

Mossberg's Investor Digest

Best Idea Profile:

Cirrus Logic Inc. (NASDAQ:CRUS)

DESCRIPTION:

Headquartered in Austin, Texas Cirrus Logic, Incorporated develops high-precision, analog and mixed-signal integrated circuits (IC's) for a broad range of audio and energy markets. Utilizing a diverse analog mixed-signal patent portfolio, Cirrus Logic delivers highly optimized products for consumer and commercial audio, automotive entertainment, and targeted industrial and energy-related applications. The company develops ICs, board-level modules and hybrids for high-power amplifier applications branded as the Apex Precision Power™ (Apex) line of products, and provides complete system reference designs based on proprietary technology that enables Cirrus Logic customers to bring products to market in a timely and cost-effective manner. The company offers approximately 700 products to more than 3,000 end-customers worldwide through both direct and indirect sales channels. Major customers are among the world's leading electronics manufacturers. CRUS targets both large existing and emerging growth consumer electronic and energy markets that derive value with CRUS expertise in advanced analog and mixed-signal design processing, systems-level integrated circuit engineering and embedded software development.

KEY INVESTMENT CONSIDERATIONS:

Strong Industry Position – The major customers of Cirrus Logic are among the world's leading electronics manufacturers. The company offers approximately 700 products to more than 3,000 end-customers worldwide. Cirrus derives its sales both domestically and from a variety of locations across the world, including the People's Republic of China, the European Union, Hong Kong, Japan, South Korea, Taiwan, and the United Kingdom. The company produces components which are largely proprietary and generally not available from second sources, with the end customer being the entity specifying the use of its component in their design.

Design Focus – Cirrus is a fabless semiconductor company and contracts with third parties for wafer fabrication and nearly all of its assembly and test operations. The company owns a 54,000 square foot facility in Tucson, Arizona, which serves as the assembly and test facility for its Apex product line. With the exception of these Apex products, its outsourced manufacturing strategy allows it to concentrate on proprietary design strengths which maintain minimized fixed costs and capital expenditures. This model also provides the company with the flexibility to source multiple leading-edge technologies for its customers.

Intellectual Property – The company has 1,090 U.S. patents, 112 U.S. pending patent applications and various corresponding international patents and applications.

Tax Offset – The Company has a U.S. federal tax net operating loss (NOL) carry forward of approximately \$461.5 million. These NOL carry forward may be used to offset future taxable income and thereby reduce the company's future tax obligations.

Share Repurchase Program – In November of 2010 the company announced that the Board has authorized a share repurchase program of up to an additional \$80 million. The repurchases will be funded from existing cash and will be effected from time to time in accordance with applicable securities laws.

VALUATION:

Cirrus has a strong balance sheet with over \$185 million (\$2.73 per share) in cash and no long-term debt. Street estimates for Cirrus Logic are currently at \$1.32 for FY2011 and \$1.53 for FY2012. That leaves the company currently trading at 18.6x and 16x the next two FY estimates (respectively). These multiples are substantially lower than the company's recent revenue growth rates and returns. The company merits further investigation by investors looking for growth stocks in the technology sector.

(NASDAQ:CRUS)

Investment Data (as of 2/18/11)

Recent Price	\$24.58
52-Week Range	\$6.99 - \$25.48
Fiscal Year End	Mar
Shares Outstanding	67.7MM
Average Trading Volume (3 mos)	3.6MM
Market Capitalization	\$1.7B
Cash	\$185MM
Long Term Debt	NA
Enterprise Value (EV)	\$1.5B
LT Debt/ Equity	NA
BV/ Share	\$4.41
TTM Revenue	\$341MM
P/ Revenue	5x
TTM EPS	\$1.33
P/ EPS	16x
TTM EBITDA	\$83MM
EV/ EBITDA	18X

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