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 26, 2020

☐ **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 28, 2021 was 58,045,043.

CIRRUS LOGIC, INC.

FORM 10-Q QUARTERLY REPORT

QUARTERLY PERIOD ENDED DECEMBER 26, 2020

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Part I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	December 26, 2020	March 28, 2020
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 327,294	$ 292,119
Marketable securities	43,289	22,008
Accounts receivable, net	244,803	153,998
Inventories	142,689	146,725
Prepaid assets	38,875	23,594
Other current assets	6,594	11,752
Total current assets	803,544	650,196
Long-term marketable securities	326,491	283,573
Right-of-use lease assets	135,719	141,274
Property and equipment, net	154,312	158,244
Intangibles, net	24,322	34,430
Goodwill	287,518	287,088
Deferred tax assets	7,277	10,052
Other assets	86,446	27,820
Total assets	$ 1,825,629	$ 1,592,677
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 90,814	$ 78,412
Accrued salaries and benefits	39,367	42,439
Software license agreements	26,810	10,888
Current lease liabilities	14,539	13,580
Other accrued liabilities	13,325	13,318
Total current liabilities	184,855	158,637
Long-term liabilities:		
Software license agreements	39,968	3,806
Non-current income taxes	70,866	71,143
Non-current lease liabilities	129,583	129,312
Total long-term liabilities	240,417	204,261
Stockholders' equity:		
Capital stock	1,483,567	1,434,929
Accumulated deficit	(88,238)	(201,681)
Accumulated other comprehensive income (loss)	5,028	(3,469)
Total stockholders' equity	1,400,357	1,229,779
Total liabilities and stockholders' equity	$ 1,825,629	$ 1,592,677

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 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Net sales	$ 485,795	$ 374,668	$ 1,075,693	$ 1,001,833
Cost of sales	234,295	177,163	516,511	473,901
Gross profit	251,500	197,505	559,182	527,932
Operating expenses				
Research and development	89,435	88,713	252,986	265,782
Selling, general and administrative	32,415	36,113	93,366	98,651
Restructuring costs	—	—	352	—
Total operating expenses	121,850	124,826	346,704	364,433
Income from operations	129,650	72,679	212,478	163,499
Interest income	1,465	2,651	4,958	7,725
Interest expense	(259)	(259)	(798)	(798)
Other income (expense)	(207)	(563)	688	(1,509)
Income before income taxes	130,649	74,508	217,326	168,917
Provision for income taxes	16,281	5,996	25,263	19,577
Net income	$ 114,368	$ 68,512	192,063	$ 149,340
Basic earnings per share	$ 1.97	$ 1.18	$ 3.30	$ 2.56
Diluted earnings per share	$ 1.91	$ 1.13	$ 3.20	$ 2.47
Basic weighted average common shares outstanding	58,024	58,188	58,176	58,247
Diluted weighted average common shares outstanding	59,963	60,492	60,101	60,395

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 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Net income	$ 114,368	$ 68,512	$ 192,063	$ 149,340
Other comprehensive income (loss), before tax				
Foreign currency translation gain (loss)	428	883	2,093	(520)
Unrealized gain (loss) on marketable securities	(649)	(37)	8,106	2,463
Cumulative effect of adoption of ASU 2018-02	—	—	—	(257)
(Provision) benefit for income taxes	136	8	(1,702)	(517)
Comprehensive income	$ 114,283	$ 69,366	$ 200,560	$ 150,509

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 26, 2020	December 28, 2019
Cash flows from operating activities:		
Net income	$ 192,063	$ 149,340
Adjustments to reconcile net income to net cash generated by operating activities:		
Depreciation and amortization	35,478	55,379
Stock-based compensation expense	42,069	39,700
Deferred income taxes	3,679	(3,403)
Loss on retirement or write-off of long-lived assets	52	46
Other non-cash adjustments	124	560
MEMS restructuring charges	352	—
Net change in operating assets and liabilities:		
Accounts receivable, net	(90,806)	(55,281)
Inventories	4,036	26,813
Other assets	(3,529)	(9,892)
Accounts payable and other accrued liabilities	6,157	47,080
Income taxes payable	(13,233)	(3,795)
Net cash generated by operating activities	176,442	246,547
Cash flows from investing activities:		
Maturities and sales of available-for-sale marketable securities	97,415	131,761
Purchases of available-for-sale marketable securities	(153,505)	(163,925)
Purchases of property, equipment and software	(11,734)	(13,262)
Investments in technology	(1,310)	(4,893)
Net cash used in investing activities	(69,134)	(50,319)
Cash flows from financing activities:		
Issuance of common stock, net of shares withheld for taxes	6,487	14,211
Repurchase of stock to satisfy employee tax withholding obligations	(13,619)	(14,309)
Repurchase and retirement of common stock	(65,001)	(70,001)
Net cash used in financing activities	(72,133)	(70,099)
Net increase in cash and cash equivalents	35,175	126,129
Cash and cash equivalents at beginning of period	292,119	216,172
Cash and cash equivalents at end of period	$ 327,294	$ 342,301

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 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)
Repurchase and retirement of common stock	—		—		—		—		—		—
Stock-based compensation	—		—		14,160		—		—		14,160
Balance, December 28, 2019	58,622	$	59	$	1,417,587	$	(157,869)	$	103	$	1,259,880
Balance, September 26, 2020	57,957	$	58	$	1,466,920	$	(155,260)	$	5,113	$	1,316,831
Net income	—		—		—		114,368		—		114,368
Change in unrealized gain (loss) on marketable securities, net of tax	—		—		—		—		(513)		(513)
Change in foreign currency translation adjustments	—		—		—		—		428		428
Issuance of stock under stock option plans and other, net of shares withheld for employee taxes	522		1		3,220		(12,347)		—		(9,126)
Repurchase and retirement of common stock	(459)		(1)		—		(34,999)		—		(35,000)
Stock-based compensation	—		—		13,369		—		—		13,369
Balance, December 26, 2020	58,020	$	58	$	1,483,509	$	(88,238)	$	5,028	$	1,400,357
Nine Months Ended											
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
Balance, March 28, 2020	58,242	$	58	$	1,434,871	$	(201,681)	$	(3,469)	$	1,229,779
Net income	—		—		—		192,063		—		192,063
Change in unrealized gain (loss) on marketable securities, net of tax	—		—		—		—		6,404		6,404
Change in foreign currency translation adjustments	—		—		—		—		2,093		2,093
Issuance of stock under stock option plans and other, net of shares withheld for employee taxes	713		1		6,487		(13,620)		—		(7,132)
Repurchase and retirement of common stock	(935)		(1)		—		(65,000)		—		(65,001)
Stock-based compensation	—		—		42,151		—		—		42,151
Balance, December 26, 2020	58,020	$	58	$	1,483,509	$	(88,238)	$	5,028	$	1,400,357

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 28, 2020, included in our Annual Report on Form 10-K filed with the Commission on May 20, 2020. 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.

2. Recently Issued Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU requires credit losses on financial instruments, including 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. The Company adopted this ASU in the first quarter of fiscal year 2021, with no material impact to the financial statements.

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 recorded book 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. The Company adopted this ASU in the first quarter of fiscal year 2021, 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. The Company adopted this ASU in the first quarter of fiscal year 2021, with no material impact to the financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU provides guidance on the accounting for implementation costs related to a cloud computing arrangement that is a service contract. This ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within that fiscal year. The Company adopted this ASU in the first quarter of fiscal year 2021, with prospective application and no material impact to the financial statements.

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.

In January 2020, the FASB issued ASU No. 2020-01, *Investments - Equity Securities (Topic 321) - Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the FASB Emerging Issues Task Force)*. This ASU clarifies the interaction of the accounting for equity securities, investments accounted for under the equity method of accounting, and the accounting for certain forward contracts and purchased options. 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.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU, effective immediately for reporting periods through December 31, 2022, provides accounting relief for contract modifications that replace an interest rate impacted by reference rate reform (e.g., LIBOR) with a new alternative reference rate. The guidance is applicable to investment securities, receivables, debt, leases, hedging relationships and other contractual arrangements. The Company adopted this ASU in the first quarter of fiscal year 2021, with no material impact to the financial statements.

3. Marketable Securities

The Company's investments 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 "*Marketable securities*", within the short-term or long-term classification, as appropriate.

The following table is a summary of available-for-sale securities at December 26, 2020 (in thousands):

As of December 26, 2020	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value (Net Carrying Amount)**
Corporate debt securities	$ 347,642	$ 5,484	$ (11)	$ 353,115
Non-U.S. government securities	12,681	218	—	12,899
Agency discount notes	3,760	6	—	3,766
Total securities	$ 364,083	$ 5,708	$ (11)	$ 369,780

The Company typically invests in highly-rated securities with original maturities generally ranging from one to three years. The Company's specifically identified gross unrealized losses were immaterial related to securities with total amortized costs of approximately $8.3 million at December 26, 2020. There were no securities that had been in a continuous unrealized loss position for more than 12 months as of December 26, 2020. 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. The Company records an allowance for credit loss when a decline in investment market value is due to credit-related factors. When evaluating an investment for 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 26, 2020, the Company does not consider any of its investments to be impaired.

The following table is a summary of available-for-sale securities at March 28, 2020 (in thousands):

As of March 28, 2020	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value (Net Carrying Amount)**
Corporate debt securities	$ 286,668	$ 1,157	$ (3,993)	$ 283,832
Non-U.S. government securities	12,483	260	—	12,743
U.S. Treasury securities	8,839	167	—	9,006
Total securities	$ 307,990	$ 1,584	$ (3,993)	$ 305,581

The Company's specifically identified gross unrealized losses of $4.0 million related to securities with total amortized costs of approximately $172.9 million at March 28, 2020. There were no securities that had been in a continuous unrealized loss position for more than 12 months as of March 28, 2020. As of March 28, 2020, the Company did not consider any of its investments to be impaired.

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

	December 26, 2020		March 28, 2020	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within 1 year	$ 42,680	$ 43,289	$ 22,012	$ 22,008
After 1 year	321,403	326,491	285,978	283,573
Total	$ 364,083	$ 369,780	$ 307,990	$ 305,581

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.

The Company's long-term revolving credit facility, described in Note 8, bears interest at a base rate plus applicable margin or LIBOR plus applicable margin. As of December 26, 2020, there are no amounts drawn under the credit facility and the fair value is zero.

As of December 26, 2020 and March 28, 2020, the Company has no material Level 3 assets or liabilities. There were no transfers between Level 1, Level 2, or Level 3 measurements for the three months ended December 26, 2020.

The following summarizes the fair value of our financial instruments at December 26, 2020 (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	$ 288,095	$ —	$ —	$ 288,095
Available-for-sale securities				
Corporate debt securities	$ —	$ 353,115	$ —	$ 353,115
Non-U.S. government securities	—	12,899	—	12,899
Agency discount notes	—	3,766	—	3,766
	$ —	$ 369,780	$ —	$ 369,780

The following summarizes the fair value of our financial instruments at March 28, 2020 (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	$ 237,714	$ —	$ —	$ 237,714
Available-for-sale securities				
Corporate debt securities	$ —	$ 283,832	$ —	$ 283,832
Non-U.S. government securities	—	12,743	—	12,743
U.S. Treasury securities	9,006	—	—	9,006
	$ 9,006	$ 296,575	$ —	$ 305,581

5. Derivative Financial Instruments

Foreign Currency Forward Contracts

The Company uses foreign currency forward contracts to reduce the earnings impact that exchange rate fluctuations have on non-functional currency 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-functional currency 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 26, 2020, the Company held one foreign currency forward contract denominated in British Pound Sterling with a notional value of $20.2 million. The fair value of this contract was not material as of December 26, 2020.

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

	Three Months Ended		Nine Months Ended		
	December 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019	Location
Gain (loss) recognized in income:					
Foreign currency forward contracts	$ 984	$ 2,380	$ 2,903	$ (1,836)	Other income (expense)

6. Accounts Receivable, net

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

	December 26, 2020	March 28, 2020
Gross accounts receivable	$ 244,803	$ 153,998
Allowance for doubtful accounts	—	—
Accounts receivable, net	$ 244,803	$ 153,998

7. Inventories

Inventories are comprised of the following (in thousands):

	December 26, 2020	March 28, 2020
Work in process	$ 95,807	$ 82,494
Finished goods	46,882	64,231
	$ 142,689	$ 146,725

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 26, 2020, the Company had no amounts outstanding under the Credit Facility and was in compliance with all covenants under the Credit Agreement.

9. 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 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Non-United States	$ 476,890	$ 370,942	$ 1,058,501	$ 990,205
United States	8,905	3,726	17,192	11,628
	$ 485,795	$ 374,668	$ 1,075,693	$ 1,001,833

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 Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, the Company has not disclosed the value of any unsatisfied performance obligations related to these contracts.

The Company’s products typically 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 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.

10. Restructuring Costs

During the fourth quarter of fiscal year 2020, the Company approved a restructuring plan (the "MEMS Restructuring"), including discontinuing efforts relating to the microelectromechanical systems ("MEMS") microphone product line, which allowed the Company to concentrate resources on projects with an anticipated larger return on investment. The MEMS Restructuring was substantially complete as of the first quarter of fiscal year 2021 with a $352 thousand "*Restructuring Costs*" charge to the income statement. No additional restructuring charges were incurred during the second or third quarters of fiscal year 2021.

Restructuring liabilities are presented in the "*Other accrued liabilities*" line item of our consolidated condensed balance sheet. The activity related to restructuring liabilities is detailed below (in thousands):

		Restructuring Liability
Beginning balance as of March 28, 2020	$	982
Other exit costs		222
Cash payments		(1,204)
Ending balance as of December 26, 2020	$	—

11. 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 income tax credits.

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

	Three Months Ended				Nine Months Ended			
	December 26, 2020		December 28, 2019		December 26, 2020		December 28, 2019	
Income before income taxes	$	130,649	$	74,508	$	217,326	$	168,917
Provision for income taxes	$	16,281	$	5,996	$	25,263	$	19,577
Effective tax rate		12.5 %		8.0 %		11.6 %		11.6 %

Our income tax expense was $16.3 million and $6.0 million for the third quarters of fiscal years 2021 and 2020, respectively, resulting in effective tax rates of 12.5% and 8.0%, respectively. Our income tax expense was $25.3 million and $19.6 million for the first nine months of fiscal years 2021 and 2020, respectively, resulting in an effective tax rate of 11.6% in each period. Our effective tax rate for the third quarter of fiscal year 2021 was 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 and excess tax benefits from stock-based compensation, partially offset by current U.S. tax on foreign earnings. Our effective tax rate for the first nine months of fiscal year 2021 was 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, excess tax benefits from stock-based compensation, and the remeasurement of previously unrecognized tax benefits in the second quarter. 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.

The Company records unrecognized tax benefits for the estimated risk associated with tax positions taken on tax returns. At December 26, 2020, the Company had unrecognized tax benefits of $32.9 million, all of which would impact the effective tax rate if recognized. We recorded a gross decrease of $3.3 million to unrecognized tax benefits in the second quarter of fiscal year 2021. 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 26, 2020, the balance of accrued interest and penalties, net of tax, was $3.9 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 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. On February 10, 2020, Altera Corp. filed a Petition for a Writ of Certiorari with the Supreme Court of the United States, which was denied by the Supreme Court on June 22, 2020. Although the issue is now resolved in the Ninth Circuit, the Ninth Circuit's opinion is not binding in other circuits. The potential impact of this issue on the Company, which is not located within the jurisdiction of the Ninth Circuit, is unclear at this time. We will continue to monitor developments related to this issue 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 2020 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, 2018, and 2019 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.

12. 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 grants.

The following table details the calculation of basic and diluted earnings per share for the three and nine months ended December 26, 2020 and December 28, 2019 (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	December 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Numerator:				
Net income	$ 114,368	$ 68,512	$ 192,063	$ 149,340
Denominator:				
Weighted average shares outstanding	58,024	58,188	58,176	58,247
Effect of dilutive securities	1,939	2,304	1,925	2,148
Weighted average diluted shares	59,963	60,492	60,101	60,395
Basic earnings per share	$ 1.97	$ 1.18	$ 3.30	$ 2.56
Diluted earnings per share	$ 1.91	$ 1.13	$ 3.20	$ 2.47

The weighted outstanding shares excluded from our diluted calculation for the three and nine months ended December 26, 2020 were 159 thousand and 350 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 28, 2019 were 124 thousand and 594 thousand, respectively, as the shares were anti-dilutive.

13. 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.

14. Stockholders' Equity

Common Stock

The Company issued a net 0.5 million and 0.7 million shares of common stock during each of the three and nine months ended December 26, 2020, pursuant to the Company's equity incentive plans. The Company issued a net 0.8 million and 1.1 million shares of common stock during each of the three and nine months ended December 28, 2019, pursuant to the Company's equity incentive plans.

Share Repurchase Program

Since inception, approximately $145 million of the Company's common stock has been repurchased under the Company's 2019 $200 million share repurchase program, leaving approximately $55 million available for repurchase under this plan as of December 26, 2020. During the three months ended December 26, 2020, the Company repurchased 0.5 million shares of its common stock, for $35 million, at an average cost of $76.22 per share. During the nine months ended December 26, 2020, the Company repurchased 0.9 million shares of its common stock, for $65 million, at an average cost of $69.53 per share. 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 26, 2020.

15. 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 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Portable Products	$ 450,305	$ 344,870	$ 973,877	$ 897,187
Non-Portable and Other Products	35,490	29,798	101,816	104,646
	$ 485,795	$ 374,668	$ 1,075,693	$ 1,001,833

16. Subsequent Event

In January 2021, the Board of Directors authorized the repurchase of up to an additional $350 million of the Company's common stock, in addition to the $55 million remaining from the Board's previous share repurchase authorization in January 2019, described above in Note 14.

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 28, 2020, contained in our fiscal year 2020 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "Commission") on May 20, 2020. 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 quarterly report on Form 10-Q including 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 expectations, estimates, forecasts and projections and the beliefs and assumptions of our management as of the filing of this Form 10-Q. 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 and readers should not place undue reliance on such 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 2020 Annual Report on Form 10-K filed with the Commission on May 20, 2020, 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.

Impact of COVID-19

The Company remains committed to the safety and well-being of our employees, their families and our communities across the globe, while maintaining business continuity and continuing to provide outstanding support to our customers. At this time, the majority of our employees worldwide continue to work remotely and remain subject to travel restrictions, due to COVID-19. Despite these challenges, all teams across the organization remain highly productive and we currently anticipate that the Company will be able to continue to maintain a similar level of productivity for the foreseeable future. Our technical marketing and engineering teams executed on key product development efforts and our supply chain team continued to meet production schedules. Although we have not experienced a significant reduction in our overall productivity during fiscal year 2021 to date, any increased or additional disruptions to our business operations due to these restrictions would likely impact our ability to continue to maintain current levels of productivity.

The COVID-19 pandemic is likely to continue to cause volatility and uncertainty in customer demand, worldwide economies and financial markets for some period of time. To date, any negative impact of COVID-19 on the overall demand for our products, cash flow from operations, need for capital expenditures, and our liquidity position has been limited. The Company has not accessed its revolving credit facility or raised capital in the public or private markets. Given our strong net cash position we believe the Company has sufficient liquidity to satisfy our cash needs for the foreseeable future.

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.

Recently Issued Accounting Pronouncements

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 financial instruments, including 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. The Company adopted this ASU in the first quarter of fiscal year 2021, with no material impact to the financial statements.

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 recorded book 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. The Company adopted this ASU in the first quarter of fiscal year 2021, 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. The Company adopted this ASU in the first quarter of fiscal year 2021, with no material impact to the financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU provides guidance on the accounting for implementation costs related to a cloud computing arrangement that is a service contract. This ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within that fiscal year. The Company adopted this ASU in the first quarter of fiscal year 2021, with prospective application and no material impact to the financial statements.

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.

In January 2020, the FASB issued ASU No. 2020-01, *Investments - Equity Securities (Topic 321) - Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the FASB Emerging Issues Task Force)*. This ASU clarifies the interaction of the accounting for equity securities, investments accounted for under the equity method of accounting, and the accounting for certain forward contracts and purchased options. 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.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU, effective immediately for reporting periods through December 31, 2022, provides accounting relief for contract modifications that replace an interest rate impacted by reference rate reform (e.g., LIBOR) with a new alternative reference rate. The guidance is applicable to investment securities, receivables, debt, leases, hedging relationships and other contractual arrangements. The Company adopted this ASU in the first quarter of fiscal year 2021, with no material impact to the financial statements.

Results of Operations

Our fiscal year is the 52- or 53-week period ending on the last Saturday in March. Fiscal years 2021 and 2020 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 2021 and 2020, 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 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Net sales	100 %	100 %	100 %	100 %
Gross margin	52 %	53 %	52 %	53 %
Research and development	18 %	24 %	23 %	27 %
Selling, general and administrative	7 %	10 %	9 %	10 %
Restructuring costs	— %	— %	— %	— %
Income from operations	27 %	19 %	20 %	16 %
Interest income	— %	1 %	— %	1 %
Interest expense	— %	— %	— %	— %
Other income (expense)	— %	— %	— %	— %
Income before income taxes	27 %	20 %	20 %	17 %
Provision for income taxes	3 %	2 %	2 %	2 %
Net income	24 %	18 %	18 %	15 %

Net Sales

Net sales for the third quarter of fiscal year 2021 increased $111.1 million, or 30 percent, to $485.8 million from $374.7 million in the third quarter of fiscal year 2020. Net sales from our portable products increased $105.4 million, primarily driven by significant growth in unit volumes for components shipping in smartphones and, to a lesser extent, new content in these devices. This increase was partially offset by headwinds with certain wired headset products. Non-portable and other product sales increased $5.7 million for the quarter versus the third quarter of fiscal year 2020.

Net sales for the first nine months of fiscal year 2021 increased $73.9 million, or 7 percent, to $1.08 billion from $1.00 billion in the first nine months of fiscal year 2020. Net sales from our portable products increased $76.7 million, primarily due to growth in unit volumes for certain components shipping in smartphones, wearables and tablets and, to a lesser extent, new content in these devices. This increase was partially offset by headwinds with certain wired headset products and, to a lesser extent, decreased smart codec sales in Android. Non-portable and other product sales decreased $2.8 million for the first nine months of fiscal year 2021 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 98 percent and 99 percent of net sales for the third quarter of fiscal year 2021 and 2020, respectively, and 98 percent and 99 percent for the first nine month period of fiscal year 2021 and 2020, 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 each of the third quarters of fiscal years 2021 and 2020, our ten largest end customers represented approximately 94 percent of our net sales. For the first nine month period of fiscal year 2021 and 2020, our ten largest end customers represented approximately 94 percent and 93 percent, respectively, of our net sales.

We had one end customer, Apple Inc., that purchased through multiple contract manufacturers and represented approximately 87 percent and 83 percent, of the Company's total net sales for the third quarter of fiscal year 2021 and 2020, respectively and 84 percent and 80 percent for the first nine months of fiscal year 2021 and 2020, respectively.

No other end customer or distributor represented more than 10 percent of net sales for the three and nine months ended December 26, 2020 or December 28, 2019.

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 51.8 percent in the third quarter of fiscal year 2021, down from 52.7 percent in the third quarter of fiscal year 2020. The decrease was primarily driven by a shift in product mix and, to a lesser extent, typical pricing reductions on certain components, partially offset by a benefit of lower reserves in the current quarter.

Gross margin was 52.0 percent for the first nine months of fiscal year 2021, down from 52.7 percent for the first nine months of fiscal year 2020. The decrease was primarily driven by a shift in product mix and, to a lesser extent, typical pricing reductions on certain components, which was offset by supply chain efficiencies, partially due to cost reductions associated with exiting the MEMS product line.

Research and Development Expense

Research and development expense for the third quarter of fiscal year 2021 was $89.4 million, an increase of $0.7 million, from $88.7 million in the third quarter of fiscal year 2020. The primary drivers were increased employee-related expenses and variable compensation costs, offset by decreased amortization costs associated with acquisition-related intangibles.

Research and development expense for the first nine months of fiscal year 2021 was $253.0 million, a decrease of $12.8 million, from $265.8 million for the first nine months of fiscal year 2020. The primary drivers were decreased amortization costs associated with acquisition-related intangibles, reduced product development costs, decreased amortization and depreciation costs of non-acquisition-related intangibles and increased R&D incentives, offset by increases in stock-based compensation, variable compensation costs and employee-related expenses.

Selling, General and Administrative Expense

Selling, general and administrative expense for the third quarter of fiscal year 2021 was $32.4 million, a decrease of $3.7 million, from $36.1 million in the third quarter of fiscal year 2020. The decrease was primarily driven by reduced employee-related expenses and stock-based compensation costs.

Selling, general and administrative expense for the first nine months of fiscal year 2021 was $93.4 million, a decrease of $5.3 million, from $98.7 million for the first nine months of fiscal year 2020. The decrease was primarily driven by reduced employee-related expenses, partially offset by increased software maintenance costs.

Restructuring Costs

During the fourth quarter of fiscal year 2020, the Company approved the MEMS Restructuring, including discontinuing efforts relating to the MEMS microphone product line. The Company recorded charges of approximately $0.4 million in the first quarter of fiscal year 2021, which included equipment disposal costs and other nonrecurring costs. See Note 10 - Restructuring Costs for additional details.

Interest Income

The Company reported interest income of $1.5 million and $5.0 million, for the three and nine months ended December 26, 2020, respectively, and $2.7 million and $7.7 million for the three and nine months ended December 28, 2019, respectively. Interest income decreased in the current periods due to lower yields on average cash, cash equivalent and marketable securities balances, compared to the prior periods.

Interest Expense

The Company reported interest expense of $0.3 million and $0.8 million for the three and nine months ended December 26, 2020, respectively, and $0.3 million and $0.8 million for the three and nine months ended and December 28, 2019, respectively. Interest expense consists primarily of unused commitment fees.

Other Income (Expense)

For the three and nine months ended December 26, 2020, the Company reported $0.2 million in other expense and $0.7 million in other income, respectively, and $0.6 million and $1.5 million in other expense for the three and nine months ended December 28, 2019, respectively, 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 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Income before income taxes	$ 130,649	$ 74,508	$ 217,326	$ 168,917
Provision for income taxes	$ 16,281	$ 5,996	$ 25,263	$ 19,577
Effective tax rate	12.5 %	8.0 %	11.6 %	11.6 %

Our income tax expense for the third quarter of fiscal year 2021 was $16.3 million compared to $6.0 million for the third quarter of fiscal year 2020, resulting in effective tax rates of 12.5% and 8.0%, respectively. Our income tax expense for the first nine months of fiscal year 2021 was $25.3 million compared to $19.6 million for the first nine months of fiscal year 2020, resulting in effective tax rates of 11.6% in each period. Our effective tax rate for the third quarter of fiscal year 2021 was 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 and excess tax benefits from stock-based compensation, partially offset by current U.S. tax on foreign earnings. Our effective tax rate for the first nine months of fiscal year 2021 was 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, excess tax benefits from stock-based compensation, and the remeasurement of previously unrecognized tax benefits in the second quarter. 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.

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 $176.4 million for the first nine months of fiscal year 2021 versus $246.5 million for the corresponding period of fiscal year 2020. The cash flow from operations during the first nine months of fiscal year 2021 was related to the cash components of our net income and a $97.4 million unfavorable change in working capital, primarily as a result of increases in accounts receivable and decreases in income taxes payable. The cash flow from operations during the corresponding period 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.

Net cash used in investing activities was $69.1 million during the first nine months of fiscal year 2021 versus $50.3 million during the first nine months of fiscal year 2020. The cash used in investing activities in the first nine months of fiscal year 2021 is related to net purchases of marketable securities of $56.1 million and capital expenditures and technology investments of $13.0 million. The cash used in investing activities in the corresponding period in fiscal year 2020 was related to net purchases of marketable securities of $32.2 million and capital expenditures and technology investments of $18.2 million.

Net cash used in financing activities was $72.1 million during the first nine months of fiscal year 2021, primarily associated with stock repurchases during the period of $65.0 million. The cash used in financing activities was $70.1 million for the first nine months of fiscal year 2020, primarily associated with stock repurchases during the period of $70.0 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 26, 2020, 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-functional currency 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 certain non-functional currency balance sheet 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 2020 Annual Report on Form 10-K filed with the Commission on May 20, 2020. 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 26, 2020.

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 26, 2020, 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 28, 2020, as filed with the Commission on May 20, 2020, 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 28, 2020.

We face risks related to global health epidemics that could impact our sales, supply chain and operations, resulting in significantly reduced revenue and operating results.

On March 11, 2020, the World Health Organization declared a pandemic related to a novel coronavirus, commonly referred to as COVID-19. We continue to expect that COVID-19 will have an adverse effect on our business, financial condition and results of operations, and with the pandemic on-going, we are unable to predict the full extent and nature of these impacts at this time. The COVID-19 pandemic will likely heighten or exacerbate many of the other risks described in the risk factors listed in our filings with the Securities and Exchange Commission.

Although we have not experienced any significant disruptions to our supply chain due to COVID-19 in fiscal year 2021 to date, any increase in the severity of the outbreak or additional government measures restricting movement or business operations, could cause a disruption to our supply of products to our customers – particularly with respect to the manufacture of semiconductor wafers that would have to go through extensive qualification to relocate manufacturing to a different fabrication facility. Even if our suppliers and service providers are operational, other third-party suppliers may be closed or not fully operational, resulting in a shortage of some components needed for our products or our customers' end products. Any disruption of our suppliers or customers and their contract manufacturers would likely impact our inventory, backlog, sales and operating results, as customers may cancel or reschedule orders on short notice. In addition, we have seen some reductions in commercial airline and cargo flights, and disruption to ports and other shipping infrastructure that resulted in increased transport times and costs, which, if those disruptions were to intensify, could affect our ability to timely deliver our products.

Although we have not experienced a significant reduction in our overall productivity due to COVID-19 during fiscal year 2021 to date, we have experienced, and expect to continue to experience, disruptions to our business operations, including those resulting from remote work arrangements for the majority of our employees, the implementation of certain measures at our facilities worldwide to protect our employees' health and safety, government stay-at-home directives, quarantines, self-isolations, travel restrictions, or other restrictions on the ability of our employees to perform their jobs that may impact our ability to develop and design our products in a timely manner, meet required milestones, or win new business. Any increased or additional disruptions to our business operations would likely impact our ability to continue to maintain current levels of productivity.

In the longer term, the COVID-19 pandemic is likely to continue to adversely affect the economies and financial markets of many countries, leading to a global economic downturn and potentially a recession. This would also likely continue to adversely affect the demand environment for our products and those of our customers, particularly consumer products such as smartphones, which may, in turn, negatively affect our revenue and operating results.

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 each of the third quarters of fiscal years 2021 and 2020, our ten largest end customers represented approximately 94 percent of our net sales. For the first nine month period of fiscal year 2021 and 2020, our ten largest end customers represented approximately 94 percent and 93 percent of our net sales, respectively. We had one end customer, Apple Inc., that purchased through multiple contract manufacturers and represented approximately 87 percent and 83 percent of the Company's total net sales for the third quarter of fiscal year 2021 and 2020, respectively, and 84 percent and 80 percent for the first nine months of fiscal year 2021 and 2020, respectively. No other end customer or distributor represented more than 10 percent of net sales for the three and nine months ended December 26, 2020, or December 28, 2019.

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;
- many of our customers have sufficient resources to internally develop technology solutions and semiconductor components that could replace the products that we currently supply in our customers' end 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. Even without exclusivity periods, the products that we develop are often specific to our customer's system architecture and frequently cannot be sold to other customers. 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.

Moreover, our reliance on certain customers may continue to increase, which could heighten the risks associated with having key customers, including making us more vulnerable to significant reductions in revenue, margins and earnings, pricing pressure, and other adverse effects on our business.

We are dependent on third-party manufacturing and supply chain relationships for the majority of our products. Our reliance on third-party foundries and suppliers involves certain risks that may result in increased costs, delays in meeting our customers' demand, and loss of revenue.

We do not own or operate a semiconductor fabrication facility and do not have the resources to manufacture our products internally. We use third parties to manufacture, assemble, package and test the vast majority of our products. As a result, we are subject to risks associated with these third parties, including:

- insufficient capacity available to meet our demand;
- inadequate manufacturing yields and excessive costs;
- inability of these third parties to obtain an adequate supply of raw materials;
- difficulties selecting and integrating new subcontractors;
- limited warranties on products supplied to us;
- potential increases in prices; and
- increased exposure to potential misappropriation of our intellectual property.

Our outside foundries and assembly and test suppliers generally manufacture our products on a purchase order basis, and we have few long-term supply arrangements with these suppliers. Therefore, our third-party manufacturers and suppliers are not obligated to supply us with products for any specific period of time, quantity, or price, except as may be provided in any particular purchase order or in relation to an existing supply agreement. A manufacturing or supply disruption experienced by one or more of our outside suppliers or a disruption of our relationship with an outside foundry could negatively impact the production of certain of our products for a substantial period of time.

Recently, the semiconductor industry has experienced industry-wide manufacturing capacity constraints. These supply challenges are currently limiting our ability to fully satisfy recent increases in demand for some of our general market products. We do not typically manufacture the majority of these products at more than one foundry or more than one assembly and test subcontractor, and the costs and effort associated with the potential transfer of any portion of our supply chain to a backup supplier would likely be prohibitive. Therefore, if one or more of our third-party manufacturers and suppliers are not able to provide us sufficient capacity to meet our current demand, we may not be able to ship our products to customers on time and in the quantity requested, which could cause an unanticipated decline in our sales and damage our existing customer relationships and our ability to establish new customer relationships. Capacity constraints could further result in increased prices in our supply chain, which, if we are unable to increase our selling price to our customers, could result in lower revenues and margins that could adversely affect our financial results.

In addition, difficulties associated with adapting our technology and product design to the proprietary process technology and design rules of outside foundries can lead to reduced yields of our products. Since low yields may result from either design or process technology failures, yield problems may not be effectively determined or resolved until an actual product exists that can be analyzed and tested to identify process sensitivities relating to the design rules that are used. As a result, yield problems may not be identified until well into the production process, and resolution of yield problems may require cooperation between our manufacturer and us. This risk could be compounded by the offshore location of certain of our manufacturers, increasing the effort and time required to identify, communicate and resolve manufacturing yield problems. Manufacturing defects that we do not discover during the manufacturing or testing process may lead to costly product recalls. These risks may lead to increased costs or delayed product delivery, which would harm our profitability and customer relationships.

In some cases, our requirements may represent a small portion of the total production of the third-party suppliers. As a result, we are subject to the risk that a producer will cease production of an older or lower-volume process that it uses to produce our parts. We cannot provide any assurance that our external foundries will continue to devote resources to the production of parts for our products or continue to advance the process design technologies on which the manufacturing of our products are based. Each of these events could increase our costs, lower our gross margin, and cause us to hold more inventories, or materially impact our ability to deliver our products on time.

If we fail to attract, hire and retain qualified personnel, we may not be able to develop, market, or sell our products or successfully manage our business.

Competition for highly qualified personnel in our industry, particularly for employees with technical backgrounds, is intense. The number of technology companies in the geographic areas in which we operate is greater than it has been historically and we expect competition for qualified personnel to intensify because there is only a limited number of individuals in the job market with the requisite skills.

In addition, there is a risk that changes in immigration laws and regulations, or the administration or enforcement of such laws or regulations, can also impair our ability to attract and retain qualified engineering personnel. In the United States, where the majority of our research and development teams are located, future tightening of immigration controls may adversely affect the employment status of non-U.S. engineers and other key technical employees or further impact our ability to hire new non-U.S. employees. Moreover, recent changes to existing immigration policies in the United States may make it more difficult for us to recruit and retain highly skilled foreign national graduates of universities in the United States, additionally limiting the pool of available talent. In the U.K., where we maintain several design centers, anticipated changes to the immigration system brought about by Brexit will likely make it more difficult to employ E.U. nationals to work in the U.K., also limiting our ability to attract and retain qualified technical personnel.

There are significant costs to the Company associated with attracting and retaining qualified personnel in key technology positions. The loss of the services of key personnel or our inability to hire new personnel with the requisite skills or to assimilate talent could restrict our ability to develop new products or enhance existing products in a timely manner, sell products to our customers, or manage our business effectively.

If we do not successfully manage the transition associated with our new Chief Executive Officer, it could be viewed negatively by our customers and shareholders and could have an adverse impact on our business.

On October 30, 2020, our Board of Directors appointed John Forsyth, who was then Cirrus Logic's President, to succeed Jason Rhode as Chief Executive Officer effective January 1, 2021. Leadership transitions can be inherently difficult to manage, and an inadequate transition of our CEO may cause disruption to our business, including our relationships with customers and employees. If we do not successfully manage our CEO transition, it could be viewed negatively by our customers and shareholders and could have an adverse impact on our business.

System security risks, data protection breaches, cyber-attacks and other related cyber security issues could disrupt our internal operations and/or supply chain, and any such disruption could increase our expenses, damage our reputation and adversely affect our stock price.

Security measures at Cirrus Logic and/or within our manufacturing and supply chain are subject to third-party security breaches, employee error, malfeasance, faulty password management, and other irregularities. We manage and store various proprietary information and sensitive or confidential data relating to our business. In addition, we manage and store a significant amount of proprietary and sensitive or confidential information from third parties, such as our customers. Hackers may be able to penetrate our security controls and misappropriate or compromise such confidential information, create system disruptions or cause shutdowns. Hackers also may be able to develop and deploy viruses, worms, phishing attempts, ransomware and other malicious software programs that attack our websites, computer systems, access to critical information, products or otherwise exploit any security vulnerabilities. This risk may be heightened when our employees are working remotely.

For example, we recently became aware that one of our vendors providing IT infrastructure management software, SolarWinds Corporation, had been compromised by cyberattacks. Although we have not identified any compromise of our IT systems due to the use of SolarWinds software to date, we continue to monitor our network for any potential impact related to the SolarWinds cyberattack. Any breach of our security measures or the loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us or our customers, including the potential loss or disclosure of such information or data as a result of the SolarWinds cyberattack, could result in litigation and potential liability for us, damage our brand and reputation or otherwise harm our business.

Our hardware and software products, including software tools deployed by our customers, may be vulnerable to cyber-attacks. An attack could disrupt the proper functioning of our products, disrupt or cause errors in our customers' products, allow unauthorized access to our or our customers' proprietary information, or cause other destructive outcomes. A failure to prevent or mitigate such an attack could harm our business reputation, diminish our competitive position in the market, and expose us to significant expense and liability.

Our development and sale of security-related products, such as user authentication solutions, may make us a particularly attractive target of cyber-attacks. Sophisticated individuals or entities acting maliciously may attempt to penetrate our networks in an effort to undermine or disclose information related to the design and security of our user authentication products. Any failure to prevent or mitigate security breaches and improper access to the algorithms, techniques, or authentication keys used in our user authentication solution could harm our business reputation, diminish our competitive position in that market, and expose us to significant expense and liability associated with a customer's implementation of our solution.

The costs to us to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, phishing attempts, ransomware, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in interruptions, delays, an inability to access critical information, cessation of service and loss of existing or potential customers that may impede our sales, manufacturing, distribution or other critical functions.

Any breach of our security measures or the loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us or our customers, including the potential loss or disclosure of such information or data as a result of ransomware, fraud, trickery or other forms of deception, could result in litigation and potential liability for us, damage our brand and reputation or otherwise harm our business.

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

The following table provides information about purchases of equity securities that are registered by us pursuant to Section 12 of the Exchange Act during the three months ended December 26, 2020 (in thousands, except per share amounts):

Monthly Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximately Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)
September 27, 2020 - October 24, 2020	—	$ —	—	$ —
October 25, 2020 - November 21, 2020	386	76.12	386	60,609
November 22, 2020 - December 26, 2020	73	76.78	73	55,000
Total	459	$ 76.22	459	$ 55,000

(1) The Company currently has one active share repurchase program, the $200 million share repurchase program authorized by the Board of Directors in January 2019. The repurchases are to be funded from existing cash and intended to be effected from time to time in accordance with applicable securities laws through the open market or in privately negotiated transactions. The timing of the repurchases and the actual amount purchased depend on a variety of factors including general market and economic conditions and other corporate considerations. The program does not have an expiration date, does not obligate the Company to repurchase any particular amount of common stock, and may be modified or suspended at any time at the Company's discretion. The Company repurchased 0.5 million shares of its common stock for $35 million during the third quarter of fiscal year 2021. 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 26, 2020.

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
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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: February 1, 2021

/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, John M. Forsyth, 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: February 1, 2021

/s/ John M. Forsyth

John M. Forsyth

President and 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: February 1, 2021

/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 26, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John M. Forsyth, 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:	February 1, 2021	/s/ John M. Forsyth
		John M. Forsyth
		President and 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 26, 2020, 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:	February 1, 2021	/s/ Thurman K. Case
		Thurman K. Case
		Chief Financial Officer and Principal Accounting Officer