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

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 28, 2019

☐ **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.
(Exact name of registrant as specified in its charter)

Delaware	**77-0024818**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
800 W. 6th Street Austin, Texas	**78701**
(Address of principal executive offices)	**(Zip Code)**

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, $0.001 par value	CRUS	The NASDAQ Stock Market LLC

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 ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

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

Large Accelerated Filer	☑	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☑

The number of shares of the registrant's common stock, $0.001 par value, outstanding as of January 27, 2020 was 58,628,111.

CIRRUS LOGIC, INC.

FORM 10-Q QUARTERLY REPORT

QUARTERLY PERIOD ENDED DECEMBER 28, 2019

TABLE OF CONTENTS

Part I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CIRRUS LOGIC, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(in thousands)

	December 28, 2019	March 30, 2019
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 342,301	$ 216,172
Marketable securities	13,098	70,183
Accounts receivable, net	175,937	120,656
Inventories	137,920	164,733
Prepaid assets	28,326	30,794
Other current assets	17,019	22,445
Total current assets	714,601	624,983
Long-term marketable securities	250,162	158,968
Right-of-use lease assets	141,348	—
Property and equipment, net	174,390	186,185
Intangibles, net	47,133	67,847
Goodwill	285,904	286,241
Deferred tax assets	9,183	8,727
Other assets	24,819	19,689
Total assets	$ 1,647,540	$ 1,352,640
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 98,835	$ 48,398
Accrued salaries and benefits	34,228	29,289
Software license agreements	15,084	21,514
Lease liabilities	13,863	—
Other accrued liabilities	16,301	16,339
Total current liabilities	178,311	115,540
Long-term liabilities:		
Software license agreements	2,934	8,662
Non-current income taxes	72,422	78,309
Non-current lease liabilities	133,993	—
Other long-term liabilities	—	9,889
Total long-term liabilities	209,349	96,860
Stockholders' equity:		
Capital stock	1,417,646	1,363,736
Accumulated deficit	(157,869)	(222,430)
Accumulated other comprehensive income (loss)	103	(1,066)
Total stockholders' equity	1,259,880	1,140,240
Total liabilities and stockholders' equity	$ 1,647,540	$ 1,352,640

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

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

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Net sales	$ 374,668	$ 324,295	$ 1,001,833	$ 945,083
Cost of sales	177,163	161,115	473,901	472,225
Gross profit	197,505	163,180	527,932	472,858
Operating expenses				
Research and development	88,713	88,575	265,782	282,888
Selling, general and administrative	36,113	30,364	98,651	96,308
Total operating expenses	124,826	118,939	364,433	379,196
Income from operations	72,679	44,241	163,499	93,662
Interest income	2,651	1,999	7,725	5,510
Interest expense	(259)	(259)	(798)	(798)
U.K. pension settlement	—	(13,768)	—	(13,768)
Other income (expense)	(563)	101	(1,509)	(67)
Income before income taxes	74,508	32,314	168,917	84,539
Provision for income taxes	5,996	2,381	19,577	705
Net income	$ 68,512	$ 29,933	$ 149,340	$ 83,834
Basic earnings per share	$ 1.18	$ 0.50	$ 2.56	$ 1.39
Diluted earnings per share	$ 1.13	$ 0.49	$ 2.47	$ 1.35
Basic weighted average common shares outstanding	58,188	59,511	58,247	60,482
Diluted weighted average common shares outstanding	60,492	60,783	60,395	62,076

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

CIRRUS LOGIC, INC.
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands; unaudited)

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Net income	$ 68,512	$ 29,933	$ 149,340	$ 83,834
Other comprehensive income (loss), before tax				
Foreign currency translation gain (loss)	883	(731)	(520)	(2,717)
Unrealized gain (loss) on marketable securities	(37)	545	2,463	784
U.K. pension settlement	—	13,814	—	13,814
Cumulative effect of adoption of ASU 2018-02	—	—	(257)	—
(Provision) benefit for income taxes	8	(2,739)	(517)	(2,789)
Comprehensive income	$ 69,366	$ 40,822	$ 150,509	$ 92,926

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

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

	Nine Months Ended	
	December 28, 2019	December 29, 2018
Cash flows from operating activities:		
Net income	$ 149,340	$ 83,834
Adjustments to reconcile net income to net cash generated by operating activities:		
Depreciation and amortization	55,379	62,638
Stock-based compensation expense	39,700	37,106
Deferred income taxes	(3,403)	(2,247)
Loss on retirement or write-off of long-lived assets	46	2,226
Net charges for defined benefit pension plan	—	11,189
Other non-cash adjustments	560	322
Net change in operating assets and liabilities:		
Accounts receivable, net	(55,281)	(35,795)
Inventories	26,813	37,490
Other assets	(9,892)	(4,760)
Accounts payable and other accrued liabilities	47,080	8,741
Income taxes payable	(3,795)	(3,608)
Net cash generated by operating activities	246,547	197,136
Cash flows from investing activities:		
Maturities and sales of available-for-sale marketable securities	131,761	41,389
Purchases of available-for-sale marketable securities	(163,925)	(66,729)
Purchases of property, equipment and software	(13,262)	(23,421)
Investments in technology	(4,893)	(2,700)
Net cash used in investing activities	(50,319)	(51,461)
Cash flows from financing activities:		
Issuance of common stock, net of shares withheld for taxes	14,211	404
Repurchase of stock to satisfy employee tax withholding obligations	(14,309)	(12,367)
Repurchase and retirement of common stock	(70,001)	(149,997)
Net cash used in financing activities	(70,099)	(161,960)
Net increase (decrease) in cash and cash equivalents	126,129	(16,285)
Cash and cash equivalents at beginning of period	216,172	235,604
Cash and cash equivalents at end of period	$ 342,301	$ 219,319

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

CIRRUS LOGIC, INC.
CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands; unaudited)

	Common Stock							
Three Months Ended	**Shares**	**Amount**	**Additional Paid-In Capital**	**Accumulated Deficit**	**Accumulated Other Comprehensive Income / (Loss)**	**Total**
Balance, September 29, 2018	59,824	$ 60	$ 1,338,526	$ (182,453)	$ (13,158)	$ 1,142,975
Net income	—	—	—	29,933	—	29,933
Change in unrealized gain (loss) on marketable securities, net of tax	—	—	—	—	431	431
Change in defined benefit pension plan liability, net of tax	—	—	—	—	11,189	11,189
Change in foreign currency translation adjustments	—	—	—	—	(731)	(731)
Issuance of stock under stock option plans and other, net of shares withheld for employee taxes	707	—	175	(10,352)	—	(10,177)
Repurchase and retirement of common stock	(1,409)	(1)	—	(54,999)	—	(55,000)
Stock-based compensation	—	—	11,181	—	—	11,181
Balance, December 29, 2018	59,122	$ 59	$ 1,349,882	$ (217,871)	$ (2,269)	$ 1,129,801
Balance, September 28, 2019	57,786	$ 58	$ 1,392,592	$ (213,274)	$ (751)	$ 1,178,625
Net income	—	—	—	68,512	—	68,512
Change in unrealized gain (loss) on marketable securities, net of tax	—	—	—	—	(29)	(29)
Change in foreign currency translation adjustments	—	—	—	—	883	883
Issuance of stock under stock option plans and other, net of shares withheld for employee taxes	836	1	10,835	(13,107)	—	(2,271)
Stock-based compensation	—	—	14,160	—	—	14,160
Balance, December 28, 2019	58,622	$ 59	$ 1,417,587	$ (157,869)	$ 103	$ 1,259,880
Nine Months Ended						
Balance, March 31, 2018	61,960	$ 62	$ 1,312,372	$ (139,345)	$ (11,361)	$ 1,161,728
Net income	—	—	—	83,834	—	83,834
Change in unrealized gain (loss) on marketable securities, net of tax	—	—	—	—	620	620
Change in defined benefit pension plan liability, net of tax	—	—	—	—	11,189	11,189
Change in foreign currency translation adjustments	—	—	—	—	(2,717)	(2,717)
Issuance of stock under stock option plans and other, net of shares withheld for employee taxes	874	—	404	(12,366)	—	(11,962)
Repurchase and retirement of common stock	(3,712)	(3)	—	(149,994)	—	(149,997)
Stock-based compensation	—	—	37,106	—	—	37,106
Balance, December 29, 2018	59,122	$ 59	$ 1,349,882	$ (217,871)	$ (2,269)	$ 1,129,801
Balance, March 30, 2019	58,954	$ 59	$ 1,363,677	$ (222,430)	$ (1,066)	$ 1,140,240
Net income	—	—	—	149,340	—	149,340
Change in unrealized gain (loss) on marketable securities, net of tax	—	—	—	—	1,946	1,946
Change in foreign currency translation adjustments	—	—	—	—	(520)	(520)
Issuance of stock under stock option plans and other, net of shares withheld for employee taxes	1,115	1	14,210	(14,310)	—	(99)
Cumulative effect of adoption of ASU 2016-02, net of tax	—	—	—	(726)	—	(726)
Cumulative effect of adoption of ASU 2018-02	—	—	—	257	(257)	—
Repurchase and retirement of common stock	(1,447)	(1)	—	(70,000)	—	(70,001)
Stock-based compensation	—	—	39,700	—	—	39,700
Balance, December 28, 2019	58,622	$ 59	$ 1,417,587	$ (157,869)	$ 103	$ 1,259,880

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. (“Cirrus Logic,” “we,” “us,” “our,” or the “Company”) pursuant to the rules and regulations of the Securities and Exchange Commission (the “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 30, 2019, included in our Annual Report on Form 10-K filed with the Commission on May 24, 2019. In our opinion, the financial statements reflect all material 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. 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. Additionally, certain prior period amounts have been reclassified to conform to current year presentation, with no impact to earnings.

2. Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which the Company adopted in the first quarter of fiscal year 2020. The new standard provides a number of optional practical expedients in transition. We elected the use-of-hindsight practical expedient and the ‘package of practical expedients’ which permit us not to reassess our prior conclusions about lease identification, lease classification and initial direct costs. The new standard also provides practical expedients for an entity’s ongoing accounting. We elected the short-term lease recognition exemption for all leases that qualify. This means, for qualifying leases, which are those with initial terms of less than twelve months, we will not recognize right-of-use ("ROU") assets or lease liabilities. We also do not separate lease and non-lease components for all classes of assets. Most of our operating lease commitments were subject to the new standard and recognized as ROU assets and operating lease liabilities upon adoption, which materially increased the total assets and total liabilities that we reported relative to such amounts prior to adoption.

In applying the use-of-hindsight practical expedient, we re-assessed whether we were reasonably certain to exercise extension options within our lease agreements. This resulted in the lease term being extended on a number of leases. The previously capitalized initial direct costs and accrued lease payments were recalculated assuming these extended lease terms had always applied, resulting in an adjustment of $0.7 million net of tax, to opening retained earnings on transition.

On adoption, we recognized additional operating liabilities, with corresponding ROU assets based on the present value of the lease payments over the lease term under current leasing contracts for existing operating leases. In addition, existing capitalized initial direct costs and accrued lease payments were reclassified from prepayments and accruals to the ROU asset. There was no income statement or material cash flow statement impact on adoption, nor were prior periods adjusted.

The effects of the changes made to our balance sheet at adoption were as follows (in thousands):

	Balance at March 30, 2019	Impact from ASU 2016-02 Adoption	Balance at March 31, 2019
Financial statement line item:			
Prepaid assets	$ 30,794	$ (2,833)	$ 27,961
Right-of-use lease assets	—	149,746	149,746
Lease liabilities	—	(14,899)	(14,899)
Other accrued liabilities	(16,339)	11,071	(5,268)
Non-current lease liabilities	—	(143,085)	(143,085)
Other long-term liabilities	(9,889)	(965)	(10,854)
Accumulated deficit	(222,430)	965	(221,465)

In June 2016, the FASB issued ASU No. 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, but does not expect a material impact to the financial statements upon adoption in the first quarter of fiscal year 2021.

In January 2017, the FASB issued ASU No. 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, but does not expect a material impact to the financial statements upon adoption.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This ASU allows for the classification of stranded tax effects resulting from the Tax Cuts and Jobs Act (the “Tax Act”) from accumulated other comprehensive income to retained earnings. This ASU is effective for annual periods beginning after December 15, 2018, with early adoption permitted. The standard should be applied in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in tax rate is recognized. The Company adopted this ASU in the first quarter of fiscal year 2020 and elected to reclassify the stranded tax effects of $0.3 million from accumulated other comprehensive income to retained earnings in the period of adoption.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. This ASU expands the scope of Topic 718 to include all share-based payment transactions for acquiring goods and services from nonemployees and will apply to all share-based payment transactions in which the grantor acquires goods and services to be used or consumed in its own operations by issuing share-based payment awards. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year, with early adoption permitted. The Company adopted this ASU in the first quarter of fiscal year 2020, with no material impact to the financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU adjusts current required disclosures related to fair value measurements. This ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within that fiscal year, with early adoption permitted. The Company is currently evaluating the impact of this ASU, but does not expect a material impact to the financial statements upon adoption.

In August 2018, the Commission adopted the final rule under SEC Release No. 33-10532, *Disclosure Update and Simplification*, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expanded the disclosure requirements on the analysis of stockholders' equity for interim financial statements. Under the amendments, an analysis of changes in each caption of stockholders' equity presented in the balance sheet must be provided in a note or separate statement. The analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of comprehensive income is required to be filed. The final rule was published in the Federal Register on October 4, 2018, effective November 5, 2018. The Company adopted the amendments in the first quarter of fiscal year 2020. See consolidated condensed statements of stockholders' equity.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The ASU removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. This ASU is effective for fiscal years beginning after December 15, 2020, including interim periods within that fiscal year, with early adoption permitted. The Company is currently evaluating the impact of this ASU, but does not expect a material impact to the financial statements upon adoption.

3. Marketable Securities

The Company's investments that have original maturities greater than 90 days have been classified as available-for-sale securities in accordance with U.S. GAAP. Marketable securities are categorized on the consolidated condensed balance sheet as short- and long-term marketable securities, as appropriate.

The following table is a summary of available-for-sale securities at December 28, 2019 (in thousands):

As of December 28, 2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value (Net Carrying Amount)
Corporate debt securities	$ 240,061	$ 2,802	$ (22)	$ 242,841
Non-U.S. government securities	14,094	98	(1)	14,191
U.S. Treasury securities	6,248	—	(20)	6,228
Total securities	$ 260,403	$ 2,900	$ (43)	$ 263,260

The Company typically invests in highly-rated securities with original maturities generally ranging from one to three years. The Company specifically identified certain securities with an immaterial amount of gross unrealized losses at December 28, 2019. The total amortized cost of these securities was approximately $27.9 million. Securities in a continuous unrealized loss position for more than 12 months as of December 28, 2019 had an immaterial aggregate amortized cost and aggregate unrealized loss. The Company may sell certain of its marketable securities prior to their stated maturities for strategic reasons including, but not limited to, anticipated or actual changes in credit rating and duration management. When evaluating an investment for other-than-temporary impairment, the Company reviews factors including the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer, changes in market interest rates and whether it is more likely than not the Company will be required to sell the investment before recovery of the investment's cost basis. As of December 28, 2019, the Company did not consider any of its investments to be other-than-temporarily impaired.

The following table is a summary of available-for-sale securities at March 30, 2019 (in thousands):

As of March 30, 2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value (Net Carrying Amount)
Corporate debt securities	$ 215,098	$ 1,027	$ (600)	$ 215,525
Non-U.S. government securities	13,209	8	(40)	13,177
Agency discount notes	450	—	(1)	449
Total securities	$ 228,757	$ 1,035	$ (641)	$ 229,151

The Company specifically identified certain securities with a total gross unrealized loss of $0.6 million at March 30, 2019. The total amortized cost of these securities was approximately $123.1 million. Securities in a continuous unrealized loss position for more than 12 months as of March 30, 2019 had an aggregate amortized cost of $120.3 million and an aggregate unrealized loss of $0.6 million. The Company may sell certain of its marketable securities prior to their stated maturities for strategic reasons including, but not limited to, anticipated or actual changes in credit rating and duration management. When evaluating an investment for other-than-temporary impairment, the Company reviews factors including the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer, changes in market interest rates and whether it is more likely than not the Company will be required to sell the investment before recovery of the investment's cost basis. As of March 30, 2019, the Company did not consider any of its investments to be other-than-temporarily impaired.

The cost and estimated fair value of available-for-sale securities by contractual maturities were as follows (in thousands):

	December 28, 2019		March 30, 2019	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within 1 year	$ 13,048	$ 13,098	$ 70,490	$ 70,183
After 1 year	247,355	250,162	158,267	158,968
Total	$ 260,403	$ 263,260	$ 228,757	$ 229,151

4. Fair Value of Financial Instruments

The Company has determined that the only material assets and liabilities in the Company's financial statements that are required to be measured at fair value on a recurring basis are the Company's cash equivalents and marketable securities portfolio. 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 (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.

The Company's cash equivalents and marketable securities portfolio consist of money market funds, debt securities, non-U.S. government securities, U.S. Treasury securities and securities of U.S. government-sponsored enterprises and are reflected on our consolidated condensed balance sheets under the headings cash and cash equivalents, marketable securities, and long-term marketable securities. The Company determines the fair value of its marketable securities portfolio by obtaining non-binding market prices from third-party pricing providers on the last day of the quarter, whose sources may use quoted prices in active markets for identical assets (Level 1 inputs) or inputs other than quoted prices that are observable either directly or indirectly (Level 2 inputs) in determining fair value.

As of December 28, 2019 and March 30, 2019, the Company classified all investment portfolio assets as Level 1 or Level 2 assets. The Company has no material Level 3 assets. There were no transfers between Level 1, Level 2, or Level 3 measurements for the three months ending December 28, 2019.

The following summarizes the fair value of our financial instruments at December 28, 2019 (in thousands):

		Quoted Prices in Active Markets for Identical Assets Level 1		Significant Other Observable Inputs Level 2		Significant Unobservable Inputs Level 3		Total
Assets:								
Cash equivalents								
Money market funds	$	299,479	$	—	$	—	$	299,479
Available-for-sale securities								
Corporate debt securities	$	—	$	242,841	$	—	$	242,841
Non-U.S. government securities		—		14,191		—		14,191
U.S. Treasury securities		6,228		—		—		6,228
	$	6,228	$	257,032	$	—	$	263,260

The following summarizes the fair value of our financial instruments at March 30, 2019 (in thousands):

		Quoted Prices in Active Markets for Identical Assets Level 1		Significant Other Observable Inputs Level 2		Significant Unobservable Inputs Level 3		Total
Assets:								
Cash equivalents								
Money market funds	$	174,214	$	—	$	—	$	174,214
Available-for-sale securities								
Corporate debt securities	$	—	$	215,525	$	—	$	215,525
Non-U.S. government securities		—		13,177		—		13,177
Agency discount notes		—		449		—		449
	$	—	$	229,151	$	—	$	229,151

5. Derivative Financial Instruments

Foreign Currency Forward Contracts

Beginning in the first quarter of fiscal year 2020, the Company began using foreign currency forward contracts to reduce the earnings impact that exchange rate fluctuations have on non-U.S. dollar balance sheet exposures. The Company recognizes both the gains and losses on foreign currency forward contracts and the gains and losses on the remeasurement of non-U.S. dollar denominated assets and liabilities within "*Other income (expense)*" in the consolidated condensed statements of income. The Company does not apply hedge accounting to these foreign currency derivative instruments.

As of December 28, 2019, the Company held one foreign currency forward contract denominated in British Pound Sterling with a notional value of $58.2 million. The fair value of this contract was not material as of December 28, 2019.

The before-tax effect of derivative instruments not designated as hedging instruments was as follows (in thousands):

	Three Months Ended		Nine Months Ended		
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018	Location
Gain (loss) recognized in income:					
Foreign currency forward contracts	$ 2,380	$ —	$ (1,836)	$ —	Other income (expense)

6. Accounts Receivable, net

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

	December 28, 2019	March 30, 2019
Gross accounts receivable	$ 175,937	$ 120,926
Allowance for doubtful accounts	—	(270)
Accounts receivable, net	$ 175,937	$ 120,656

The significant increase in accounts receivable is due primarily to the volume and timing of shipments in the third quarter of fiscal year 2020.

7. Inventories

Inventories are comprised of the following (in thousands):

	December 28, 2019	March 30, 2019
Work in process	$ 81,649	$ 80,100
Finished goods	56,271	84,633
	$ 137,920	$ 164,733

8. Revolving Credit Facility

On July 12, 2016, Cirrus Logic entered into an amended and restated credit agreement (the “Credit Agreement”) with Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto, for the purpose of refinancing an existing credit facility and providing ongoing working capital. The Credit Agreement provides for a $300 million senior secured revolving credit facility (the “Credit Facility”). The Credit Facility matures on July 12, 2021. The Credit Facility is required to be guaranteed by all of Cirrus Logic’s material domestic subsidiaries (the “Subsidiary Guarantors”). The Credit Facility is secured by substantially all of the assets of Cirrus Logic and any Subsidiary Guarantors, except for certain excluded assets.

Borrowings under the Credit Facility may, at our 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 0.50% 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 Credit Agreement contains certain financial covenants providing that (a) the ratio of consolidated funded indebtedness to consolidated EBITDA for the prior four fiscal 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 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.

As of December 28, 2019, the Company had no amounts outstanding under the Credit Facility and was in compliance with all covenants under the Credit Agreement.

9. Leases

The Company has operating leases for corporate offices and certain office equipment. Our leases have remaining lease terms of 1 year to 29 years, some of which include options to extend the leases that are considered reasonably certain to be exercised. Our leases generally contain fixed rental payments, with additional variable payments linked to actual common area maintenance costs incurred by the landlord. These variable payments are therefore not included within the lease liability and ROU asset, but are recognized as an expense when incurred. As our leases typically do not provide an implicit rate, the Company determined the Incremental Borrowing Rate ("IBR") for each lease based on the information available at the commencement date, taking into consideration necessary adjustments for collateral, currency, and lease term. There are no residual value guarantees in any of our leases. No restrictions or covenants have been imposed on the Company as a result of the lease agreements in place.

The Company also leases a small portion of our office space to tenants under operating leases, receiving monthly rental payments. Payments are generally fixed, with variable payments linked to actual common area maintenance costs incurred. Total fixed lease payments to be received over the life of the lease are recognized on a straight-line basis over the lease term.

All of the Company’s leases have been classified as operating leases. Operating leases in excess of 12 months are recognized on the balance sheet, with 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 is recognized in the income statement over the lease term.

The components of operating lease expense were as follows (in thousands):

	Three Months Ended December 28, 2019	Nine Months Ended December 28, 2019
Operating lease - in excess of 12 months	$ 3,360	$ 10,157
Variable lease	1,200	3,462
Short-term lease	40	54
Total operating lease expense	$ 4,600	$ 13,673

Other information related to operating leases was as follows:

	Nine Months Ended December 28, 2019
Cash paid for amounts included in the measurement of lease liabilities (in thousands)	
Operating cash flows from operating leases	$ 10,882
Right-of-use assets obtained in exchange for new operating lease liabilities (in thousands)	1,113
Weighted-average remaining lease term - operating leases (in years)	20.0
Weighted-average discount rate - operating leases	4 %

As of December 28, 2019, there are no leases that have not yet commenced that would create significant rights and obligations on the Company.

Future lease commitments under non-cancellable leases, including extension options reasonably anticipated to be exercised as of December 28, 2019, are as follows (in thousands):

Fiscal Year	Operating Lease Expense	Operating Lease Income
2020	$ 3,718	$ 324
2021	14,029	1,322
2022	13,646	1,356
2023	13,149	535
2024	12,835	264
Thereafter	162,834	338
Total	$ 220,211	$ 4,139
Less imputed interest	(72,355)	—
Total	$ 147,856	$ 4,139

Operating lease liabilities consisted of the following (in thousands):

	December 28, 2019
Current lease liabilities	$ 13,863
Non-current lease liabilities	133,993
Total operating lease liabilities	$ 147,856

10. Revenues

Disaggregation of revenue

We disaggregate revenue from contracts with customers based on the ship to location of the customer. The geographic regions that are reviewed are the United States and countries outside of the United States (primarily located in Asia).

Total net sales based on the disaggregation criteria described above are as follows:

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Non-United States	$ 370,942	$ 318,423	$ 990,205	$ 923,730
United States	3,726	5,872	11,628	21,353
	$ 374,668	$ 324,295	$ 1,001,833	$ 945,083

Performance obligations

The Company's single performance obligation is the delivery of promised goods to the customer. The promised goods are explicitly stated in the customer contract and are comprised of either a single type of good or a series of goods that are substantially the same, have the same pattern of transfer to the customer, and are neither capable of being distinct nor separable from the other promised goods in the contract. This performance obligation is satisfied upon transfer of control of the promised goods to the customer, as defined per the shipping terms within the customer's contract. The vast majority of the Company's contracts with customers have an original expected term length of one year or less. As allowed by ASC 606, the Company has not disclosed the value of any unsatisfied performance obligations related to these contracts.

The Company’s products primarily include a warranty period of one to three years. These warranties qualify as assurance-type warranties, as goods can be returned for product non-conformance and defect only. As such, these warranties are accounted for under ASC 460, *Guarantees*, and are not considered a separate performance obligation.

Contract balances

Payments are typically due within 30 to 60 days of invoicing and terms do not include a significant financing components or noncash consideration. There have been no material impairment losses on accounts receivable. There are no material contract assets or contract liabilities recorded on the consolidated condensed balance sheets.

Transaction price

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods to the customer. Fixed pricing is the consideration that is agreed upon in the customer contract. Variable pricing includes rebates, rights of return, warranties, price protection and stock rotation. Rebates are granted as a customer account credit, based on agreed-upon sales thresholds. Rights of return and warranty costs are estimated using the "most likely amount" method by reviewing historical returns to determine the most likely customer return rate and applying materiality thresholds. Price protection includes price adjustments available to certain distributors based upon established book price and a stated adjustment period. Stock rotation is also available to certain distributors based on a stated maximum of prior billings.

The Company estimates all variable consideration at the most likely amount that it expects to be entitled. The estimate is based on current and historical information, including recent sales activity and pricing, available to the Company. Variable consideration is only included in the transaction price to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company defers all variable consideration that does not meet the revenue recognition criteria.

11. Pension Plan

As a result of our acquisition of Wolfson in fiscal year 2015, the Company had a defined benefit pension scheme (the “Scheme”), for some individuals in the United Kingdom. Following the acquisition, the participants in the Scheme no longer accrued benefits and therefore the Company was not required to make contributions in respect of future accruals.

During fiscal year 2018, the Company authorized the termination of the Scheme under which 60 participants had accrued benefits. On March 16, 2018, the Scheme completed a buy-in transaction whereby the assets of the Scheme, together with a final contribution from the Company of $11.0 million, were invested in a bulk purchase annuity contract that fully insured the benefits payable to the members of the Scheme at that time.

The bulk purchase annuity contract was structured to enable the Scheme to move to full buy-out (following which the insurance company became directly responsible for the pension payments). On November 30, 2018, the insurance company confirmed that the buy-out was completed and individual policies had been established for each member. Completion of the buy-out confirmed full and final settlement of the Scheme, and the unamortized loss previously recorded within Accumulated Other Comprehensive Income ("AOCI") of $13.8 million was recognized within other non-operating expense as "U.K. pension settlement" in the period ended December 29, 2018, with the corresponding tax benefit of $2.6 million recognized within "Provision for income taxes" in the consolidated condensed statement of income. As the buy-out transaction fully settled, there were no further contributions to the Scheme.

12. Income Taxes

Our provision for income taxes is based on estimated effective tax rates derived from an estimate of annual consolidated earnings before taxes, adjusted for nondeductible expenses, other permanent items and any applicable credits.

The following table presents the provision for income taxes (in thousands) and the effective tax rates:

	Three Months Ended		Nine Months Ended	
	December 28, 2019	**December 29, 2018**	**December 28, 2019**	**December 29, 2018**
Income before income taxes	$ 74,508	$ 32,314	$ 168,917	$ 84,539
Provision for income taxes	$ 5,996	$ 2,381	$ 19,577	$ 705
Effective tax rate	8.0 %	7.4 %	11.6 %	0.8 %

Our income tax expense for the third quarter of fiscal year 2020 was $6.0 million compared to $2.4 million of income tax expense for the third quarter of fiscal year 2019, resulting in effective tax rates of 8.0% and 7.4% for the third quarter of fiscal years 2020 and 2019, respectively. Our income tax expense was $19.6 million for the first nine months of fiscal year 2020 compared to income tax expense of $0.7 million for the first nine months of fiscal year 2019, resulting in effective tax rates of 11.6% and 0.8%, respectively.

Our effective tax rates for the third quarter and first nine months of fiscal year 2020 were lower than the federal statutory rate primarily due to the effect of income earned in certain foreign jurisdictions that is taxed below the federal statutory rate, the release of prior year unrecognized tax benefits in the third quarter due to the lapse of the statute of limitations applicable to a tax position taken on a prior year tax return, and excess tax benefits from stock-based compensation. Our effective tax rate for the first nine months of fiscal year 2020 was further reduced by the release of prior year unrecognized tax benefits due to the closure of the tax audit of the Company's U.K. subsidiaries in the second quarter of fiscal year 2020.

Our effective tax rates for the third quarter and first nine months of fiscal year 2019 were lower than the federal statutory rate primarily due to the U.S. federal research and development tax credit and the effect of income earned in certain foreign jurisdictions that is taxed below the federal statutory rate. Our effective tax rate for the first nine months of fiscal year 2019 was further reduced by adjustments recorded to reduce the provisional amount of the Tax Cuts and Jobs Act's transition tax in the second quarter of fiscal year 2019.

The Company records unrecognized tax benefits for the estimated risk associated with tax positions taken on tax returns. At December 28, 2019, the Company had unrecognized tax benefits of $36.3 million, all of which would impact the effective tax rate if recognized. We recorded gross increases of $0.3 million, $0.1 million and $0.3 million to current year unrecognized tax benefits in the first, second and third quarters of fiscal year 2020, respectively. We recorded gross decreases of $1.1 million and $3.0 million to prior year unrecognized tax benefits in the second and third quarters of fiscal year 2020, respectively. The Company's total unrecognized tax benefits are classified as "*Non-current income taxes"* in the consolidated condensed balance sheets.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes. As of December 28, 2019, the balance of accrued interest and penalties, net of tax, was $3.1 million.

On July 27, 2015, the U.S. Tax Court issued an opinion in Altera Corp. et al. v. Commissioner which concluded that the regulations relating to the treatment of stock-based compensation expense in intercompany cost-sharing arrangements were invalid. In 2016 the U.S. Internal Revenue Service appealed the decision to the U.S. Court of Appeals for the Ninth Circuit (the "Ninth Circuit"). On July 24, 2018, the Ninth Circuit issued a decision that was subsequently withdrawn and a reconstituted panel has conferred on the appeal. On June 7, 2019, the Ninth Circuit reversed the decision of the U.S. Tax Court and upheld the cost-sharing regulations. The final resolution with respect to cost-sharing of stock-based compensation and the potential impact on the Company is unclear at this time. We will continue to monitor developments related to this decision and the potential impact of those developments on the Company's current and prior fiscal years.

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 2017 through 2019 remain open to examination by the major taxing jurisdictions to which the Company is subject, although carry forward attributes that were generated in tax years prior to fiscal year 2017 may be adjusted upon examination by the tax authorities if they have been, or will be, used in a future period. The Company's federal income tax returns for fiscal years 2017 and 2018 are under examination by the U.S. Internal Revenue Service. The Company believes it has accrued adequate reserves related to the matters under examination. The Company is not under an income tax audit in any other major taxing jurisdiction.

13. 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 common shares outstanding. These potentially dilutive items consist primarily of outstanding stock options and restricted stock units.

The following table details the calculation of basic and diluted earnings per share for the three and nine months ended December 28, 2019 and December 29, 2018 (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Numerator:				
Net income	$ 68,512	$ 29,933	$ 149,340	$ 83,834
Denominator:				
Weighted average shares outstanding	58,188	59,511	58,247	60,482
Effect of dilutive securities	2,304	1,272	2,148	1,594
Weighted average diluted shares	60,492	60,783	60,395	62,076
Basic earnings per share	$ 1.18	$ 0.50	$ 2.56	$ 1.39
Diluted earnings per share	$ 1.13	$ 0.49	$ 2.47	$ 1.35

The weighted outstanding shares excluded from our diluted calculation for the three and nine months ended December 28, 2019, were 124 thousand and 594 thousand, respectively, as the shares were anti-dilutive. The weighted outstanding shares excluded from our diluted calculation for the three and nine months ended December 29, 2018, were 1,398 thousand and 1,668 thousand, respectively, as the shares were anti-dilutive.

14. Legal Matters

From time to time, we are involved in legal proceedings concerning matters arising in connection with the conduct of our business activities. We regularly evaluate the status of legal proceedings in which we are involved in order to assess whether a loss is probable or there is a reasonable possibility that a loss or additional loss may have been incurred, and to determine if accruals are appropriate. We further evaluate each legal proceeding to assess whether an estimate of possible loss or range of loss can be made.

Based on current knowledge, management does not believe that there are any pending matters that could potentially have a material adverse effect on our business, financial condition, results of operations or cash flows. However, we are engaged in various legal actions in the normal course of business. There can be no assurances in light of the inherent uncertainties involved in any potential legal proceedings, some of which are beyond our control, and an adverse outcome in any legal proceeding could be material to our results of operations or cash flows for any particular reporting period.

15. Stockholders' Equity

Common Stock

The Company issued a net 0.8 million and 1.1 million shares of common stock during the three and nine months ending December 28, 2019, respectively, pursuant to the Company's equity incentive plans. The Company issued a net 0.7 million and 0.9 million shares of common stock during the three and nine months ending December 29, 2018, respectively, pursuant to the Company's equity incentive plans.

Share Repurchase Program

Since inception, approximately $30 million of the Company's common stock has been repurchased under the Company's 2019 $200 million share repurchase program, leaving approximately $170 million available for repurchase under this plan as of December 28, 2019. During the three months ended December 28, 2019, the Company repurchased no shares of its common stock. During the nine months ended December 28, 2019, the Company repurchased 1.4 million shares of its common stock, for $70.0 million, at an average cost of $48.37 per share. The repurchased shares in the second quarter of fiscal year 2020 include an immaterial amount of shares that closed out the Company's 2018 share repurchase program. All of these shares were repurchased in the open market and were funded from existing cash. All shares of our common stock that were repurchased were retired as of December 28, 2019.

16. Segment Information

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

The Company operates and tracks its results in one reportable segment, but reports revenue in two product lines, Portable and Non-Portable 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. They share 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.

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

	Three Months Ended		Nine Months Ended	
	December 28, 2019	**December 29, 2018**	**December 28, 2019**	**December 29, 2018**
Portable Products	$ 344,870	$ 288,640	$ 897,187	$ 824,950
Non-Portable and Other Products	29,798	35,655	104,646	120,133
	$ 374,668	$ 324,295	$ 1,001,833	$ 945,083

17. Subsequent Event

On January 27, 2020, the Board of Directors of the Company approved management's recommendation to discontinue efforts relating to microelectromechanical systems ("MEMS") microphones. The Company estimates that its exit from MEMS microphones will result in a charge to operating expenses of approximately $22.0 million in the fourth quarter of fiscal year 2020. This charge will primarily encompass non-cash charges associated with the disposal of tangible and intangible assets related to MEMS microphones, and to a lesser extent, cash expenditures associated with severance and the settlement of prior purchase commitments for engineering materials. The Company anticipates the exit to be materially complete by the first quarter of fiscal year 2021.

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 30, 2019, contained in our fiscal year 2019 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "Commission") on May 24, 2019. We maintain a website at investor.cirrus.com, which makes available free of charge our most recent annual report and all other filings we have made with the Commission.

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 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 are 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, and expressly disclaim any duty, to revise or update publicly any forward-looking statement for any reason.

For additional information regarding known material factors that could cause our actual results to differ from our projected results, please see *"Item 1A – Risk Factors"* in our 2019 Annual Report on Form 10-K filed with the Commission on

May 24, 2019, and in Part II, Item 1A "*Risk Factors*" within this quarterly report on Form 10-Q. Readers should carefully review these risk factors, as well as those identified in other documents filed by us with the Commission.

Overview

Cirrus Logic, Inc. ("Cirrus Logic," "We," "Us," "Our," or the "Company") is a leader in low-power, high-precision mixed-signal processing solutions that create innovative user experiences for the world's top mobile and consumer applications.

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. GAAP. 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.

The Company adopted ASC Topic 842, *Leases* as of March 31, 2019. The impact of this new guidance on our accounting policies and operating results is described below, in Note 2 - Recently Issued Accounting Pronouncements as well as in Note 9 - Leases. During the nine months ended December 28, 2019, there have been no other significant changes in our "*Critical Accounting Policies*" included in our fiscal year 2019 Annual Report on Form 10-K for the fiscal year ended March 30, 2019.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which the Company adopted in the first quarter of fiscal year 2020. The new standard provides a number of optional practical expedients in transition. We elected the use-of-hindsight practical expedient and the 'package of practical expedients' which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. The new standard also provides practical expedients for an entity's ongoing accounting. We elected the short-term lease recognition exemption for all leases that qualify. This means, for qualifying leases, which are those with terms of less than twelve months, we will not recognize ROU assets or lease liabilities. We also do not separate lease and non-lease components for all classes of assets. Most of our operating lease commitments were subject to the new standard and recognized as ROU assets and operating lease liabilities upon adoption, which materially increased the total assets and total liabilities that we report relative to such amounts prior to adoption.

In applying the use-of-hindsight practical expedient, we re-assessed whether we were reasonably certain to exercise extension options within our lease agreements. This resulted in the lease term being extended on a number of leases. The previously capitalized initial direct costs and accrued lease payments were recalculated assuming these extended lease terms had always applied, resulting in an adjustment of $0.7 million net of tax, to opening retained earnings on transition.

On adoption, we recognized additional operating liabilities, with corresponding ROU assets based on the present value of the remaining minimum rental payments under current leasing contracts for existing operating leases. In addition, existing capitalized initial direct costs and accrued lease payments were reclassified from prepayments and accruals to the ROU asset. There was no income statement or cash flow statement impact on adoption, nor were prior periods adjusted.

The effects of the changes made to our balance sheet at adoption were as follows (in thousands):

	Balance at March 30, 2019	Impact from ASU 2016-02 Adoption	Balance at March 31, 2019
Financial statement line item:			
Prepaid assets	$ 30,794	$ (2,833)	$ 27,961
Right-of-use lease assets	—	149,746	149,746
Lease liabilities	—	(14,899)	(14,899)
Other accrued liabilities	(16,339)	11,071	(5,268)
Non-current lease liabilities	—	(143,085)	(143,085)
Other long-term liabilities	(9,889)	(965)	(10,854)
Accumulated deficit	(222,430)	965	(221,465)

In June 2016, the FASB issued ASU No. 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, but does not expect a material impact to the financial statements upon adoption in the first quarter of fiscal year 2021.

In January 2017, the FASB issued ASU No. 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, but does not expect a material impact to the financial statements upon adoption.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This ASU allows for the classification of stranded tax effects resulting from the Tax Cuts and Jobs Act (the “Tax Act”) from accumulated other comprehensive income to retained earnings. This ASU is effective for annual periods beginning after December 15, 2018, with early adoption permitted. The standard should be applied in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in tax rate is recognized. The Company adopted this ASU in the first quarter of fiscal year 2020 and elected to reclassify the stranded tax effects of $0.3 million from accumulated other comprehensive income to retained earnings in the period of adoption.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. This ASU expands the scope of Topic 718 to include all share-based payment transactions for acquiring goods and services from nonemployees and will apply to all share-based payment transactions in which the grantor acquires goods and services to be used or consumed in its own operations by issuing share-based payment awards. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year, with early adoption permitted. The Company adopted this ASU in the first quarter of fiscal year 2020, with no material impact to the financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU adjusts current required disclosures related to fair value measurements. This ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within that fiscal year, with early adoption permitted. The Company is currently evaluating the impact of this ASU, but does not expect a material impact to the financial statements upon adoption.

In August 2018, the Commission adopted the final rule under SEC Release No. 33-10532, *Disclosure Update and Simplification*, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expanded the disclosure requirements on the analysis of stockholders' equity for interim financial statements. Under the amendments, an analysis of changes in each caption of stockholders' equity presented in the balance sheet must be provided in a note or separate statement. The analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of comprehensive income is required to be filed. The final rule was published in the Federal Register on October 4, 2018, effective November 5, 2018. The Company adopted the amendments in the first quarter of fiscal year 2020. See consolidated condensed statements of stockholders' equity.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The ASU removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. This ASU is effective for fiscal years beginning after December 15, 2020, including interim periods within that fiscal year, with early adoption permitted. The Company is currently evaluating the impact of this ASU, but does not expect a material impact to the financial statements upon adoption.

Results of Operations

Our fiscal year is the 52- or 53-week period ending on the last Saturday in March. Fiscal years 2020 and 2019 are both 52-week fiscal years.

The following table summarizes the results of our operations for the first three and nine months of fiscal years 2020 and 2019, respectively, as a percentage of net sales. All percentage amounts were calculated using the underlying data in thousands, unaudited:

	Three Months Ended		Nine Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Net sales	100 %	100 %	100 %	100 %
Gross margin	53 %	50 %	53 %	50 %
Research and development	24 %	27 %	27 %	30 %
Selling, general and administrative	10 %	9 %	10 %	10 %
Income from operations	19 %	14 %	16 %	10 %
Interest income	1 %	— %	1 %	— %
Interest expense	— %	— %	— %	— %
U.K. pension settlement	— %	(4) %	— %	(1) %
Other income (expense)	— %	— %	— %	— %
Income before income taxes	20 %	10 %	17 %	9 %
Provision for income taxes	2 %	1 %	2 %	— %
Net income	18 %	9 %	15 %	9 %

Net Sales

Net sales for the third quarter of fiscal year 2020 increased $50.4 million, or 16 percent, to $374.7 million from $324.3 million in the third quarter of fiscal year 2019. Net sales from our portable products increased $56.2 million, primarily due to increased unit volumes and content for smartphones, including higher sales of boosted amplifiers at Android customers. Non-portable and other product sales decreased $5.8 million for the quarter versus the comparable period in the prior fiscal year.

Net sales for the first nine months of fiscal year 2020 increased $56.7 million, or 6%, to $1,001.8 million from $945.1 million in the first nine months of fiscal year 2019. Net sales from our portable products increased $72.2 million, primarily due to increased content in smartphones, including higher sales of boosted amplifiers at Android customers. Non-portable and other product sales decreased $15.5 million for the first nine months of fiscal year 2020 versus the comparable period in the prior fiscal year.

Sales to non-U.S. customers, principally located in Asia, including sales to U.S.-based end customers that manufacture products through contract manufacturers or plants located overseas, were approximately 99 percent and 98 percent of net sales for the third quarter of fiscal years 2020 and 2019, respectively and 99 percent and 98 percent for the first nine months of fiscal years 2020 and 2019, respectively. Our sales are denominated primarily in U.S. dollars.

Since the components we produce are largely proprietary, we consider our end customer to be the entity specifying the use of our component in their design. These end customers may purchase our products directly from us, through distributors or third-party manufacturers contracted to produce their designs. For the third quarter of fiscal years 2020 and 2019, our ten largest end customers represented approximately 94 percent and 92 percent of our net sales, respectively. For the first nine months of fiscal years 2020 and 2019, our ten largest end customers represented approximately 93 percent and 91 percent of our net sales, respectively.

We had one end customer, Apple Inc., that purchased through multiple contract manufacturers and represented approximately 83 percent of the Company's total net sales for each of the third quarters of fiscal years 2020 and 2019, and 80 percent and 81 percent for the first nine months of fiscal years 2020 and 2019, respectively.

No other end customer or distributor represented more than 10 percent of net sales for the three and nine months ending December 28, 2019 or December 29, 2018.

For more information, please see Part II—Item 1A—Risk Factors— "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, or pricing on products sold to, any key customer or distributor could significantly reduce our sales and our profitability."

Gross Margin

Gross margin was 52.7 percent in the third quarter of fiscal year 2020, up from 50.3 percent in the third quarter of fiscal year 2019. The increase was primarily driven by favorable product mix and cost reductions on certain products, and to a lesser extent, lower reserves and supply chain efficiencies in the current fiscal quarter versus the third quarter of fiscal year 2019.

Gross margin was 52.7 percent for the first nine months of fiscal year 2020, up from 50.0 percent for the first nine months of fiscal year 2019. The increase was primarily driven by favorable product mix and cost reductions on certain products, and to a lesser extent, lower reserves and supply chain efficiencies, in the first nine months of fiscal year 2020 versus the first nine months of fiscal year 2019.

Research and Development Expense

Research and development expense for the third quarter of fiscal year 2020 was $88.7 million, an increase of $0.1 million, from $88.6 million in the third quarter of fiscal year 2019. The primary drivers were increased employee-related expenses, primarily variable compensation and stock-based compensation, and product development costs, offset by increased R&D incentives and decreases in costs related to asset impairment, the amortization of acquisition-related intangibles, and facilities.

Research and development expense for the first nine months of fiscal year 2020 was $265.8 million, a decrease of $17.1 million, or 6% percent, from $282.9 million for the first nine months of fiscal year 2019. The primary drivers were decreased amortization of acquisition-related intangibles, increased R&D incentives and decreased asset impairment costs during the current fiscal year, partially offset by increased employee-related expenses, primarily variable compensation and stock-based compensation.

Selling, General and Administrative Expense

Selling, general and administrative expense for the third quarter of fiscal year 2020 was $36.1 million, an increase of $5.7 million, or 19% percent, from $30.4 million in the third quarter of fiscal year 2019. The increase was primarily driven by increases in employee-related expenses, primarily variable compensation and stock-based compensation, as well as facilities-related costs.

Selling, general and administrative expense for the first nine months of fiscal year 2020 was $98.7 million, an increase of $2.4 million, or 2% percent, from $96.3 million for the first nine months of fiscal year 2019, primarily due to an increase in employee-related expenses, primarily variable compensation.

Interest Income

The Company reported interest income of $2.7 million and $7.7 million, for the three and nine months ended December 28, 2019, respectively and $2.0 million and $5.5 million for the three and nine months ended December 29, 2018, respectively. Interest income increased in the current period due to higher yields on higher average cash, cash equivalent and marketable securities balances, compared to the prior period.

Interest Expense

The Company reported interest expense of $0.3 million and $0.8 million for the three and nine months ended December 28, 2019, respectively and $0.3 million and $0.8 million for the three and nine months ended December 29, 2018, respectively. Interest expense consists primarily of unused commitment fees.

U.K. Pension Settlement

The Company settled its defined benefit pension scheme in the third quarter of fiscal year 2019. A settlement loss of $13.8 million was recognized, which was the amount of the previously recorded unamortized actuarial pension loss in AOCI. The loss is presented as a separate line item in the consolidated condensed statement of income under the caption "U.K. pension settlement". The Company will have no further contribution obligations going forward.

Other Income (Expense)

For the three and nine months ended December 28, 2019, the Company reported $0.6 million and $1.5 million, respectively, in other expense and immaterial amounts for the three and nine months ended December 29, 2018, primarily related to remeasurement on foreign currency denominated monetary assets and liabilities.

Income Taxes

Our provision for income taxes is based on estimated effective tax rates derived from an estimate of annual consolidated earnings before taxes, adjusted for nondeductible expenses, other permanent items and any applicable credits.

The following table presents the provision for income taxes (in thousands) and the effective tax rates:

	Three Months Ended		**Nine Months Ended**	
	December 28, 2019	**December 29, 2018**	**December 28, 2019**	**December 29, 2018**
Income before income taxes	$ 74,508	$ 32,314	$ 168,917	$ 84,539
Provision for income taxes	$ 5,996	$ 2,381	$ 19,577	$ 705
Effective tax rate	8.0 %	7.4 %	11.6 %	0.8 %

Our income tax expense for the third quarter of fiscal year 2020 was $6.0 million compared to $2.4 million of income tax expense for the third quarter of fiscal year 2019, resulting in effective tax rates of 8.0% and 7.4% for the third quarter of fiscal years 2020 and 2019, respectively. Our income tax expense was $19.6 million for the first nine months of fiscal year 2020 compared to income tax expense of $0.7 million for the first nine months of fiscal year 2019, resulting in effective tax rates of 11.6% and 0.8%, respectively.

Our effective tax rates for the third quarter and first nine months of fiscal year 2020 were lower than the federal statutory rate primarily due to the effect of income earned in certain foreign jurisdictions that is taxed below the federal statutory rate, the release of prior year unrecognized tax benefits in the third quarter due to the lapse of the statute of limitations applicable to a tax position taken on a prior year tax return, as well as excess tax benefits from stock-based compensation. Our effective tax rate for the first nine months of fiscal year 2020 was further reduced by the release of prior year unrecognized tax benefits due to the closure of the tax audit of the Company's U.K. subsidiaries in the second quarter of fiscal year 2020.

Our effective tax rates for the third quarter and first nine months of fiscal year 2019 were lower than the federal statutory rate primarily due to the U.S. federal research and development tax credit and the effect of income earned in certain foreign jurisdictions that is taxed below the federal statutory rate. Our effective tax rate for the first nine months of fiscal year 2019 was further reduced by adjustments recorded to reduce the provisional amount of the Tax Cuts and Jobs Act's transition tax in the second quarter of fiscal year 2019.

Liquidity and Capital Resources

We require cash to fund our operating expenses and working capital requirements, including outlays for inventory, capital expenditures, share repurchases, and 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 available borrowings under our $300 million senior secured revolving credit facility.

Cash generated by operating activities is net income adjusted for certain non-cash items and changes in working capital. Cash flow from operations was $246.5 million for the first nine months of fiscal year 2020 as compared to $197.1 million for the corresponding period of fiscal year 2019. The cash flow from operations during the first nine months of fiscal year 2020 was related to the cash components of our net income and a $4.9 million favorable change in working capital, primarily as a result of increases in accounts payable and decreases in inventories, partially offset by increases in accounts receivable. The cash flow from operations during the corresponding period of fiscal year 2019 was related to the cash components of our net income and a $2.1 million favorable change in working capital, primarily as a result of decreases in inventories and increases in accounts payable, partially offset by increases in accounts receivable.

Net cash used in investing activities was $50.3 million during the first nine months of fiscal year 2020 as compared to $51.5 million used in investing activities during the first nine months of fiscal year 2019. The cash used in investing activities in the first nine months of fiscal year 2020 is primarily related to net purchases of marketable securities of $32.2 million and capital expenditures and technology investments of $18.2 million. The cash used in investing activities in the corresponding period in fiscal year 2019 was primarily related to capital expenditures and technology investments of $26.1 million and net purchases of marketable securities of $25.3 million.

Net cash used in financing activities was $70.1 million during the first nine months of fiscal year 2020. The cash used during the first nine months of fiscal year 2020 was primarily associated with stock repurchases of $70.0 million. The cash used in financing activities was $162.0 million for the first nine months of fiscal year 2019. The use of cash during the first nine months of fiscal year 2019 was primarily associated with stock repurchases during the period of $150.0 million.

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

Revolving Credit Facilities

On July 12, 2016, Cirrus Logic entered into an amended and restated credit agreement (the “Credit Agreement”) with Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto, for the purpose of refinancing an existing credit facility and providing ongoing working capital. The Credit Agreement provides for a $300 million senior secured revolving credit facility (the “Credit Facility”). The Credit Facility matures on July 12, 2021. The Credit Facility is required to be guaranteed by all of Cirrus Logic’s material domestic subsidiaries (the “Subsidiary Guarantors”). The Credit Facility is secured by substantially all of the assets of Cirrus Logic and any Subsidiary Guarantors, except for certain excluded assets.

Borrowings under the Credit Facility may, at our 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 0.50% 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 Credit Agreement contains certain financial covenants providing that (a) the ratio of consolidated funded indebtedness to consolidated EBITDA for the prior four fiscal 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 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.

As of December 28, 2019, the Company had no amounts outstanding under the Credit Facility and was in compliance with all covenants under the Credit Agreement.

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 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. Beginning in the first quarter of fiscal year 2020, we began using forward contracts to manage exposure to foreign currency exchange risk attributable to non-U.S. dollar exposures. Gains and losses from these foreign currency forward contracts are recognized currently in earnings along with the gains and losses resulting from remeasuring the underlying exposures. For further description of our market risks, see "*Part II – Item 7A – Quantitative and Qualitative Disclosures about Market Risk"* in our fiscal year 2019 Annual Report on Form 10-K filed with the Commission on May 24, 2019. For related financial statement impact see Note 5 - Derivative Financial Instruments.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

As required by Rule 13a-15(b) of the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our chief executive officer (CEO) and chief financial officer (CFO), the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this Form 10-Q. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Commission rules and forms and (ii) accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Based upon the evaluation, our management, including our CEO and CFO, has concluded that our disclosure controls and procedures were effective as of December 28, 2019.

Changes in control over financial reporting

There has been no change in the Company's internal control over financial reporting during the quarter ended December 28, 2019, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding legal proceedings to which the Company is a party is set forth in Note 13 – Legal Matters to our unaudited consolidated condensed financial statements and is incorporated herein by reference.

ITEM 1A. RISK FACTORS

In evaluating all forward-looking statements, you 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 year ended March 30, 2019, as filed with the Commission on May 24, 2019, 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 30, 2019.

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, or pricing on products sold to, any key customer or distributor could significantly reduce our sales and our profitability.

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 or selling prices to any key customer, or reductions in selling prices made to retain key customer relationships, would significantly reduce our revenue, margins and earnings and adversely affect our business. For the third quarter of fiscal years 2020 and 2019, our ten largest end customers represented approximately 94 percent and 92 percent of our net sales, respectively. For the first nine months of fiscal years 2020 and 2019, our ten largest end customers represented approximately 93 percent and 91 percent of our net sales, respectively. We had one end customer, Apple Inc. that purchased through multiple contract manufacturers and represented approximately 83 percent of the Company's total net sales for each of the third quarters of fiscal years 2020 and 2019 and 80 percent and 81 percent of the Company's total net sales for the first nine months of fiscal years 2020 and 2019, respectively. No other end customer or distributor represented more than 10 percent of net sales for the three and nine months ending December 28, 2019, or December 29, 2018.

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.

In addition, our dependence on a limited number of key customers may make it easier for key customers to pressure us to reduce the prices of the products we sell to them. We have experienced pricing pressure from certain key customers, and we expect that the average selling prices for certain of our products will decline, reducing our revenue, our margins, and our earnings.

Our key customer 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. In addition, we may from time to time enter into customer agreements providing for exclusivity periods during which we may only sell specified products or technologies to that customer. 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.

We have significant international sales and operations and face risks related to health epidemics that could impact our sales and operating results.

Our business could be adversely affected by the effects of a widespread outbreak of contagious disease, including the recent outbreak of respiratory illness caused by a novel coronavirus first identified in Wuhan, Hubei Province, China. Any outbreak of contagious diseases, and other adverse public health developments, particularly in Asia, could have a material and adverse effect on our business operations. These could include disruptions or restrictions on our ability to travel or to distribute our products, as well as temporary closures of our facilities or the facilities of our suppliers or customers and their contract manufacturers. Any disruption of our suppliers or customers and their contract manufacturers would likely impact our sales and operating results. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for our end customers' products and likely impact our operating results.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

1. Incorporated by reference from Registrant's Report on Form 10-K for the fiscal year ended March 31, 2001, filed with the Commission on June 22, 2001 (Registration No. 000-17795).
2. Incorporated by reference from Registrant's Report on Form 8-K filed with the Commission on January 29, 2020 (Registration No. 000-17795).

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

SIGNATURES

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: January 29, 2020

/s/ Thurman K. Case

Thurman K. Case

Vice President, Chief Financial Officer and Principal Accounting Officer

CERTIFICATION

pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jason P. Rhode, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cirrus Logic, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 29, 2020

/s/ Jason P. Rhode

Jason P. Rhode

Chief Executive Officer

CERTIFICATION

pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Thurman K. Case, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cirrus Logic, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 29, 2020

/s/ Thurman K. Case

Thurman K. Case

Chief Financial Officer and Principal Accounting Officer

Certification Pursuant to 18 U.S.C. Section 1350,

as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Cirrus Logic, Inc. (the "Company") on Form 10-Q for the period ended December 28, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jason P. Rhode, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date:	January 29, 2020	/s/ Jason P. Rhode
		Jason P. Rhode
		Chief Executive Officer

Certification Pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Cirrus Logic, Inc. (the "Company") on Form 10-Q for the period ended December 28, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thurman K. Case, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date:	January 29, 2020	/s/ Thurman K. Case
		Thurman K. Case
		Chief Financial Officer and Principal Accounting Officer