other permanent differences for fiscal year 2012. The estimated effective tax rate was impacted primarily by the worldwide mix of consolidated earnings before taxes. Our income tax expense for the first quarter of fiscal year 2012 was slightly above the federal statutory rate primarily due to the effect of state income taxes and nondeductible expenses.

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We recorded income tax expense of $155 thousand for the first quarter of fiscal year 2011, yielding an effective tax rate of 0.9 percent. Our income tax expense for the first quarter of fiscal year 2011 was based on an estimated effective tax rate, which was derived from an estimate of consolidated earnings before taxes for fiscal year 2011. The estimated effective tax rate was impacted primarily by the worldwide mix of consolidated earnings before taxes and an assessment regarding the ability to realize our deferred tax assets. Our income tax expense for the first quarter of fiscal year 2011 was less than the federal statutory rate primarily as a result of the utilization of a portion of our U.S. deferred tax asset and related valuation allowance.

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (ASC Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The amendments in this ASU result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRS. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. To improve consistency in application across jurisdictions some changes in wording are necessary to ensure that U.S. GAAP and IFRS fair value measurement and disclosure requirements are described in the same way. The ASU also provides for certain changes in current GAAP disclosure requirements, for example with respect to the measurement of level 3 assets and for measuring the fair value of an instrument classified in a reporting entity s shareholders equity. The amendments in this ASU are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. The adoption of this guidance is not anticipated to have a material impact on our consolidated financial position, results of operations or cash flows.

In May 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (ASC Topic 220) Presentation of Comprehensive Income.* The amendments from this update will result in more converged guidance on how comprehensive income is presented under both U.S. GAAP and IFRS. With this update to ASC 220, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The amendments in this update do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income, nor does it affect how earnings per share is calculated or presented. Current U.S. GAAP allows reporting entities three alternatives for presenting other comprehensive income and its components in financial statements. One of those presentation options is to present the components of other comprehensive income as part of the statement of changes in stockholders equity. This update eliminates that option. The amendments in this ASU should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance is not anticipated to have a material impact on our consolidated financial position, results of operations or cash flows.

Liquidity and Capital Resources

We require cash to fund our operating expenses and working capital requirements, including outlays for research and development, to make capital expenditures, repurchase our stock, make investments in marketable securities, and for strategic acquisitions. Our principal sources of liquidity are cash on hand, cash generated from operations, cash generated from the sale and maturity of marketable securities, and funds from equity issuances.

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Cash provided by operating activities is net income adjusted for certain non-cash items and changes in certain current assets and current liabilities. Our operational cash flows are affected by the ability of our operations to generate cash, and our management of our assets and liabilities, including both working capital and long-term assets and liabilities.
Net cash provided by operating activities was $10.6 million for the first quarter of fiscal year 2012 as compared to $11.9 million for the corresponding period of fiscal year 2011. The primary source of cash from operations during the current quarter was related to the cash components of our net income, which was partially offset by an $8.2 million increase in working capital. Working capital fluctuates depending on end-market demand and our management of certain items such as receivables, inventory and payables. In times of escalating demand, our working capital requirements may increase as we purchase additional manufacturing materials and increase production. Our working capital, including cash, was $225.5 million at June 25, 2011 and $267.4 million at March 26, 2011.

Net cash provided by investing activities was $50.0 million during the first quarter of fiscal year 2012 as compared to $5.9 million during the first quarter of fiscal year 2011, primarily as a result of a net $63.9 million received from the sale and maturity of marketable securities. Further, we utilized $14.3 million for the purchase of property, equipment, software, and technology assets, including $5.8 million in integrated circuit design tool technology, $3.3 million for the purchase of additional land adjacent to our new headquarters facility currently under construction, and approximately $3.0 million in facility construction costs.

Net cash used in financing activities was $56.1 million during the first quarter of fiscal year 2012 as compared to $12.3 million provided by financing activities during the first quarter of fiscal year 2011. The use of cash was primarily attributable to the use of $56.5 million to repurchase 3.5 million shares of the Company s common stock at an average price of $15.94 during the first quarter, as discussed previously in Note 9 *Stockholder s Equity* of the Notes to Consolidated Condensed Financial Statements contained in Item 1. This use of cash in financing activities was partially offset by the issuance of 62 thousand shares of common stock in connection with option exercises during the current quarterly period, which resulted in proceeds of $0.4 million. The cash generation during the first quarter of fiscal year 2011 was primarily attributable to the issuance of 2.0 million shares of common stock in connection with option exercises.

As of June 25, 2011, we had restricted cash of $5.8 million, which primarily secures certain obligations under our lease agreement for the headquarters and engineering facility in Austin, Texas. The cash restriction for this lease agreement is reduced to $2.6 million in September 2011 and expires in May 2012.

The Company commenced construction of our new headquarters facility in Austin, Texas during the fourth quarter of fiscal year 2011, with completion expected in the summer of calendar year 2012. We estimate that total facility construction costs will be approximately $30 million and will generally occur ratably throughout the construction process. As of June 25, 2011, approximately $4.7 million of these estimated expenditures have been incurred. In addition, we estimate that we will incur an additional $9 million in furniture, fixtures, and equipment in order to fully move our headquarters employees into this new facility. It is anticipated that the project will be funded internally from existing and future cash flows.

We have not paid cash dividends on our common stock and currently intend to continue our policy of retaining any earnings for reinvestment in our business. Although we cannot give assurance that we will be able to generate cash in the future, we anticipate that our existing capital resources and cash flow generated from future operations will enable us to maintain our current level of operations for at least the next 12 months.

ITEM 3. 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 non-marketable equity securities and marketable 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. For a description of our market risks, see *Part II Item 7A Quantitative and Qualitative Disclosures about Market Risk* in our 2011 Form 10-K. There have been no significant changes to our exposure to market risks since we filed our 2011 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as of June 25, 2011, our disclosure controls and procedures were effective at providing reasonable assurance that information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms and that our controls and procedures are effective in timely alerting them to material information required to be included in this report.

Changes in control over financial reporting

There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, various claims, charges and litigation are asserted or commenced against us arising from, or related to, contractual matters, intellectual property, employment disputes, as well as other issues. Frequent claims and litigation involving these types of issues are not uncommon in our industry. As to any of these claims or litigation, we cannot predict the ultimate outcome with certainty.

ITEM 1A. RISK FACTORS

In evaluating all forward-looking statements, readers should specifically consider risk factors that may cause actual results to vary from those contained in the forward-looking statements. Various risk factors associated with our business are included in our Annual Report on Form 10-K for the fiscal year ended March 26, 2011, as filed with the U.S. Securities and Exchange Commission (Commission) on May 25, 2011 and available at www.sec.gov. Other than as set forth below, there have been no material changes to those risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended March 26, 2011.

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We depend on a limited number of customers and distributors for a substantial portion of our sales, and the loss of, or a significant reduction in orders from, any key customer or distributor could significantly reduce our sales.

While we generate sales from a broad base of customers worldwide, the loss of any of our key customers, or a significant reduction in sales to any one of them, would significantly reduce our sales and adversely affect our business. For the first quarter of fiscal years 2012 and 2011, our ten largest end customers represented approximately 68 percent and 54 percent of our sales, respectively. We had one end customer, Apple Inc. that purchased through multiple contract manufacturers and represented approximately 53 percent and 34 percent of the Company s total sales for the first quarter of fiscal years 2012 and 2011, respectively.

We had one distributor, Avnet Inc., which represented 20 percent and 29 percent of our sales for the first quarter of fiscal years 2012 and 2011, respectively. No other end customer or distributor represented more than 10 percent of net sales for the three month periods ending June 25, 2011 or June 26, 2010.

We may not be able to maintain or increase sales to certain of our key customers for a variety of reasons, including the following:

- most of our customers can stop incorporating our products into their own products with limited notice to us and suffer little or no penalty;
- our agreements with our customers typically do not require them to purchase a minimum quantity of our products;
- many of our customers have pre-existing or concurrent relationships with our current or potential competitors that may affect the customers decisions to purchase our products;
- our customers face intense competition from other manufacturers that do not use our products; and
- our customers regularly evaluate alternative sources of supply in order to diversify their supplier base, which increases their negotiating leverage with us and their ability to obtain components from alternative sources.

These relationships often require us to develop new products that may involve significant technological challenges. Our customers frequently place considerable pressure on us to meet their tight development schedules. Accordingly, we may have to devote a substantial amount of resources to strategic relationships, which could detract from or delay our completion of other important development projects or the development of next generation products and technologies. Delays in development could impair our relationships with strategic customers and negatively impact sales of the products under development.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about purchases of equity securities that are registered by us pursuant to Section 12 of the Exchange Act during the three months ended June 25, 2011 (in thousands, except per share amounts):

Monthly Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plan or Programs (1)
March 27, 2011 April 23, 2011				
April 24, 2011 May 21, 2011	1,919	$ 15.96	1,919	$ 46,599
May 22, 2011 June 25, 2011	1,625	$ 15.91	1,625	$ 20,742
Total	3,544		3,544	

(1) In November 2010, our Board of Directors approved a common stock repurchase program that authorized us to purchase up to $80.0 million in common stock. The repurchases will be funded from existing cash and will be effected from time to time in accordance with applicable securities laws through the open market or in privately negotiated transactions. The timing of the repurchases and the actual amount purchased will depend on a variety of factors including the market price of the Company s shares, general market and economic conditions, and other corporate considerations. The program does not have an expiration date, does not obligate the Company to repurchase any particular amount of common stock, and may be modified or suspended at any time at the Company s discretion. As of June 25, 2011, 3.8 million shares have been repurchased at a cost of $59.3 million, or an average price of $15.76 per share, under this program.

ITEM 6. EXHIBITS

The following exhibits are filed as part of or incorporated by reference into this Report:

3.1	Certificate of Incorporation of Registrant, filed with the Delaware Secretary of State on August 26, 1998. (1)
3.2	Amended and Restated Bylaws of Registrant. (2)
31.1*	Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*#	Certification of Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*#	Certification of Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed with this Form 10-Q.

\# Not considered to be filed for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section.

(1) Incorporated by reference to exhibit 3.1 from Registrant s Report on Form 10-K for the fiscal year ended March 31, 2001, filed with the Commission on June 22, 2001.

(2) Incorporated by reference to exhibit 3.1 from Registrant s Report of Form 8-K filed with the Commission on May 26, 2011.

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The exhibits required to be filed pursuant to the requirements of Item 601 of Regulation S-K are set forth in the Exhibit Index accompanying this report and are incorporated herein by reference.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	CIRRUS LOGIC, INC.
Date: July 25, 2011	By: /s/ Thurman K. Case Thurman K. Case Chief Financial Officer and Principal Accounting Officer