



QuickLogic Corporation
1277 Orleans Drive
Sunnyvale, CA 94089-1138 USA

Andy's Opening and Introduction:

Thank you and good afternoon. The conference call is being webcast and a portion of it will be accompanied by a slide presentation. You can access the slides by going to the "Events" section at ir.quicklogic.com.

As was noted in our April 30th 8-K filing, our former CFO, Ralph Marimon left QuickLogic to accept a similar position with Aviat Networks. This was a very good opportunity for Ralph, and we wish him well.

After careful consideration, we've decided to delay appointing a new CFO. Instead, we will invest in bolstering our customer-facing efforts by splitting the roles of sales and marketing, and hiring a new VP of Sales.

As VP of Marketing, Brian Faith will focus on closing the strategic opportunities he's been driving, expand our marketing efforts around the EOSTM platform, and lead our newly formed investor relations council. Brian will also be responsible for Business Development, including expanding our growing list of ecosystem partners.

While our longer term plan is to add a CFO, in the interim we have promoted our Corporate Controller, Sue Cheung, to Principle Accounting Officer reporting directly to me.

Sue joined QuickLogic in 2007 and was promoted to Corporate Controller in 2008. As Controller, Sue drives our accounting and financial budgeting functions, and maintains our Sarbanes Oxley and SEC reporting compliance. Sue holds a PhD in Business Administration, a Masters Degree in Accounting and is a Certified Public Accountant.

With that, please welcome Sue to her first quarterly conference call.



QuickLogic Corporation
1277 Orleans Drive
Sunnyvale, CA 94089-1138 USA

Sue Q2 Financial Results:

Thank you Andy, and good afternoon. I am excited to participate in this call. Before we get started, I'll take a moment to read our Safe Harbor statement.

During this call we will make statements and refer to presentation slides that are forward-looking. These forward-looking statements and slides involve risks and uncertainties including but not limited to stated expectations relating to revenue from our new and mature products, statements pertaining to our design activity and our ability to convert new design opportunities into production shipments, market acceptance of our customers' products, our expected results, and our financial expectations for revenue, gross margin, operating expenses, profitability and cash. QuickLogic's future results could differ materially from the results described in these forward-looking statements and slides. We refer you to the risk factors listed in our annual report on Form 10-K, quarterly reports on Form 10-Q and prior press releases for a description of these and other risk factors. QuickLogic assumes no obligation to update any such forward-looking statements.

For the second quarter of 2015, total revenue was \$5 million which was at the low end of our guidance range. New product revenue totaled approximately \$3 million, and was impacted by lower than expected shipments to Samsung. Mature product revenue totaled approximately \$2 million.

Samsung accounted for 41% of total revenue during the second quarter as compared to 39% during the first quarter.



QuickLogic Corporation
1277 Orleans Drive
Sunnyvale, CA 94089-1138 USA

Our non-GAAP gross margin for the second quarter of 2015 was 44% and was above the mid-point of our guidance. The higher gross margin was driven by a more favorable mix than we anticipated.

Non-GAAP operating expenses for the second quarter totaled \$5.7 million, which was favorable to our guidance. This is primarily due to the timing of engineering related expenses and a reduction in administration cost.

On a non-GAAP basis, the total for other income, expense and taxes was a charge of \$69 thousand. This resulted in a non-GAAP loss of approximately \$3.6 million or \$0.06 per share.

We ended the quarter with approximately \$26.4 million in cash. Cash declined by approximately \$1.8 million, which was better than our guidance due to timing of working capital commitments.

Our Q2 GAAP net loss was \$4.3 million or \$.08 per share. Our GAAP results include stock based compensation charges of approximately \$491 thousand, and restructuring charges of \$169 thousand.

Please see today's press release for a detailed reconciliation of our GAAP to non-GAAP results.

During the second quarter, we completed an operational re-alignment initiated earlier in the year. This resulted in a reduction of 9 employees or 9% of the Company's global workforce. Pursuant to this plan, we will incur approximately \$300 thousand in total severance related costs. We recorded \$169 thousand in restructuring liabilities in Q2, and the remaining amount will be accrued during the second half of 2015.



QuickLogic Corporation
1277 Orleans Drive
Sunnyvale, CA 94089-1138 USA

Our total annual cost savings will be approximately \$1.2 million with the savings split about 50/50 between Cost of Sales and operating expense. We will benefit modestly from the cost savings during the second half of 2015, and anticipate the full benefit beginning in Q1 2016.

Now I'll turn it over to Andy who will update you on the status of our strategic efforts.

Andy Strategic Comments part one:

Thank you Sue.

Our engagement and design win activity continues to grow. In line with our expectations, we received purchase orders for our S2 from five customers last quarter. However, one order came in late in the quarter, and that pushed the shipment into early July.

Since our April conference call, customer engagements have increased by more than 20%, and we are currently scheduled to support eight unique wearable design wins with production shipments of our S2 platform this quarter. However, volume in the wearable market remains modest, and based on current customer forecasts, we think the growth in S2 shipments will be offset by an anticipated decline in smart-connectivity shipments in Q3.

Last quarter, we formally announced our decision to expand our business model to include licensing our SenseMe™ algorithm Library. As noted during our April conference call, we believed that establishing SenseMe license contracts would enable us to secure commitments for QuickLogic



QuickLogic Corporation
1277 Orleans Drive
Sunnyvale, CA 94089-1138 USA

silicon with some customers that initiate with SenseMe. As it has turned out, that is exactly what happened with one of our first engagements.

This customer is a well-recognized European company that provides a suite of applications, products and services that track and manage health and fitness data. We have already received initial production orders of our S2 platform for shipment this quarter.

In addition, we have multiple ongoing SenseMe engagements with very large OEMs that all have high brand name recognition. We expect to close one or more of these opportunities this year.

Tomorrow, we will be issuing two press releases. The first is to introduce our new EOS sensor processing platform – previously referred to as ArcticLink4 S3. In the second, we will announce our partnership with Sensory, the leading supplier of voice recognition technology.

Brian Faith has spent the last two weeks briefing the technical press and market research analysts on the EOS platform. He will now share an abridged version of that briefing ahead of tomorrow's press release. A pdf version of this power point presentation will be posted on our IR web page on Thursday.

[Brian EOS Presentation:](#)

Thank you Andy, and thank you all for joining us this afternoon.

Slide 1:



QuickLogic Corporation
1277 Orleans Drive
Sunnyvale, CA 94089-1138 USA

Tomorrow's EOS press release will be quite a bit longer and more detailed than our typical press releases. We want our customers, investors and editors to better understand why we believe the EOS platform is a truly revolutionary design approach that supports the need for high computing capabilities at an ultra-low power consumption level that cannot be achieved with traditional MCU architectures.

Slide 2:

EOS is designed specifically to address the smartphone market where it will be used as a companion to the applications processor, and as a true System on a Chip or SoC for wearable and IoT applications. According to IHS iSuppli, these markets are expected to grow to over 2 billion units by 2019.

Slide 3:

The vast majority of the sensor processing applications deployed today require minimal processing power. This means the processing can be done in a typical MCU running at a very low duty cycle and power consumption. The challenge these designers face today is they can't deliver the processor intensive applications like those shown on the right with the current design approach without increasing power consumption far beyond what they say is a tolerable limit.

Slide 4:

The industry standard measure for computing is MIPS. This represents how many millions of instructions are being processed per second. On slide four you'll see a chart that plots MIPS across the horizontal axis, and



QuickLogic Corporation
1277 Orleans Drive
Sunnyvale, CA 94089-1138 USA

power consumption on the vertical axis. The color coding on this chart shows the approximate power consumption levels that smartphone designers find acceptable, unacceptable and in the shaded yellow band, negotiable.

As you can see, a typical Flash-based MCU using an ARM Cortex M4F core moves into the red area fairly quickly. That means to enable the advanced applications that consumers want, smartphone designers will need to take a fundamentally different design approach.

Slide 5:

EOS is different, and we believe marks the dawn of micro-power sensor processing. EOS represents a unique, purpose-built multi-core architecture that is optimized for processing sensor data. And from day-one, software engineers will be able to implement their designs using a programming environment similar to what they have historically used for MCUs.

Slide 6:

Slide six shows a high-level block diagram of the EOS multi-core architecture. We designed the EOS platform to run the majority of the always-on, real-time processing in purpose-built hardware, and then occasionally use the industry-standard ARM Cortex-M4 general purpose processor for other tasks.

As compared to previous generations, we have hardened our Sensor Manager and patent pending Flexible Fusion Engine in the EOS platform.



QuickLogic Corporation
1277 Orleans Drive
Sunnyvale, CA 94089-1138 USA

This radically improves our computing capability, reduces the required silicon area, and further lowers power consumption.

As you can see in the dark green block on the right, we also maintained the embedded ultra-low power in-system reprogrammable FPGA. This provides a unique way to deliver hardware differentiation that is not found in any of the MCU sensor hubs in the market today.

Slide 7:

This graph is similar to the one we shared with you during our April conference call. The primary difference is, through design optimizations, we are now able to target even higher performance with our FFE. The Flash-based Cortex-M4 MCUs running at maximum processing capacity take more than 3.5 times the power of the EOS S3. The EOS S3 also has 70% more processing capacity. This combination of processing capacity and ultra-low power enables smartphone designers to deploy the advanced algorithm-driven applications consumers want.

Slide 8:

Smartphone and wearable device manufacturers are rapidly moving towards applications driven by voice recognition. Sensory is the leading supplier of this technology, with over a billion handsets in the market using its TrulyHandsFree product.

The challenge today is smartphone and wearable device manufacturers need to reduce the power consumption of voice recognition applications. EOS addresses this problem by implementing Sensory's Low Power Sound Detector block in hardware, thereby lowering power consumption by 80%.



QuickLogic Corporation
1277 Orleans Drive
Sunnyvale, CA 94089-1138 USA

Slide 9:

This next slide illustrates typical smartphone system architecture, and shows how the EOS S3 platform can be used as a companion to the Application Processor. In this design implementation EOS handles the always-on, real-time sensor processing, as well as the always-listening voice recognition applications. This minimizes the need to wake the Application Processor, resulting in lower system-level power consumption.

Slide 10:

This slide illustrates the EOS S3 in a wearable or IoT architecture using a Real Time Operating System or RTOS. Since there is no need for an Application Processor in a RTOS system, EOS is used as the host, sensor and voice processor. This means wearable and IoT designers using a RTOS will be able to minimize chip count, cost, and power consumption by using EOS as a System on a Chip or SoC.

Slide 11:

We could talk for hours about the EOS S3, but I think Tom Hackenburg from iSuppli sums it up very succinctly in this quote. "Power efficient sensor hubs, such as QuickLogic's EOS platform, will be the enabling hardware that allows device designers to quickly and easily incorporate multiple advanced features without increasing power drain." Thank you for your patience in going through our high level briefing on the EOS S3. For those of you with more detailed questions, we will have a longer presentation available on our website at www.quicklogic.com/eos.



QuickLogic Corporation
1277 Orleans Drive
Sunnyvale, CA 94089-1138 USA

END of Slides

Andy Strategic Comments part two:

Thank you Brian. As you might guess, we're enthusiastic about the EOS platform, and I think for good reason. I'm pleased with the reaction from the technical editors and research analysts Brian has briefed during the last two weeks.

As I noted last quarter, we initiated an EOS Alpha engagement earlier in the year with a top-five smartphone customer. This Alpha customer remains deeply engaged. We've been very selective in committing resources to these intense engagements, focusing our efforts on the ones that will deliver meaningful feedback and have high ROI potential.

With the experience we've gained from the first Alpha engagement, we're in the process of evaluating a second Alpha engagement with a well-recognized smartphone company. We will continue to enlarge our engagement funnel as we move towards releasing EOS samples later this quarter.

While our focus today is on our sensor processing systems and software solutions, we continue to win new display bridge and smart-connectivity designs. During the coming week you'll see press releases covering two recent display bridge wins with Lenovo for wearable products. While we



QuickLogic Corporation
1277 Orleans Drive
Sunnyvale, CA 94089-1138 USA

don't anticipate these will drive significant near-term volume, we're excited to be involved with a market leader like Lenovo.

I want to take a few moments to provide you with more color on the realignment program we announced in our press release today. Sue has already provided you with the data you need to model the costs and savings, but that is only part of the story.

Our goal was simple – reduce overhead and increase the percentage of customer-facing and technical employees driving our sensor processing initiative. We achieved that goal.

I'd like to turn the call over to Sue who will provide our Q3 guidance and then I will return for my closing remarks and Q&A.

Sue Guidance:

For the third quarter of 2015, we are forecasting total revenue of approximately \$5 million, plus or minus 10%.

The \$5 million in total revenue is expected to be comprised of approximately \$3 million of new product revenue and \$2 million of mature product revenue. New product revenue reflects continued shipments of our display solutions into the tablet segment. Our expected ramp of S2 production shipments will be partially offset by a decline in smart connectivity CSSP revenue.

As in prior quarters, our actual results may vary significantly due to schedule variations from our customers which are beyond our control.



QuickLogic Corporation
1277 Orleans Drive
Sunnyvale, CA 94089-1138 USA

Schedule changes and projected production start dates could push or pull shipments between Q3 and Q4 and impact our actual results significantly.

On a non-GAAP basis, we expect gross margin to be approximately 41% plus or minus 3 percent. The anticipated decline in gross margin is due to an expected shift in our product mix.

We are currently forecasting non-GAAP operating expenses to be \$5.7 million, plus or minus \$300 thousand.

Non-GAAP R&D expenses are forecasted to be approximately \$3.4 million. The increase in engineering expenses is primarily due to costs associated with the release of our new EOS platform.

Our non-GAAP SG&A expenses are forecasted to be approximately \$2.3 million.

Our other income, expense and taxes will be a charge of up to \$60 thousand.

At the midpoint of our guidance, our non-GAAP loss is expected to be approximately \$3.9 million or \$0.07 per share.

Our stock based compensation expense during the third quarter is expected to be approximately \$500 thousand.

During Q3 we expect to accrue approximately \$70 thousand in restructuring charges. As was the case last quarter, our non-GAAP results will not reflect these charges or charges associated with stock based compensation.



QuickLogic Corporation
1277 Orleans Drive
Sunnyvale, CA 94089-1138 USA

We expect to use approximately \$3 - 3.5 million in cash. The forecasted cash usage is primarily driven by inventory purchases of certain new products and expenses related to new chip development.

Let me now turn the call back to Andy for his closing remarks.

Andy Closing Bullets:

Again, thank you for joining us. Our ArcticLink 3 S2 platform has been well-received by wearable device manufacturers. This is evidenced by the fact we are forecasting production shipments for eight unique designs this quarter, and a growing number of engagements that we believe will continue to deliver new design wins going forward. While this is impressive, the aggregate volume of wearable devices remains relatively low, and that continues to weigh on our near-term revenue outlook.

Our SenseMe algorithm initiative has been a critical component in our engagements. All of our designs that are scheduled to move into production include our SenseMe algorithms, and we expect it will continue to benefit our sales efforts for the S2 and EOS platforms going forward.

We have continued to make progress with our EOS Alpha customer, and with the EOS platform to be formally introduced tomorrow, we anticipate our engagement activity will accelerate. We believe EOS is the right solution for the high-volume smartphone industry, and that it enables the next generation applications customers want.



QuickLogic Corporation
1277 Orleans Drive
Sunnyvale, CA 94089-1138 USA

With that, we'll turn the call back over to the operator, and open the floor for your questions.

AFTER Q & A:

We thank you for your continued support and I look forward to reporting our strategic progress on the next earnings call which is scheduled for Wednesday October 28, 2015.