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Ralph Marimon Speaking:

Thank you and good afternoon. The conference call is being webcast and QuickLogic will be using presentation slides during the call. To access the webcast with slides, go to the "Events" section at ir.quicklogic.com. Before we get started, let me 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 first quarter of 2015, total revenue was $6.2 million which was above the midpoint of our guidance range.

New product revenue totaled approximately $4.2 million, and was above our guidance. This was due to higher than anticipated demand from Samsung for our display product and sales of earlier generation new products.

Mature product revenue totaled approximately $2.0 million, which was at the midpoint of our guidance range.

Samsung accounted for 39% of total revenue during the first quarter as compared to 49% of total revenue during the fourth quarter.

Our non-GAAP gross profit margin for Q1 was 47% and was well above our guidance. The primary reason for the higher than expected gross margin was the product mix which included sales of higher margin, earlier generation new products.

Non-GAAP operating expenses for Q1 totaled $6.0 million which was just below the midpoint of our guidance.

On a non-GAAP basis, the total for other income, expense and taxes was a charge of $79 thousand. This resulted in a non-GAAP loss of approximately $3.1 million or $0.06 per share.

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We ended the quarter with approximately $28.2 million in cash.

Our Q1 GAAP net loss was $3.6 million or $.06 per share. Our GAAP results include stock based compensation charges of approximately $497 thousand.

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

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

Andy Pease speaking:

Our momentum in the marketplace has increased significantly during the last three months, and we expect that trend to continue. While it's easy to describe our activities in the display bridge and smart-connectivity markets, the direction and evolutionary path of the sensor processing markets are more difficult to articulate. To clarify our positioning and outlook for these markets, we've prepared a special slide presentation for this conference call. As we noted in our press release, and Ralph mentioned earlier, you can access the webcast with slides, at the "Events" section at ir.quicklogic.com. Please join me now for the presentation.

In October 2013 we announced our entry into the sensor processing market with our first silicon platform based on our patent pending Flexible Fusion Engine or FFE. During the sixteen months that followed, we've built out a complete Sensor Processing System solution. The cornerstones of this solution include a clear silicon platform roadmap, a growing library of world-class sensor algorithms, a suite of development tools and reference designs, and the assurance of easy system integration provided by our sensor QVL and ecosystem partnerships.

Our cornerstone strategy has resonated well with our customers, and enabled us to nearly double the number of design engagements during the last three months. More importantly, we are seeing an increased flow of design wins from these engagements.

While we continue to build strength in each of these cornerstones, today we'll focus on our silicon platforms and our SenseMe algorithm library.

To fully appreciate our Silicon Platform and Roadmap strategy, it is important to understand the advantages of our Customer Specific Standard Product or CSSP business model. This model leverages the core IP advantage of our patent-pending ultra-low-power re-programmable logic technology.

With this model we can deploy new silicon platforms by leveraging the flexibility of our re-programmable technology. This advantage enables us to lower development costs and risks while accelerating our time

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to market. It also establishes a feedback loop with our customers that helps us refine our silicon platform roadmap.

Time-to-market is critical in these consumer markets; and this model allows us to quickly introduce a market-specific platform based on our mobile FPGAs. To optimize for power and cost, we harden certain aspects of the design over time into what essentially becomes a programmable application specific standard product, or a Customer Specific ASSP. The programmable capability of the platform allows our customers to tailor it to their specific needs. This entire model is enabled by the fact we have our programmable logic technology.

The ArcticLink 3 S1 that we released in October 2013 is a perfect example of this model in action. While certain generic aspects of the S1 platform were implemented in hard logic, virtually everything else was done inside our in-system reprogrammable logic. This allowed us to immediately initiate design activities with targeted customers, and benefit from their feedback as we defined our S2 platform.

Through this process we were able to improve the design, move more functions into hardened logic blocks, and increase the amount of programmable logic that customers can use for further hardware customization in our S2 platform.

These early engagements also allowed us to move the first design wins into pre-production approximately one year after the release of the S1.

We have continued to leverage this strategy with our ArcticLink S3 platform. I'll get into more detail on the S3 in a few minutes.

Our SenseMe algorithm initiative, which is only a year old, is playing out very well. In independent customer tests, applications driven by our proprietary algorithms have set new standards for accuracy and power efficiency. This, and the ability to get a complete silicon and algorithm solution from one source has been widely embraced by our customers. Literally every current design that is scheduled to move into production is based on QuickLogic's SenseMe Library.

Interestingly, a number of potential customers have expressed a desire to license our SenseMe algorithms ahead of adopting our silicon platforms. These include major participants in the wearable and smartphone markets.

In most cases these customers are not at a point in their design cycle that would allow them to easily adopt our silicon platforms. These potential customers have indicated a strong interest in adopting our

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silicon in future designs. Establishing SenseMe license contracts will help us secure commitments for our silicon in those designs.

Most of the algorithms we've released so far are considered "fundamental." These types of algorithms are commonly used in wearable devices and smartphones today, and have enabled us to develop a substantial number of design engagements.

The vast majority of our targeted customers want to include a fitness application, and pedometer accuracy has become a very important factor in the selection process. While the pedometer function may seem simple, developing a robust algorithm that delivers accuracy independent of device location, stride, cadence, gender, age and height is a huge accomplishment. As mentioned last quarter, we have applied for patent protection for this pedometer implementation.

In addition to the near-term benefits of our SenseMe Library, we are leveraging these fundamental blocks to deploy more sophisticated algorithms such as our motion-compensated Heart Rate Monitor technology that we expect to release early in the second half of the year.

This is the first of two line-charts I'll show you today. This chart conveys quite a bit of information, so please bear with me as I walk you through it.

The power consumption for embedded processor solutions is highly dependent on something known as "duty cycle." Duty cycle is the percentage of time the processor is turned on to execute instructions. The industry standard terminology for measuring the number of instructions an algorithm requires is MIPS, or Millions of Instructions per Second. The bottom line is - the higher the MIPS, the higher the duty cycle requirement, and the more power you will consume.

This chart shows MIPS along the horizontal axis. On the vertical axis it shows the corresponding power consumption for our recently announced ArcticLink 3 S2 LP platform and the typical ARM M4F processor. Below the horizontal axis are the types of algorithms that are commonly being executed in smartphone and wearable devices today.

When using our highly efficient SenseMe algorithms, we can satisfy most of the use cases inside a 0.4 MIPS window, which for our S2 LP platform means active power consumption of 75 microwatts.

A typical M4F solution would more likely have to run at or above 1.0 MIPS to satisfy these use cases. While that implies substantially higher power consumption relative to the S2 LP, it is still within the power budget of most smartphone designs.

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To date, the smartphone industry has followed a logical design progression with sensor processing shifting from an ARM core in the Applications Processor to an embedded ARM core in a sensor hub. This was an easy and low risk decision for designers because as long as the MIPS processing requirements and corresponding duty cycle remain low; the power consumption is not terribly disruptive to battery life. However, that is not the case for small wearable devices.

Smartphone battery capacity can be as much as 100 times greater than the battery capacity of small wearable devices like fitness bands and smart watches. This is one of the reasons why our Sensor Processing System Solutions are being so readily embraced by wearable device manufacturers.

However, technology stands still for no one, and leading smartphone manufacturers are telling us they want to significantly increase the MIPS capability of the sensor processing system. As you'll see on the next slide, this means they are going to have to take a different design approach.

Chart two zooms out to show what we believe will be the evolutionary path for sensor processing in smartphones. To put this in perspective, the previous chart fits into the small area to the left of the 1 MIPS label on the horizontal axis.

Smartphone manufacturers seem to be comfortable working with solutions that can operate within the power consumption shown in the green band. This implies the ARM M4F solutions that are commonly used in smartphone designs today have some headroom. However, due to the evolutionary trends we see in the industry, there is not as much headroom as the chart suggests.

Below the horizontal axis you'll see icons representing some of the sophisticated next generation algorithms that smartphone and wearable device manufacturers would like to deploy. Since some of these algorithms can require 20 or more MIPS each, the aggregate MIPS requirement is poised to move up significantly, and in large steps. And as that happens, the power consumption of M4F solutions moves quickly through the yellow zone, and into the red zone.

The implication here is we believe there will be an emerging requirement to accommodate substantially higher MIPS at lower power levels than traditional embedded processor solutions can deliver.

There are three things we believe will drive the demand for higher MIPS capabilities:

- First, there will be more data from more sensors to manage, fuse and process - more frequent data streams require more MIPS and that means higher power consumption

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- Second, sophisticated algorithms are needed to drive next generation applications like those shown across the bottom of the chart - more complex algorithms require more MIPS, and with that, higher power consumption
- Third, design trends suggest we are finally moving toward always-on and always aware applications – this will require higher duty cycles, and as I noted earlier, higher duty cycles drive higher power consumption

As you can see from the line showing a typical embedded M4F processor solution, its power consumption moves into the yellow zone at only 24 MIPS, and then into the red zone at 48 MIPS. This means smartphone OEMS will have to take a different design approach if they want to keep pace with this evolutionary trend.

We believe our next generation sensor processing platform, the ArcticLink S3 is the right solution to support and enable this trend. The S3 remains on schedule for release during mid-2015.

As you can see, the S3 is a revolutionary step up from our S1 and S2 platforms. Rather than being MIPS limited like our S1 and S2, it is targeted to deliver nearly 50% more MIPS capability than a typical embedded M4F processor solution.

Now, let's draw our attention to the middle of the chart where you see an inflection in the S3 power consumption at 55 MIPS. I'm not going to reveal the unique architecture we've leveraged to keep the S3 power consumption so low at 55 MIPS, but I do want to highlight the typical M4F solution consumes seven times more power than our S3, and enters the smartphone red zone at only 48 MIPS.

55 MIPS is a critical design point for two reasons. First, we believe we can deliver most of the next generation applications inside the 55 MIPS window, and that means our solution is well within the smartphone green zone. As a matter of a fact, we stay in the green zone all the way up to 94 MIPS, which is more than four times the 23 MIPS a typical M4F solution can deliver in the green zone.

Second, is the fact that wearable device manufacturers would also like to take advantage of high-value applications that sophisticated algorithms can deliver. With a targeted power consumption of only 1.65 milliWatts at 55 MIPS, the S3 can do that within what most wearable device manufacturers consider to be a tolerable power budget. To put this in perspective, a typical M4F consumes about the same power, but at only 8 MIPS.

And there is one more thing I'll share with you about our S3 platform.

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The S3 was intentionally designed to enable manufacturers that are currently using embedded ARM processor solutions to very easily port their intellectual property to the S3 platform. This means that in addition to having what we believe is the right technical solution, we also present a low risk migration path for our customers that leverages the economic benefits of integration.

During our last conference call we said that we had initiated ArcticLink S3 discussions with select customers under NDA. These discussions are going very well, and we're evaluating requests from customers that want to be a part of our Alpha program, which allows first access to this platform. We've had strong interest in this program, and we've established four requirements for OEM participation:

Members of our S3 alpha program must be top-tier OEMs, have a specific and funded project, have executive sponsorship, and have agreed to establish a formal feedback loop with QuickLogic.

We recently established our first S3 Alpha engagement with a top-five smartphone company, and we're working to establish an engagement with a second smartphone company this quarter.

That brings us to the end of our slide presentation. Now let me take a minute to review our new product activities in Q1, and our outlook for Q2.

During Q1 we shipped development quantities of our S2 platform to a total of seven customers to support their design efforts on nine unique products. The three designs we forecasted for production shipments last quarter were delayed due to customer design changes. Including these three, we expect to ship units to support five production designs during Q2. We have received pre-production orders for three of these designs.

In smart-connectivity and display, we continue to support a variety of designs in North America, Japan, China and South Korea. These include two new tablets from Samsung; the Tab 3V and the Tab E 7.0.

I'd like to turn the call over to Ralph who will give provide our Q2 guidance and then I will return for my closing remarks and Q&A.

Ralph's Marimon speaking:

For the second quarter of 2015, we are forecasting total revenue of approximately $5.5 million, plus or minus 10%.

The $5.5 million in total revenue is expected to be comprised of approximately $3.5 million of new product revenue and $2.0 million of mature product revenue. New product revenue reflects continued

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shipments of our display solutions into the tablet segment, shipments of various smart connectivity CSSPs as well as production shipments of our S2 and other CSSP platforms.

As in prior quarters, our actual results may vary significantly due to schedule variations from our customers which are beyond our control. Schedule changes and projected production start dates could push or pull shipments between Q2 and Q3 and impact our actual results significantly.

On a non-GAAP basis, we expect gross margin to be approximately 42% plus or minus 3 percent. The expected sequential decrease in our non-GAAP gross margin is driven by our forecasted product mix.

We are currently forecasting non-GAAP operating expenses to be $6.0 million plus or minus $300 thousand.

Non-GAAP R&D expenses are forecasted to be approximately $3.5 million. The increase in engineering expenses is due to outside service costs related to new chip development and new hires within the engineering organization.

Our non-GAAP SG&A expenses are forecasted to be approximately $2.5 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 $3.8M or $0.07 per share.

Our stock based compensation expense during the second quarter is expected to be approximately $420 thousand.

We expect to end the quarter with approximately $26M in cash.

Before we move to the question and answer section of today's call, let me turn the call back over to Andy for his closing remarks.

Andy Pease speaking:

Thank you again for joining us today. I hope you found our special slide presentation informative and worth the extra time it took to present.

The markets we are addressing with our Sensor Processing System Solutions are rapidly evolving, but their evolutionary path is clear. OEMs will need to use more robust processing solutions. The traditional embedded MCU processor solutions that have taken the market to this point consume too much power

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to support the evolutionary trajectory. We believe we have the best solution and roadmap in the market today to enable this trajectory.

Operator, we would now like to open up the call for questions.