

AUDIENCE INC

Form 425

April 30, 2015

On April 30, 2015, Knowles Corporation presented the information on the following slides.

Knowles to Acquire

Audience

Knowles will be uniquely positioned to optimize the audio signal path to enhance performance and enable new applications

April 30, 2015

Filed by: Knowles Corporation  
pursuant to Rule 425

Edgar Filing: AUDIENCE INC - Form 425

under the Securities Act of 1933, as amended, and  
deemed filed pursuant to Rule 14d-2  
under the Securities Exchange Act of 1934, as amended  
Subject Company: Audience, Inc.  
Commission File No. 001-35528

Transaction Overview

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Transaction

Rationale

Provides analog & digital signal processing, algorithm and software expertise

Broadens intelligent audio offerings

Uniquely positions Knowles in the audio signal path  
Acquisition  
Consideration

\$5.00

/

share

comprised

of

\$2.50

in

cash

and

\$2.50

in

Knowles

stock;

subject to a collar

Enterprise value of approximately \$85 million, net of estimated cash of \$44 million at March 31, 2015

Financial

Impact

Expands available market and improves gross margin

Approximately \$25 million in annualized cost savings

Expected to be accretive by Q4 of 2016 (on a non-GAAP basis)

Expected closing in Q3 2015, subject to regulatory and other approvals

Compelling Strategic Rationale

\*IDC and Gartner

Technology

World-leading engineering talent and IP focused on audio processing solutions

Expands Knowles  
capabilities in intelligent audio solutions

Product  
Portfolio

Highly complementary product and technology portfolios

Enables delivery of end-to-end acoustic solutions

Mics

Signal

Processing

Speakers

Market

Expansion

Accelerates time-to-market for smart mics and other intelligent solutions

Expands TAM for next-generation intelligent audio solutions / algorithm development

Increases \$ content with higher-margin products in existing markets

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Business Overview

Key Technologies

4

Advanced voice processing

Context aware processing

Always-on sensing

Mobile device system integration

Software engineering



JOINT CUSTOMERS

Source:

Company

filings,

Investor

presentation

Founded in 2000

Headquartered in Mountain View, CA

CY2014 revenue: \$113mm

CY2014 non-GAAP gross margin: 52%

Leading intelligent voice and audio solutions provider

Sold 500+ million advanced voice processors

195 U.S. patents issued and pending

300+ employees significant R&D / SW algo talent

Innovative Technology Drives Differentiated Solutions

5

2000

2015+

2010

Pace of acoustic features  
growing exponentially  
in recent years

Microphones  
Speakers & Receivers  
High Performance  
Solutions  
Integration  
Embedded Software +  
Hardware Modules  
Knowles  
technology stems  
from 500+ patents  
Audio \$ Content  
Feb . 14 Analyst Day  
Knowles Acoustic  
Subsystems enable smart  
audio optimization  
device

Competitive Differentiation

6

Source: Knowles Management

Acoustic

Expertise

Electro-Mechanical

Integration

MEMS/ASIC

Design

+  
Audio Signal  
Processing  
Expands Knowles  
existing  
expertise in intelligent audio  
and signal processing  
solutions through Audience's  
strong engineering team and  
robust patent portfolio  
Analog and Digital Signal Processing  
MEMS/ASIC Design  
Applications Expertise  
Acoustic Innovation  
Proprietary Manufacturing Techniques  
Mechanical/Industrial Design  
Product Portfolio Breadth  
ACOUSTIC  
COMPANY  
SEMICONDUCTOR  
COMPANY

Intelligent Audio System  
Integrated Speaker Box  
Microphones  
Receivers  
Speakers  
Concert  
Recording  
AudioZoom

Stereo  
Capture/Playback  
Multi-Mic Noise  
Reduction  
5.1 Surround Sound  
Capture / Playback  
Low Power,  
Always  
Listening  
Gesture  
Recognition  
Active Noise  
Cancellation  
Playback  
Optimization  
Hardware / Software System  
Future Knowles Products  
Enabling better performance and new applications  
7  
Strong acoustics core enables relevant audio solutions  
Own Voice  
Pick-up

Source: Knowles Management

+

Acquisition opens up >\$500 million market opportunity in audio signal path

Combined Company Accelerates New Market Opportunities

MEMS & transducers

Mechanical integration & design

Core acoustics

Algorithms (voice, motion)



Analog & digital design

System integration

\$100

\$100

\$200

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Application Processor

or Cloud

Audio Signal Processing

Speakers

Mic

Audio algorithms

Better sensors

(microphone & speaker)

Smarter sensors

(microphone & speaker)

Smart integrated audio

(speaker, microphone, algos)

Lower power always-on

(voice wake, motion wake)

Hearables

(e.g., own voice pick-up)

IoT

(e.g., audio-enable home,

ultrasonic)

Multi-sensory processing

(contextual awareness)

Mobile-centric

Beyond mobile

+

Revenue Growth

7%

Increases

New products and markets

Gross Margin

39%

Increases

Target value-added solutions

R&D\* (% of sales)

7-9%

Increases

Continue to drive intelligent  
audio solutions

SG&A\* (% of sales)

8-10%

Neutral

Operating Margin\*

22%

Neutral

CapEx (% of sales)

7%

Neutral

Free Cash Flow (% of sales)

12%

Neutral

With Audience

Mid Term Financial Model

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Commentary

Source: Knowles Management

\*Gross margin, R&D, SG&A and operating margin measures are non-GAAP

Existing Mid-Term Financial Model

Forward Looking Statements

This communication contains certain statements regarding business strategies, market potential, future financial performance, future action, results and other statements

that  
do  
not  
directly  
relate  
to  
any  
historical  
or  
current  
fact  
which  
are

forward-looking  
statements within the meaning of the safe harbor provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995.

The words  
believe,  
expect,  
anticipate,  
project,  
estimate,  
budget,  
continue,  
could,  
intend,  
may,  
plan,  
potential,  
predict,  
seek,  
should,  
will,  
would,  
expect,

objective,  
forecast,  
goal,  
guidance,  
outlook,  
effort,  
target

and similar expressions, among

others, generally identify forward-looking statements, which speak only as of the date the statements were made. The matters discussed in these forward-looking statements are based on current plans, expectations, forecasts and assumptions and are subject to risks, uncertainties and other factors that could cause actual outcomes or results to differ materially from those projected, anticipated or implied in these forward-looking statements. Where, in any forward-looking statement, an expectation or belief as to future results or events is expressed, such expectation or belief is based on the current plans and expectations

of  
management

and  
expressed

in  
good

faith

and

believed

to

have

a

reasonable

basis,

but

there

can

be

no

assurance

that

the

expectation or belief will be achieved or accomplished. Many factors that could cause actual results or events to differ materially

from

those

anticipated

include

those

matters

described

under

the

sections

entitled

Risk

Factors

and  
Management's

Discussion

and

Analysis

of

Financial

Condition

and

Results

of

Operations

of

Knowles

and

Audience's

Annual

Reports on Form 10-K for the year ended December 31, 2014, subsequent Reports on Forms 10-Q and 8-K and other filings

Knowles and Audience make with the SEC. Any forward-looking statement speaks of as of the date on which it is made and

neither Knowles nor Audience assume any obligation to update or revise any forward-looking statements whether as a result of

new

information,

future

events,

or

otherwise,

except

as

required

by

applicable

law.

Risks

and

uncertainties

that

could

cause

results

to

differ

from

expectations

include:

uncertainties

as

to

the

timing

of

the  
tender  
offer  
and  
the  
proposed  
merger;  
uncertainties as to how many of the holders of shares of common stock of Audience will tender their shares into the tender  
offer; the possibility that various closing conditions for the tender offer or the proposed merger may not be satisfied or waived,  
including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the tender offer or  
the proposed merger; the effects of disruption from the tender offer or the proposed merger making it more difficult for Knowl  
or Audience to maintain relationships with employees (including potential difficulties in employee retention), collaboration  
parties,  
other  
business  
partners  
or  
governmental  
entities;  
legal  
proceedings  
that  
may  
be  
instituted  
against  
Knowles,  
Audience  
and others following announcement of the business combination; other business effects, including the effects of industrial,  
economic  
or  
political  
conditions  
outside  
of  
Knowles  
or  
Audience's  
control;  
transaction  
costs;  
actual  
or  
contingent  
liabilities;  
and  
other risks and uncertainties discussed in this communication and other documents filed with the SEC by Knowles or  
Audience,  
as  
well



as  
the  
Schedule  
TO  
to  
be  
filed  
with  
the  
SEC  
by  
Orange  
Subsidiary,  
Inc.  
Neither  
Knowles  
nor  
Audience

undertake any obligation to update any forward-looking statements as a result of new information, future developments or otherwise, except as expressly required by law.

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Additional Information & Where to Find It

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The exchange offer for the outstanding common stock of Audience has not yet commenced. This announcement is neither an offer to purchase nor a solicitation of an offer to sell shares of Audience. Audience's stockholders are urged to read the relevant exchange offer documents when

they

become

available

because

they

will

contain

important

information

that

stockholders

should

consider before making any decision regarding tendering their shares. At the time the offer is commenced, Knowles will file exchange offer materials with the U.S. Securities and Exchange Commission and Audience will file a Solicitation/Recommendation

Statement

with

respect

to

the

offer.

The

exchange

offer

materials

(including

a

Prospectus

and

certain other offer documents) and the Solicitation/Recommendation Statement will contain important information, which should be read carefully before any decision is made with respect to the exchange offer. The Prospectus and certain other offer documents,

as

well

as

the

Solicitation/Recommendation

Statement,

will

be

made

available

to

all

stockholders

of

Audience

at

no

expense to them. The exchange offer materials and the Solicitation/Recommendation Statement will be made available for free

at  
the  
SEC's  
web  
site  
at  
[www.sec.gov](http://www.sec.gov).

Free  
copies  
of  
the  
Offer  
to  
Purchase,  
the  
related  
Letter  
of  
Transmittal  
and  
certain  
other

offering documents will be made available by Audience free of charge on Audience's website at [audience.com](http://audience.com) under the heading "Investors" of Audience's website.

#### Interests of Certain Persons in the Offer and the Merger

Knowles will be, and certain other persons may be, soliciting Audience stockholders to tender their shares into the exchange offer. The directors and executive officers of Knowles and the directors and executive officers of Audience may be deemed to be participants in Knowles

solicitation of Audience's stockholders to tender their shares into the exchange offer. Investors and stockholders may obtain more detailed information regarding the names, affiliations and interests of the directors and officers of Knowles and Audience in the exchange offer by reading the Prospectus and certain other offer documents, as well as the Solicitation/Recommendation Statement, when they become available.