

**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 September 25, 2021

**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

(State or other jurisdiction of incorporation or organization)

800 W. 6th Street

(Address of principal executive offices)

Austin, Texas

77-0024818

(I.R.S. Employer Identification No.)

78701

(Zip Code)

Registrant's telephone number, including area code:

(512) 851-4000

**Securities registered pursuant to Section 12(b) 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

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

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	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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 October 28, 2021 was 57,136,039.

**CIRRUS LOGIC, INC.**  
**FORM 10-Q QUARTERLY REPORT**  
**QUARTERLY PERIOD ENDED SEPTEMBER 25, 2021**  
**TABLE OF CONTENTS**

**PART I - FINANCIAL INFORMATION**

Item 1.	Financial Statements	
	Consolidated Condensed Balance Sheets - September 25, 2021 (unaudited) and March 27, 2021	3
	Consolidated Condensed Statements of Income (unaudited) - Three and Six Months Ended September 25, 2021 and September 26, 2020	4
	Consolidated Condensed Statements of Comprehensive Income (unaudited) - Three and Six Months Ended September 25, 2021 and September 26, 2020	5
	Consolidated Condensed Statements of Cash Flows (unaudited) - Six Months Ended September 25, 2021 and September 26, 2020	6
	Consolidated Condensed Statements of Stockholders' Equity (unaudited) - Three and Six Months Ended September 25, 2021 and September 26, 2020	7
	Notes to Consolidated Condensed Financial Statements (unaudited)	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	23
Item 4.	Controls and Procedures	23

**PART II - OTHER INFORMATION**

Item 1.	Legal Proceedings	24
Item 1A.	Risk Factors	24
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	27
Item 3.	Defaults Upon Senior Securities	27
Item 4.	Mine Safety Disclosures	27
Item 5.	Other Information	27
Item 6.	Exhibits	28
	Signatures	29

## ITEM 1. FINANCIAL STATEMENTS

**Part I. FINANCIAL INFORMATION**  
**CIRRUS LOGIC, INC.**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**  
(in thousands)

	September 25, 2021	March 27, 2021
	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 386,741	\$ 442,164
Marketable securities	8,152	55,697
Accounts receivable, net	280,967	108,712
Inventories	188,360	173,263
Prepaid assets	39,057	37,576
Other current assets	45,779	25,107
Total current assets	<u>949,056</u>	<u>842,519</u>
Long-term marketable securities	67,726	312,759
Right-of-use lease assets	129,298	133,548
Property and equipment, net	159,480	154,942
Intangibles, net	174,852	22,031
Goodwill	437,783	287,518
Deferred tax assets	10,073	9,977
Long-term prepaid wafers	195,000	—
Other assets	102,892	67,320
Total assets	<u>\$ 2,226,160</u>	<u>\$ 1,830,614</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 386,699	\$ 102,744
Accrued salaries and benefits	54,919	54,849
Software license agreements	25,414	28,006
Current lease liabilities	14,359	14,573
Other accrued liabilities	18,990	13,438
Total current liabilities	<u>500,381</u>	<u>213,610</u>
Long-term liabilities:		
Software license agreements	21,818	36,096
Non-current income taxes	79,727	64,020
Non-current lease liabilities	122,815	127,883
Long-term acquisition-related liabilities	33,329	—
Total long-term liabilities	<u>257,689</u>	<u>227,999</u>
Stockholders' equity:		
Capital stock	1,533,557	1,498,819
Accumulated deficit	(65,672)	(112,689)
Accumulated other comprehensive income	205	2,875
Total stockholders' equity	<u>1,468,090</u>	<u>1,389,005</u>
Total liabilities and stockholders' equity	<u>\$ 2,226,160</u>	<u>\$ 1,830,614</u>

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		Six Months Ended	
	September 25, 2021	September 26, 2020	September 25, 2021	September 26, 2020
Net sales	\$ 465,886	\$ 347,325	\$ 743,139	\$ 589,898
Cost of sales	230,442	167,115	367,749	282,216
Gross profit	235,444	180,210	375,390	307,682
Operating expenses				
Research and development	102,116	84,810	187,812	163,551
Selling, general and administrative	38,132	31,247	73,279	60,951
Restructuring costs	—	—	—	352
Total operating expenses	140,248	116,057	261,091	224,854
Income from operations	95,196	64,153	114,299	82,828
Interest income	288	1,658	1,308	3,493
Interest expense	(253)	(280)	(512)	(539)
Other income	1,859	784	1,617	895
Income before income taxes	97,090	66,315	116,712	86,677
Provision for income taxes	11,994	6,829	14,407	8,982
Net income	\$ 85,096	\$ 59,486	\$ 102,305	\$ 77,695
Basic earnings per share	\$ 1.48	\$ 1.02	\$ 1.78	\$ 1.33
Diluted earnings per share	\$ 1.43	\$ 0.99	\$ 1.72	\$ 1.29
Basic weighted average common shares outstanding	57,364	58,191	57,473	58,252
Diluted weighted average common shares outstanding	59,451	60,127	59,485	60,203

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)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>September 25, 2021</u>	<u>September 26, 2020</u>	<u>September 25, 2021</u>	<u>September 26, 2020</u>
Net income	\$ 85,096	\$ 59,486	\$ 102,305	\$ 77,695
Other comprehensive income (loss), before tax				
Foreign currency translation gain (loss)	(165)	651	(217)	1,665
Unrealized gain (loss) on marketable securities	(1,983)	(733)	(3,106)	8,755
Benefit (provision) for income taxes	417	154	653	(1,838)
Comprehensive income	<u>\$ 83,365</u>	<u>\$ 59,558</u>	<u>\$ 99,635</u>	<u>\$ 86,277</u>

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)

	Six Months Ended	
	September 25, 2021	September 26, 2020
Cash flows from operating activities:		
Net income	\$ 102,305	\$ 77,695
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27,710	23,845
Stock-based compensation expense	31,536	28,782
Deferred income taxes	(8,976)	(1,221)
Loss on retirement or write-off of long-lived assets	331	11
Other non-cash adjustments	200	124
MEMS restructuring charges	—	352
Net change in operating assets and liabilities:		
Accounts receivable, net	(165,529)	(27,498)
Inventories	(7,422)	(62,325)
Long-term prepaid wafers	(195,000)	—
Other assets	(101,368)	(4,630)
Accounts payable and other accrued liabilities	280,941	19,351
Income taxes payable	4,320	(12,348)
Long-term acquisition-related liabilities	33,329	—
Net cash provided by operating activities	<u>2,377</u>	<u>42,138</u>
Cash flows from investing activities:		
Maturities and sales of available-for-sale marketable securities	357,636	73,458
Purchases of available-for-sale marketable securities	(68,163)	(124,016)
Purchases of property, equipment and software	(14,728)	(6,967)
Investments in technology	(3,102)	(1,189)
Acquisition of business, net of cash obtained	(275,642)	—
Net cash used in investing activities	<u>(3,999)</u>	<u>(58,714)</u>
Cash flows from financing activities:		
Debt issuance costs	(1,716)	—
Issuance of common stock, net of shares withheld for taxes	3,203	3,267
Repurchase of stock to satisfy employee tax withholding obligations	(2,785)	(1,273)
Repurchase and retirement of common stock	(52,503)	(30,001)
Net cash used in financing activities	<u>(53,801)</u>	<u>(28,007)</u>
Net decrease in cash and cash equivalents	(55,423)	(44,583)
Cash and cash equivalents at beginning of period	442,164	292,119
Cash and cash equivalents at end of period	<u>\$ 386,741</u>	<u>\$ 247,536</u>

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)

Three Months Ended	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income / (Loss)	Total
	Shares	Amount				
Balance, June 27, 2020	58,381	\$ 58	\$ 1,451,239	\$ (184,049)	\$ 5,041	\$ 1,272,289
Net income	—	—	—	59,486	—	59,486
Change in unrealized gain (loss) on marketable securities, net of tax	—	—	—	—	(579)	(579)
Change in foreign currency translation adjustments	—	—	—	—	651	651
Issuance of stock under stock option plans and other, net of shares withheld for employee taxes	52	—	205	(696)	—	(491)
Repurchase and retirement of common stock	(476)	—	—	(30,001)	—	(30,001)
Stock-based compensation	—	—	15,476	—	—	15,476
Balance, September 26, 2020	57,957	\$ 58	\$ 1,466,920	\$ (155,260)	\$ 5,113	\$ 1,316,831
Balance, June 26, 2021	57,547	\$ 58	\$ 1,514,491	\$ (109,754)	\$ 1,936	\$ 1,406,731
Net income	—	—	—	85,096	—	85,096
Change in unrealized gain (loss) on marketable securities, net of tax	—	—	—	—	(1,566)	(1,566)
Change in foreign currency translation adjustments	—	—	—	—	(165)	(165)
Issuance of stock under stock option plans and other, net of shares withheld for employee taxes	86	—	2,458	(1,012)	—	1,446
Repurchase and retirement of common stock	(505)	(1)	—	(40,002)	—	(40,003)
Stock-based compensation	—	—	16,551	—	—	16,551
Balance, September 25, 2021	57,128	\$ 57	\$ 1,533,500	\$ (65,672)	\$ 205	\$ 1,468,090
<b>Six Months Ended</b>						
Balance, March 28, 2020	58,242	\$ 58	\$ 1,434,871	\$ (201,681)	\$ (3,469)	\$ 1,229,779
Net income	—	—	—	77,695	—	77,695
Change in unrealized gain (loss) on marketable securities, net of tax	—	—	—	—	6,917	6,917
Change in foreign currency translation adjustments	—	—	—	—	1,665	1,665
Issuance of stock under stock option plans and other, net of shares withheld for employee taxes	191	—	3,267	(1,273)	—	1,994
Repurchase and retirement of common stock	(476)	—	—	(30,001)	—	(30,001)
Stock-based compensation	—	—	28,782	—	—	28,782
Balance, September 26, 2020	57,957	\$ 58	\$ 1,466,920	\$ (155,260)	\$ 5,113	\$ 1,316,831
Balance, March 27, 2021	57,652	\$ 58	\$ 1,498,761	\$ (112,689)	\$ 2,875	\$ 1,389,005
Net income	—	—	—	102,305	—	102,305
Change in unrealized gain (loss) on marketable securities, net of tax	—	—	—	—	(2,453)	(2,453)
Change in foreign currency translation adjustments	—	—	—	—	(217)	(217)
Issuance of stock under stock option plans and other, net of shares withheld for employee taxes	147	—	3,203	(2,785)	—	418
Repurchase and retirement of common stock	(671)	(1)	—	(52,503)	—	(52,504)
Stock-based compensation	—	—	31,536	—	—	31,536
Balance, September 25, 2021	57,128	\$ 57	\$ 1,533,500	\$ (65,672)	\$ 205	\$ 1,468,090

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 unaudited 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 27, 2021, included in our Annual Report on Form 10-K filed with the Commission on May 21, 2021. 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 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 adopted this ASU in the first quarter of fiscal year 2022, with no impact to the financial statements.

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 and 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 adopted this ASU in the first quarter of fiscal year 2022, with no material impact to the financial statements.

In May 2020, the SEC adopted final rules that amend the financial statement requirements for significant business acquisitions and dispositions. Among other things, the rules modify the significance tests and improve the disclosure requirements for acquired or to be acquired businesses and related pro forma financial information, the periods those financial statements must cover, and the form and content of the pro forma financial information. The final rules were effective January 1, 2021. The Company has adopted the final rules and applied changes in conjunction with its recently-announced business acquisition described in Note 8 - Acquisition.

**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 September 25, 2021 (in thousands):

<b>As of September 25, 2021</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value (Net Carrying Amount)</b>
Corporate debt securities	\$ 72,235	\$ 230	\$ (80)	\$ 72,385
Non-U.S. government securities	1,688	11	—	1,699
U.S. Treasury securities	1,797	—	(3)	1,794
Total securities	<u>\$ 75,720</u>	<u>\$ 241</u>	<u>\$ (83)</u>	<u>\$ 75,878</u>

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 of \$0.1 million related to securities with total amortized



costs of approximately \$33.4 million at September 25, 2021. There were no securities that had been in a continuous unrealized loss position for more than 12 months as of September 25, 2021. 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 September 25, 2021, 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 27, 2021 (in thousands):

<b>As of March 27, 2021</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value (Net Carrying Amount)</b>
Corporate debt securities	\$ 348,971	\$ 3,403	\$ (313)	\$ 352,061
Non-U.S. government securities	13,462	172	(1)	13,633
Agency discount notes	2,759	4	(1)	2,762
Total securities	<u>\$ 365,192</u>	<u>\$ 3,579</u>	<u>\$ (315)</u>	<u>\$ 368,456</u>

The Company's specifically identified gross unrealized losses of \$0.3 million related to securities with total amortized costs of approximately \$92 million at March 27, 2021. There were no securities that had been in a continuous unrealized loss position for more than 12 months as of March 27, 2021. As of March 27, 2021, 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):

	<b>September 25, 2021</b>		<b>March 27, 2021</b>	
	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>
Within 1 year	\$ 8,074	\$ 8,152	\$ 54,895	\$ 55,698
After 1 year	67,646	67,726	310,297	312,758
Total	<u>\$ 75,720</u>	<u>\$ 75,878</u>	<u>\$ 365,192</u>	<u>\$ 368,456</u>

#### 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 9, bears interest at a base rate plus applicable margin or LIBOR plus applicable margin. As of September 25, 2021, there are no amounts drawn under the credit facility and the fair value is zero.

As of September 25, 2021 and March 27, 2021, 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 or six months ended September 25, 2021.

The following summarizes the fair value of our financial instruments at September 25, 2021 (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	\$ 272,982	\$ —	\$ —	\$ 272,982
Available-for-sale securities				
Corporate debt securities	\$ —	\$ 72,385	\$ —	\$ 72,385
Non-U.S. government securities	—	1,699	—	1,699
U.S. Treasury securities	1,794	—	—	1,794
	\$ 1,794	\$ 74,084	\$ —	\$ 75,878

The following summarizes the fair value of our financial instruments at March 27, 2021 (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	\$ 405,819	\$ —	\$ —	\$ 405,819
Available-for-sale securities				
Corporate debt securities	\$ —	\$ 352,061	\$ —	\$ 352,061
Non-U.S. government securities	—	13,633	—	13,633
Agency discount notes	—	2,762	—	2,762
	\$ —	\$ 368,456	\$ —	\$ 368,456

## 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" in the consolidated condensed statements of income. The Company does not apply hedge accounting to these foreign currency derivative instruments.

As of September 25, 2021, the Company held one foreign currency forward contract denominated in British Pound Sterling with a notional value of \$18.0 million. The fair value of this contract was not material as of September 25, 2021.

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

	Three Months Ended		Six Months Ended		Location
	September 25, 2021	September 26, 2020	September 25, 2021	September 26, 2020	
Gain (loss) recognized in income:					
Foreign currency forward contracts	\$ (397)	\$ 735	\$ (65)	\$ 1,918	Other income

## 6. Accounts Receivable, net

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

	September 25, 2021	March 27, 2021
Gross accounts receivable	\$ 280,967	\$ 108,712
Allowance for doubtful accounts	—	—
Accounts receivable, net	\$ 280,967	\$ 108,712

The significant increase in accounts receivable is due primarily to the volume and timing of shipments in the current fiscal quarter versus the fourth quarter of fiscal year 2021.

## 7. Inventories

Inventories are comprised of the following (in thousands):

	September 25, 2021	March 27, 2021
Work in process	\$ 106,007	\$ 92,073
Finished goods	82,353	81,190
	\$ 188,360	\$ 173,263

## 8. Acquisition

On July 20, 2021, the Company completed the acquisition of Lion Semiconductor, Inc. ("Lion") (the "Acquisition"). Lion's switched-capacitor architectures deliver higher efficiency and better heat dissipation for the rapidly developing fast-charging market and are used today in numerous flagship and mid-tier smartphones. The Acquisition is expected to bring unique intellectual property and products for power applications in smartphones, laptops and other devices and accelerate growth of the Company's high-performance mixed-signal product line.

As a result of acquiring 100% of the outstanding share capital of Lion, Lion became a wholly-owned subsidiary of the Company. This transaction is being accounted for as a business combination using the acquisition method of accounting. All

of the acquired assets and liabilities of Lion have been recorded at their respective fair values as of the acquisition date. Transaction costs have been expensed as incurred.

At the acquisition date, total consideration transferred was approximately \$280.5 million, inclusive of \$4.9 million in cash acquired. Additional merger consideration of \$32.2 million is subject to indemnity and adjustment provisions as outlined in the merger agreement and is recorded as a liability as of September 25, 2021.

In addition, \$25.4 million of the merger consideration relates to retention agreements with certain key employees that are subject to continued employment with the Company. The merger consideration subject to retention agreements is treated as compensation expense and is recognized over the retention period in "Research and development" expense in the consolidated condensed statements of income.

The excess of the purchase price over the net assets acquired is recorded as goodwill and is attributable primarily to expected growth in the scope of and market opportunities of the products and customer base of Lion. None of the goodwill is deductible for income tax purposes.

The following table presents the preliminary allocation of the purchase price at the date of acquisition (in thousands):

	<b>July 20, 2021</b>	
Cash	\$	4,924
Account receivable		6,725
Inventory		7,675
Manufacturing advances		8,502
Other current assets		321
Intangibles		162,960
Goodwill		150,265
Other non-current assets		453
Current liabilities		(2,927)
Deferred tax liabilities		(26,123)
Total purchase price	\$	312,775

Preliminary estimates of the fair value of the assets acquired and the liabilities assumed are based on the information currently available. The Company is continuing to evaluate the underlying inputs and assumptions used in the valuations and related income tax impacts of the transaction. Accordingly, these preliminary estimates are subject to change during the measurement period, which is up to one year from the date of acquisition.

The components of the acquired intangible assets and related weighted average amortization periods are detailed below (in thousands):

	<b>Amount</b>	<b>Weighted Average Amortization Period (years)</b>
Developed Technology	\$ 144,390	7
Customer Relationships	18,570	5
Total	\$ 162,960	

Developed technology represents the fair value of the intellectual property portfolio related to Lion's fast-charging products that are expected to contribute meaningful growth. Developed technology was valued using the multi-period excess earnings method under the income approach. This method reflects the present value of the projected cash flows that are expected to be generated by the technology less charges representing the contribution of other assets to those cash flows. The economic useful life was determined based on the technology cycle, as well as the cash flows over the forecast period.

Customer relationships represent the fair value of future projected revenue that will be derived from sales of products to existing customers. Customer relationships were valued using the with-and-without-method under the income approach. In

the with-and-without method, the fair value was measured by the difference between the present values of the cash flows with and without the existing customers in place over the period of time necessary to reacquire the customers. The economic useful life was determined by evaluating many factors, including the useful life of comparable intangible assets, the length of time remaining on the acquired contracts and the historical customer turnover rates.

Revenues attributable to the Lion business from the date of acquisition to September 25, 2021 were \$16.8 million and are included in the consolidated condensed statements of income for the current period. Transaction costs in connection with the Acquisition were immaterial for the six months ended September 25, 2021, and are included in "Selling, general and administrative" expense in the consolidated condensed statements of income. Pro forma information related to the Acquisition has not been presented because it would not be materially different from amounts reported.

## 9. Revolving Credit Facility

On July 8, 2021, the Company entered into a second amended and restated credit agreement (the "Second Amended Credit Agreement") with Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto. The Second Amended Credit Agreement provides for a \$300 million senior secured revolving credit facility (the "Revolving Credit Facility"). The Revolving Credit Facility matures on July 8, 2026 (the "Maturity Date"). The Revolving Credit Facility is required to be guaranteed by all of Cirrus Logic's material domestic subsidiaries (the "Subsidiary Guarantors"). The Revolving Credit Facility is secured by substantially all the assets of Cirrus Logic and any Subsidiary Guarantors, except for certain excluded assets.

Borrowings under the Revolving Credit Facility may, at Cirrus Logic's election, bear interest at either (a) a base rate plus the applicable margin ("Base Rate Loans") or (b) a LIBOR rate plus the applicable margin ("LIBOR Rate Loans"). The applicable margin ranges from 0% to 0.75% per annum for Base Rate Loans and 1.00% to 1.75% per annum for LIBOR Rate Loans based on the ratio of consolidated funded indebtedness to consolidated EBITDA for the most recently ended period of four consecutive fiscal quarters (the "Consolidated Leverage Ratio"). The Second Amended Credit Agreement further provides a method for determining an alternative rate of interest if the LIBOR Rate is no longer available or upon the occurrence of certain other events. A Commitment Fee accrues at a rate per annum ranging from 0.175% to 0.275% (based on the Consolidated Leverage Ratio) on the average daily unused portion of the commitment of the lenders.

The Second Amended Credit Agreement contains customary affirmative covenants, including, among others, covenants regarding the payment of taxes and other obligations, maintenance of insurance, reporting requirements, and compliance with applicable laws and regulations. Further, the Second Amended Credit Agreement contains customary negative covenants limiting the ability of Cirrus Logic or any Subsidiary to, among other things, incur debt, grant liens, make investments, effect certain fundamental changes, make certain asset dispositions, and make certain restricted payments. The Revolving Credit Facility also contains certain financial covenants providing that (a) the ratio of consolidated funded indebtedness (minus up to \$200 million of unrestricted cash and cash equivalents available on such date) to consolidated EBITDA for the prior four consecutive quarters must not be greater than 3.00 to 1.00 (the "Consolidated Net Leverage Ratio") and (b) the ratio of consolidated EBITDA for the prior four consecutive quarters to consolidated interest expense paid or payable in cash for the prior four consecutive quarters must not be less than 3.00 to 1.00 (the "Consolidated Interest Coverage Ratio").

As of September 25, 2021, the Company had no amounts outstanding under the Revolving Credit Facility and was in compliance with all covenants under the Second Amended Credit Agreement.

## 10. Revenues

### *Disaggregation of revenue*

We disaggregate revenue from contracts with customers by product line and ship to location of the customer. During the fourth quarter of fiscal year 2021, we adjusted how we report product line revenue to better represent our business and strategic focus. Sales are designated in the product line categories of Audio and High-Performance Mixed-Signal.

Total net sales based on the product line disaggregation criteria described above are shown in the table below (in thousands). Prior periods were retrospectively adjusted to conform to the new product line categories.

	Three Months Ended		Six Months Ended	
	September 25, 2021	September 26, 2020	September 25, 2021	September 26, 2020
Audio Products	\$ 300,775	\$ 279,905	\$ 518,130	\$ 486,354
High-Performance Mixed-Signal Products	165,111	67,420	225,009	103,544
	\$ 465,886	\$ 347,325	\$ 743,139	\$ 589,898

The geographic regions that are reviewed are China, the United States, and the rest of the world. Total net sales based on the geographic disaggregation criteria described are as follows (in thousands):

	Three Months Ended		Six Months Ended	
	September 25, 2021	September 26, 2020	September 25, 2021	September 26, 2020
China	\$ 303,193	\$ 255,840	\$ 471,518	\$ 451,311
United States	5,337	4,211	11,356	8,287
Rest of World	157,356	87,274	260,265	130,300
	\$ 465,886	\$ 347,325	\$ 743,139	\$ 589,898

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

## 11. 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 \$0.4 million "Restructuring Costs" charge to the income statement. No additional restructuring charges have been incurred since the first quarter of fiscal year 2021.

## 12. Income Taxes

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

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

	Three Months Ended				Six Months Ended				
	September 25, 2021		September 26, 2020		September 25, 2021		September 26, 2020		
Income before income taxes	\$	97,090	\$	66,315	\$	116,712	\$	86,677	
Provision for income taxes	\$	11,994	\$	6,829	\$	14,407	\$	8,982	
Effective tax rate		12.4	%	10.3	%	12.3	%	10.4	%

Our income tax expense was \$12.0 million and \$6.8 million for the second quarters of fiscal years 2022 and 2021, respectively, resulting in effective tax rates of 12.4% and 10.3%, respectively. Our income tax expense was \$14.4 million and \$9.0 million for the first six months of fiscal years 2022 and 2021, respectively, resulting in effective tax rates of 12.3% and 10.4%, respectively. Our effective tax rates for the second quarter and first six months of fiscal year 2022 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. Our effective tax rates for the second quarter and first six months of fiscal year 2021 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 and the remeasurement of previously unrecognized tax benefits recognized as a discrete item in the second quarter of fiscal year 2021.

The Company records unrecognized tax benefits for the estimated risk associated with tax positions taken on tax returns. At September 25, 2021, the Company had unrecognized tax benefits of \$32.9 million, all of which would impact the effective tax rate if recognized. 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 September 25, 2021, the balance of accrued interest and penalties, net of tax, was \$4.6 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 2021 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.

### 13. Net Income Per Share

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

The following table details the calculation of basic and diluted earnings per share for the three and six months ended September 25, 2021 and September 26, 2020 (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	September 25, 2021	September 26, 2020	September 25, 2021	September 26, 2020
Numerator:				
Net income	\$ 85,096	\$ 59,486	\$ 102,305	\$ 77,695
Denominator:				
Weighted average shares outstanding	57,364	58,191	57,473	58,252
Effect of dilutive securities	2,087	1,936	2,012	1,951
Weighted average diluted shares	59,451	60,127	59,485	60,203
Basic earnings per share	\$ 1.48	\$ 1.02	\$ 1.78	\$ 1.33
Diluted earnings per share	\$ 1.43	\$ 0.99	\$ 1.72	\$ 1.29

The weighted outstanding shares excluded from our diluted calculation for the three and six months ended September 25, 2021 were 95 thousand and 99 thousand, respectively, as the shares were anti-dilutive. The weighted outstanding shares excluded from our diluted calculation for the three and six months ended September 26, 2020, were 247 thousand and 226 thousand, respectively, as the shares were anti-dilutive.

### 14. Commitments and Contingencies

On July 28, 2021, the Company entered into a Capacity Reservation and Wafer Supply Commitment Agreement (the "Capacity Reservation Agreement") with GLOBALFOUNDRIES Singapore Pte. Ltd. ("GlobalFoundries") to provide the Company a wafer capacity commitment and wafer pricing for Company products for calendar years 2022-2026 (the "Commitment Period").

The Capacity Reservation Agreement requires GlobalFoundries to provide, and the Company to purchase, a defined number of wafers on a quarterly basis for the Commitment Period, subject to shortfall payments. In exchange for GlobalFoundries' capacity commitment, the Company agreed to pay a \$50 million non-refundable capacity reservation fee. This reservation fee is recorded in "Other assets" on the consolidated condensed balance sheets within the short-term or long-term classification, as appropriate, and amortized over the Commitment Period. In addition, the Company agreed to pre-pay GlobalFoundries \$175 million for future wafer purchases, which will be credited back to the Company as a portion of the price of wafers purchased beginning in the third quarter of calendar year 2023. This prepayment is currently recorded in "Long-term prepaid wafers" on the consolidated condensed balance sheets. The Company currently estimates that it is obligated to purchase at least approximately \$1.6 billion of wafers from GlobalFoundries under the Capacity Reservation Agreement.

In addition, the Capacity Reservation Agreement provides the Company an option to reserve a specified portion of the capacity commitment for wafers that include certain additional technology beginning in calendar year 2023. The Company exercised that option in the second quarter of fiscal year 2022, and GlobalFoundries agreed to provide up to a maximum portion of the wafers pursuant to the capacity commitment with this additional technology. In exchange for the capacity commitment with the additional technology, the Company agreed to pay an additional \$10 million non-refundable fee and pre-pay an additional \$20 million for future wafer purchases. These payments are recorded similarly to the description above.



## 15. 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.

## 16. Stockholders' Equity

### *Common Stock*

The Company issued a net 0.1 million and 0.1 million shares of common stock during each of the three and six months ended September 25, 2021, pursuant to the Company's equity incentive plans. The Company issued a net 0.1 million and 0.2 million shares of common stock during each of the three and six months ended September 26, 2020, pursuant to the Company's equity incentive plans.

### *Share Repurchase Program*

In January 2021, the Board of Directors authorized the repurchase of an additional \$350 million of the Company's common stock. Since inception, approximately \$42.5 million of the Company's common stock has been repurchased under the 2021 share repurchase program, leaving approximately \$307.5 million available for repurchase under this plan as of September 25, 2021. During the three months ended September 25, 2021, the Company repurchased 0.5 million shares of its common stock under the 2021 plan for \$40.0 million, at an average cost of \$79.28 per share. During the six months ended September 25, 2021, the Company repurchased 0.7 million shares of its common stock under both the 2021 plan and the prior \$200 million 2019 plan for \$52.5 million, at an average cost of \$78.26 per share. During the three months ended June 26, 2021, the Company completed share repurchases under the 2019 plan.

## 17. 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, Audio and High-Performance Mixed-Signal. 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. Revenue by product line is disclosed in Note 10 - Revenues.

## 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 27, 2021, contained in our fiscal year 2021 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "Commission") on May 21, 2021. We maintain a website at [investor.cirrus.com](http://investor.cirrus.com), which makes available free of charge our most recent annual report and all other filings we 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, (the "Exchange Act"). 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 2021 Annual Report on Form 10-K filed with the Commission on May 21, 2021, 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.

The Company recently acquired Lion Semiconductor, Inc. ("Lion") (the "Acquisition"), a leading provider of proprietary fast-charging and power ICs. We entered the transaction with the expectation that the Acquisition would accelerate growth of our high-performance mixed-signal product line in the coming years. See additional information in Note 8 - Acquisition of the Notes to the Consolidated Condensed Financial Statements and Item 1A. Risk Factors below.

Cirrus Logic continues to experience demand significantly above available capacity and are actively working with our suppliers to meet as much demand as possible while also balancing our customer relationships and financial health. We have entered into a long-term Capacity Reservation and Wafer Supply Commitment Agreement with GlobalFoundries, a foundry partner for many of our strategic products. This will expand our ability to address unprecedented market demand and provide customers with much-needed supply assurance. We agreed to \$255 million in payments to GlobalFoundries in the short-term under this agreement, which includes the previously announced \$225 million in capacity commitments and an additional \$30 million associated with a technology option that was exercised in the second quarter of fiscal year 2022. See additional information in Note 14 - Commitments and Contingencies of the Notes to the Consolidated Condensed Financial Statements and Item 1A. Risk Factors below.

## 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. Although we have not experienced a significant reduction in our overall productivity through fiscal year 2022 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, although we are addressing capacity constraints in our supply chain as described above. The Company has not accessed its Revolving Credit Facility or raised capital in the public or private markets. Given our strong net cash position and available borrowings under our \$300 million Revolving Credit Facility, 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.

There have been no significant changes during the six months ended September 25, 2021, to the information provided under the heading "Critical Accounting Policies" included in our fiscal year 2021 Annual Report on Form 10-K for the fiscal year ended March 27, 2021, with the exception of the following as a result of the Acquisition.

### Business combinations

We account for business combinations using the acquisition method of accounting and allocate the fair value of acquisition consideration to the assets acquired and liabilities assumed based on their fair values at the acquisition date. The excess of the fair value of purchase consideration over the fair value of the assets acquired and liabilities assumed is recorded as goodwill. The results of operations of the business acquired is included in our consolidated condensed statements of income beginning on the date of the acquisition.

## Recently Issued Accounting Pronouncements

For a discussion of recently issued accounting pronouncements, refer to Note 2 of the Notes to the Consolidated Condensed Financial Statements.

## Results of Operations

Our fiscal year is the 52- or 53-week period ending on the last Saturday in March. Fiscal years 2022 and 2021 are both 52-week fiscal years.

The following table summarizes the results of our operations for the first three and six months of fiscal years 2022 and 2021, respectively, as a percentage of net sales. All percentage amounts were calculated using the underlying data in thousands, unaudited:

	Three Months Ended		Six Months Ended	
	September 25, 2021	September 26, 2020	September 25, 2021	September 26, 2020
Net sales	100 %	100 %	100 %	100 %
Gross margin	51 %	52 %	51 %	52 %
Research and development	22 %	24 %	26 %	28 %
Selling, general and administrative	9 %	9 %	10 %	10 %
Restructuring costs	— %	— %	— %	— %
Income from operations	20 %	19 %	15 %	14 %
Interest income	— %	— %	— %	1 %
Interest expense	— %	— %	— %	— %
Other income	1 %	— %	1 %	— %
Income before income taxes	21 %	19 %	16 %	15 %
Provision for income taxes	3 %	2 %	2 %	2 %
Net income	18 %	17 %	14 %	13 %

### *Net Sales*

Net sales for the second quarter of fiscal year 2022 increased \$118.6 million, or 34 percent, to \$465.9 million from \$347.3 million in the second quarter of fiscal year 2021. Net sales from our audio products increased \$20.9 million, primarily driven by higher volumes in smartphones and an increase in audio components shipping in laptops, which was partially offset by headwinds in wired headset codecs. High-performance mixed-signal product sales increased \$97.7 million for the quarter versus the second quarter of fiscal year 2021, primarily due to content gains in smartphones and a partial quarter of revenue contribution from the Lion acquisition.

Net sales for the first six months of fiscal year 2022 increased \$153.2 million, or 26.0 percent, to \$743.1 million from \$589.9 million in the first six months of fiscal year 2021. Net sales from our audio products increased \$31.8 million, primarily due to higher volumes in smartphones and an increase in audio components shipping in laptops, partially offset by headwinds in wired headset codecs. High-performance mixed-signal product sales increased \$121.5 million for the first six months of fiscal year 2021 versus the comparable period in the prior fiscal year due to content gains in smartphones and a partial quarter of revenue contribution from the Lion acquisition.

International sales, including sales to U.S.-based end customers that manufacture products through contract manufacturers or plants located overseas, were approximately 99 percent of net sales for each of the second quarters of fiscal years 2022 and 2021 and 98 percent and 99 percent for the first six months of fiscal years 2022 and 2021, respectively. Our sales are denominated primarily in U.S. dollars.

Since the components we produce are largely proprietary, we consider our end customer to be the entity specifying the use of our component in their design. These end customers may purchase our products directly from us, through distributors or third-party manufacturers contracted to produce their designs. For the second quarter of fiscal years 2022 and 2021, our ten largest end customers represented approximately 93 percent and 94 percent of our net sales, respectively. For the first six months of fiscal years 2022 and 2021, our ten largest customers represented approximately 92 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 80 percent and 82 percent, of the Company's total net sales for the second quarters of fiscal years 2022 and 2021, respectively and 77 percent and 82 percent for the first six months of fiscal years 2022 and 2021, respectively.

No other end customer or distributor represented more than 10 percent of net sales for the three and six months ended September 25, 2021 or September 26, 2020.

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 50.5 percent in the second quarter of fiscal year 2022, down from 51.9 percent in the second quarter of fiscal year 2021. The decrease was primarily driven by amortization of the fair value adjustment of inventory as a result of the Acquisition, increased supply chain operating costs associated with product ramps and higher reserves. While continued supply constraints and increased costs will likely take us slightly below our long-term gross margin model of 50 percent during fiscal year 2023, the team remains focused on working closely with our customers and supply chain partners to minimize impacts to our gross margin and overall business.

Gross margin was 50.5 percent for the first six months of fiscal year 2022, down from 52.2 percent for the first six months of fiscal year 2021. The decrease was due primarily to amortization of the fair value adjustment of inventory as a result of the Acquisition, increased supply chain costs, unfavorable mix and higher reserves.

### *Research and Development Expense*

Research and development expense for the second quarter of fiscal year 2022 was \$102.1 million, an increase of \$17.3 million, from \$84.8 million in the second quarter of fiscal year 2021. The primary drivers were increased employee-related expenses, including costs associated with the expansion of our power-related products team, amortization of acquisition intangibles, variable compensation, acquisition-related costs and stock compensation costs, offset by reduced product development costs and increased R&D incentives during the quarter.

Research and development expense for the first six months of fiscal year 2022 was \$187.8 million, an increase of \$24.3 million, from \$163.6 million for the first six months of fiscal year 2021 primarily due to increased employee-related expenses, including costs associated with the expansion of our power-related products team, higher variable compensation, amortization of acquisition intangibles, acquisition-related, stock compensation and facilities-related costs, offset by increased R&D incentives and decreased product development costs.

#### *Selling, General and Administrative Expense*

Selling, general and administrative expense for the second quarter of fiscal year 2022 was \$38.1 million, an increase of \$6.9 million, from \$31.2 million in the second quarter of fiscal year 2021 primarily due to increases in employee-related expenses, variable compensation and professional services costs.

Selling, general and administrative expense for the first six months of fiscal year 2022 was \$73.3 million, an increase of \$12.3 million, from \$61.0 million for the first six months of fiscal year 2021. The increase was primarily due to increased employee-related expenses, variable compensation and professional services costs during the year.

#### *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 11 - Restructuring Costs for additional details.

#### *Interest Income*

The Company reported interest income of \$0.3 million and \$1.3 million, for the three and six months ended September 25, 2021, respectively and \$1.7 million and \$3.5 million for the three and six months ended September 26, 2020, respectively. Interest income decreased in the current periods due to lower yields on lower combined 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 \$0.5 million for the three and six months ended September 25, 2021, respectively and \$0.3 million and \$0.5 million for the three and six months ended September 26, 2020, respectively. Interest expense consists primarily of commitment fees associated with the Company's Revolving Credit Facility (see Note 9).

#### *Other Income*

For the three and six months ended September 25, 2021, the Company reported \$1.9 million and \$1.6 million in other income, respectively, and \$0.8 million and \$0.9 million in other income for the three and six months ended September 26, 2020, 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				Six Months Ended				
	September 25, 2021		September 26, 2020		September 25, 2021		September 26, 2020		
Income before income taxes	\$	97,090	\$	66,315	\$	116,712	\$	86,677	
Provision for income taxes	\$	11,994	\$	6,829	\$	14,407	\$	8,982	
Effective tax rate		12.4	%	10.3	%	12.3	%	10.4	%

Our income tax expense for the second quarter of fiscal year 2022 was \$12.0 million compared to \$6.8 million for the second quarter of fiscal year 2021, resulting in effective tax rates of 12.4% and 10.3% for the second quarters of fiscal years 2022 and 2021, respectively. Our income tax expense was \$14.4 million and \$9.0 million for the first six months of fiscal years 2022 and 2021, respectively, resulting in effective tax rates of 12.3% and 10.4%, respectively. Our effective tax rates for the second quarter and first six months of fiscal year 2022 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. Our effective tax rates for the second quarter first six months of fiscal year 2021 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 and the remeasurement of previously unrecognized tax benefits recognized as a discrete item in the second quarter of fiscal year 2021.

### **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 Revolving Credit Facility.

Cash provided by operating activities is net income adjusted for certain non-cash items and changes in working capital. Cash provided by operations was \$2.4 million for the first six months of fiscal year 2022 versus \$42.1 million for the corresponding period of fiscal year 2021. The cash flow from operations during the first six months of fiscal year 2022 was related to the cash components of our net income and a \$150.7 million unfavorable change in working capital, primarily as a result of increases in long-term prepaid wafers associated with terms of the Capacity Reservation Agreement with GlobalFoundries (discussed further in Note 14 - Commitments and Contingencies of the Notes to the Consolidated Condensed Financial Statements), accounts receivables and other assets (a large portion of which resulted from terms of the Capacity Reservation Agreement with GlobalFoundries), partially offset by an increase in accounts payable and acquisition-related liabilities for the period. The cash flow from operations during the corresponding period of fiscal year 2021 was related to the cash components of our net income and a \$87.5 million unfavorable change in working capital, primarily as a result of increases in inventories and accounts receivable, partially offset by an increase in accounts payable.

Net cash used in investing activities was \$4.0 million during the first six months of fiscal year 2022 versus \$58.7 million during the first six months of fiscal year 2021. The cash used in investing activities in the first six months of fiscal year 2022 is related to the acquisition of Lion Semiconductor, net of cash obtained, of \$275.6 million and capital expenditures and technology investments of \$17.8 million. Cash used in investing activities was offset by net sales of marketable securities of \$289.5 million in fiscal year 2022. The cash used in investing activities in the corresponding period in fiscal year 2021 was related to net purchases of marketable securities of \$50.6 million and capital expenditures and technology investments of \$8.2 million.

Net cash used in financing activities was \$53.8 million during the first six months of fiscal year 2022 and was primarily associated with stock repurchases for the period of \$52.5 million. The cash used in financing activities during the first six months of fiscal year 2021 of \$28.0 million was primarily associated with stock repurchases during the period of \$30.0 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, the Lion Semiconductor acquisition (discussed further in Note 8 - Acquisition of the Notes to the Consolidated Condensed Financial Statements and Item 1A. Risk Factors below) and potential future acquisitions of companies or technologies, commitments under the Capacity Reservation Agreement with GlobalFoundries (discussed further in Note 14 - Commitments and Contingencies of the Notes to the Consolidated Condensed Financial Statements and Item 1A. Risk Factors below), 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 Revolving 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.

### *Contractual Obligations*

See Note 14 - Commitments and Contingencies, for material changes to our contractual obligations from those previously disclosed in our fiscal year 2021 Annual Report on Form 10-K for the fiscal year ended March 27, 2021.

### *Revolving Credit Facility*

On July 8, 2021, the Company entered into a second amended and restated credit agreement (the "Second Amended Credit Agreement") with Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto. The Second Amended Credit Agreement provides for a \$300 million senior secured revolving credit facility (the "Revolving Credit Facility"). The Revolving Credit Facility matures on July 8, 2026 (the "Maturity Date"). The Revolving Credit Facility is required to be guaranteed by all of Cirrus Logic's material domestic subsidiaries ("Subsidiary Guarantors"). The Revolving Credit Facility is secured by substantially all the assets of Cirrus Logic and any Subsidiary Guarantors, except for certain excluded assets.

Borrowings under the Revolving Credit Facility may, at Cirrus Logic's election, bear interest at either (a) a base rate plus the applicable margin ("Base Rate Loans") or (b) a LIBOR rate plus the applicable margin ("LIBOR Rate Loans"). The Applicable Margin ranges from 0% to 0.75% per annum for Base Rate Loans and 1.00% to 1.75% per annum for LIBOR Rate Loans based on the ratio of consolidated funded indebtedness to consolidated EBITDA for the most recently ended period of four consecutive fiscal quarters (the "Consolidated Leverage Ratio"). The Second Amended Credit Agreement further provides a method for determining an alternative rate of interest if the LIBOR Rate is no longer available or upon the occurrence of certain other events. A Commitment Fee accrues at a rate per annum ranging from 0.175% to 0.275% (based on the Consolidated Leverage Ratio) on the average daily unused portion of the commitment of the lenders.

The Second Amended Credit Agreement contains customary affirmative covenants, including, among others, covenants regarding the payment of taxes and other obligations, maintenance of insurance, reporting requirements, and compliance with applicable laws and regulations. Further, the Second Amended Credit Agreement contains customary negative covenants limiting the ability of Cirrus Logic or any Subsidiary to, among other things, incur debt, grant liens, make investments, effect certain fundamental changes, make certain asset dispositions, and make certain restricted payments. The Revolving Credit Facility also contains certain financial covenants providing that (a) the ratio of consolidated funded indebtedness (minus up to \$200 million of unrestricted cash and cash equivalents available on such date) to consolidated EBITDA for the prior four consecutive quarters must not be greater than 3.00 to 1.00 (the "Consolidated Net Leverage Ratio") and (b) the ratio of consolidated EBITDA for the prior four consecutive quarters to consolidated interest expense paid or payable in cash for the prior four consecutive quarters must not be less than 3.00 to 1.00 (the "Consolidated Interest Coverage Ratio").

As of September 25, 2021, the Company had no amounts outstanding under the Revolving Credit Facility and was in compliance with all covenants under the Second Amended 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. We use forward contracts to manage exposure to foreign currency exchange risk attributable to certain non-U.S. dollar 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 2021 Annual Report on Form 10-K filed with the Commission on May 21, 2021. 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 September 25, 2021.

*Changes in control over financial reporting*

There has been no change in the Company's internal control over financial reporting during the quarter ended September 25, 2021, 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 15 – 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 27, 2021, as filed with the Commission on May 21, 2021, and available at [www.sec.gov](http://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 27, 2021.

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

While we generate sales from a broad base of customers worldwide, the loss of any of our key customers, or a significant reduction in sales or selling prices to any key customer, or reductions in selling prices made to retain key customer relationships, would significantly reduce our revenue, margins and earnings and adversely affect our business. For the second quarter of fiscal years 2022 and 2021, our ten largest end customers represented approximately 93 percent and 94 percent of our net sales, respectively. For the first six month periods of fiscal years 2022 and 2021, our ten largest end customers represented approximately 92 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 80 percent and 82 percent of the Company's total net sales for the second quarter of fiscal years 2022 and 2021, respectively and 77 percent and 82 percent for the first six months of fiscal years 2021 and 2020, respectively. No other end customer or distributor represented more than 10 percent of net sales for the three months ended September 25, 2021, or September 26, 2020.

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 have a long-term capacity reservation and wafer supply agreement with GlobalFoundries, which includes obligations to purchase wafers from GlobalFoundries through calendar year 2026. If our requirements are different from the number of wafers that we have committed to purchase from GlobalFoundries, or if GlobalFoundries is not able to satisfy our manufacturing requirements, our results of operations and financial condition could be adversely impacted.***

Due to recent industry-wide capacity constraints, and in an effort to alleviate some of our future expected supply constraints, the Company entered into a Capacity Reservation and Wafer Supply Commitment Agreement with GlobalFoundries on July 28, 2021. In exchange for GlobalFoundries' capacity commitment, the Company agreed to pay a \$60 million non-refundable capacity reservation fee. In addition, the Company agreed to pre-pay GlobalFoundries \$195 million for future wafer purchases, which will be credited back to the Company as a portion of the price of wafers purchased beginning in the third quarter of calendar year 2023. Pursuant to the agreement, the Company expects to purchase at least \$1.6 billion in wafers for calendar years 2022 through 2026. The agreement further sets wafer pricing for products purchased pursuant to the agreement through 2026. Although we believe this agreement is a good use of our financial resources and secures capacity for certain products through 2026, the agreement with GlobalFoundries involves certain risks that may result in excess inventory, place us at a competitive disadvantage, have a negative impact on our liquidity, or materially and adversely affect our results of operations and financial condition.

Pursuant to the agreement, the Company is required to purchase, and GlobalFoundries is required to supply, a certain number of wafers on a quarterly basis. If our actual wafer requirements are less than the number of wafers required to meet the applicable wafer purchase requirements, we could have excess inventory or higher inventory unit costs, both of which may adversely impact our gross margin and our results of operations.

Additionally, the agreement sets forth pricing for wafer purchases pursuant to the agreement through 2026. If market conditions change and wafer prices in the market decrease significantly below what is contemplated in the agreement, the agreement may put us at a competitive disadvantage relative to our competitors.

Even with a long-term supply agreement, we are still subject to risks that GlobalFoundries will be unable to meet their supply commitments, achieve anticipated manufacturing yields, manufacture our products on a timely basis, or provide additional wafer capacity beyond its current contractual commitments sufficient to meet our customers' product demands. If so, we may experience delays in product launches or supply shortages for certain products, which could cause an unanticipated decline in our sales and damage our existing customer relationships and our ability to establish new customer relationships. In addition, if GlobalFoundries experiences financial difficulties or goes into bankruptcy, it could be difficult or impossible, or may require substantial time and expense, for us to recover any or all of our prepayments made as part of the agreement.

Any of the foregoing could materially harm our liquidity, financial condition and results of operations and could put us at a disadvantage relative to our competitors.

***We are dependent on third-party manufacturing and supply chain relationships for all 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 on time;

- inability for our suppliers to obtain the equipment or replacement parts necessary to fully operate their facilities or expand available manufacturing capacity;
- inadequate manufacturing yields and excessive costs;
- inability of these third parties to obtain an adequate supply of raw materials;
- extended lead times on supplies used in the manufacturing of our products;
- difficulties selecting and integrating new subcontractors;
- limited warranties on products supplied to us;
- potential increases in prices (including the cost of freight); and
- increased exposure to potential misappropriation of our intellectual property.

Outside of our long-term supply agreement for wafer fabrication supply with GlobalFoundries, our outside foundries and assembly and test suppliers generally manufacture our products on a purchase order basis, and we have few other 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.

Like many others in the semiconductor industry, we have experienced the effects of industry-wide manufacturing capacity constraints. These supply challenges are currently limiting our ability to fully satisfy recent increases in demand for some of our 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 substantial. 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 or if we have previously committed to pricing with them, 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.

***Our acquisition of Lion Semiconductor involves several risks, including, among others, integration risks, risks associated with our ability to retain key employees following the acquisition, and risks associated with our ability to achieve anticipated revenue goals. If the Company fails to manage these risks effectively, the financial and business results of the Company could be adversely affected.***

On July 20, 2021, we completed the acquisition of Lion Semiconductor, Inc. In connection with the transaction, Lion Semiconductor became a wholly-owned subsidiary of the Company. We entered the transaction with the expectation that the

acquisition would accelerate growth of our high-performance mixed-signal product line and contribute approximately \$60 million in revenue before the end of fiscal year 2022, with strong growth potential in the coming years.

The benefits we expect to realize from the acquisition will depend, in part, on our ability to integrate the businesses successfully and efficiently, and our ability to retain, motivate and support key management, engineering, technical and other personnel. These expected benefits may be further impacted by supply constraints, customer order cancellations or the failure of customers to place orders consistent with current forecasts for Lion Semiconductor's fast-charging IC products. In addition, a significant portion of our expectations for strong revenue in the coming years depends on products currently under development, which are subject to product development risks associated with the successful completion, testing, and commercial launch of these new products.

If we fail to manage these risks effectively, the financial and business results of the Company could be adversely affected.

## 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 September 25, 2021 (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)
June 27, 2021 - July 24, 2021	—	\$ —	—	\$ 347,514
July 25, 2021 - August 21, 2021	505	79.28	505	307,511
August 22, 2021 - September 25, 2021	—	—	—	307,511
Total	505	\$ 79.28	505	\$ 307,511

(1) The Company currently has one active share repurchase program, the \$350 million share repurchase program authorized by the Board of Directors in January 2021. 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 \$40.0 million during the second quarter of fiscal year 2022, under the 2021 repurchase program. All of these shares were repurchased in the open market and were funded from existing cash. All shares of our common stock that were repurchased were retired as of September 25, 2021.

## 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		<a href="#">Certificate of Incorporation of Registrant, filed with the Delaware Secretary of State on August 26, 1998</a>
3.2		<a href="#">Amended and Restated Bylaws of Registrant (2)</a>
10.1		<a href="#">Agreement and Plan of Merger, entered July 8, 2021, among Lion, Cirrus Logic, Merger Sub, and the Ag</a>
10.2	<a href="#">thereto and Wells Fargo</a>	<a href="#">Second Amended and Restated Credit Agreement, entered July 8, 2021, among Cirrus Logic, Inc., the Le</a> <a href="#">Bank, National Association, as a Lender and Administrative Agent (3)</a>
10.3	<a href="#">Plan (4)</a>	<a href="#">Restricted Stock Unit Agreement for Non-Executive Directors under the Cirrus Logic, Inc. 2018 Long T</a>
10.4		<a href="#">Stock Option Agreement for Non-Executive Directors under the Cirrus Logic, Inc. 2018 Long Term Ince</a>
10.5 +†		<a href="#">Capacity Reservation and Wafer Supply Commitment Agreement (4)</a>
31.1		<a href="#">Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2		<a href="#">Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1		<a href="#">Certification of Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2		<a href="#">Certification of Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	are embedded within the	XBRL Instance Document - the instance document does not appear in the Interactive Data File because i
101.SCH		Inline XBRL document
101.CAL		XBRL Taxonomy Extension Schema Document
101.LAB		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 March 26, 2021 (Registration No. 000-17795).
3. Incorporated by reference from Registrant's Report on Form 8-K filed with the Commission on July 8, 2021 (Registration No. 000-17795).
4. Incorporated by reference from Registrant's Report on Form 10-Q filed with the Commission on July 28, 2021 (Registration No. 000-17795).

+ Certain confidential information contained in this exhibit has been omitted by means of redacting a portion of the text and marking it with three asterisks indicated by [\*\*\*], pursuant to Regulation S-K Item 601(b)(10)(iv). Certain confidential information has been excluded from the exhibit because it (i) is not material and (ii) is the type of information that the registrant treats as private or confidential. An unredacted copy of the exhibit will be provided on a supplemental basis to the SEC upon request.

† Certain schedules or appendices to this exhibit have been omitted pursuant to Regulation S-K Item 601(a)(5). A copy of any omitted schedule will be furnished to the SEC upon request.

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: November 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: November 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: November 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 September 25, 2021, 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: November 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 September 25, 2021, 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: November 1, 2021

/s/ Thurman K. Case

Thurman K. Case

Chief Financial Officer and Principal Accounting Officer