Synaptics Reports First Quarter Fiscal 2024 Results

Date
Nov 09, 2023

Q1’24 Financial Results and Recent Business Highlights

- Revenue of $237.7 million
- GAAP gross margin of 45.1 percent
- Non-GAAP gross margin of 53.0 percent
- GAAP loss per share of $1.43
- Non-GAAP diluted earnings per share of $0.52

SAN JOSE, Calif., Nov. 09, 2023 (GLOBE NEWSWIRE) -- Synaptics Incorporated (Nasdaq: SYNA), today reported financial results for its first quarter of fiscal 2024 ended September 30, 2023.

Net revenue for the first quarter of fiscal 2024 was $237.7 million. GAAP net loss for the first quarter of fiscal 2024 was $55.6 million, or a loss of $1.43 per basic share. Non-GAAP net income for the first quarter of fiscal 2024 was $20.3 million, or $0.52 per diluted share.

“Synaptics delivered a solid first quarter of fiscal 2024 with revenue increasing on a sequential basis for the first time in over a year. We are starting to see stabilization in our business and expect recovery in calendar 2024 while we continue to work through excess customer inventories. We are making progress with our long-term initiative to drive growth from our Wireless and Processor products which we highlighted at our Investor Day in September.” said Michael Hurlston, Synaptics’ President and CEO.

Business Outlook

Dean Butler, Chief Financial Officer of Synaptics, added, “As we enter the December quarter, our business is stabilizing and we expect to continue to work down customer and channel inventories. As such, we expect our second fiscal quarter revenue to be roughly at the same level quarter-over-quarter. The company’s balance sheet is in great shape and capable of weathering the recent macro-driven headwinds. Synaptics continues to generate positive cash flow enabling us to fuel the investments needed to execute on our stated strategy.”

For the second quarter of fiscal 2024, the company expects:

<table>
<thead>
<tr>
<th>GAAP</th>
<th>Non-GAAP Adjustment</th>
<th>Non-GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$220M to $250M</td>
<td>N/A</td>
</tr>
<tr>
<td>Gross Margin*</td>
<td>42.0 percent to 45.0 percent</td>
<td>$18M to $22M</td>
</tr>
<tr>
<td>Operating Expense**</td>
<td>$135M to $140M</td>
<td>$40M to $41M</td>
</tr>
</tbody>
</table>

*Projected Non-GAAP gross margin excludes $17.0 million to 20.0 million of intangible asset amortization and $1.0 million to $2.0 million of share-based compensation.

**Projected Non-GAAP operating expense excludes $34.0 million to $35.0 million of share-based compensation, $2.0 million restructuring costs, and $4.0 million of intangible asset amortization.

Earnings Call and Supplementary Materials
The Synaptics first quarter 2024 teleconference and webcast is scheduled to begin at 2:00 p.m. PT (5:00 p.m. ET), on Thursday, November 9, 2023, during which the company will provide forward-looking information.

Speakers:

- Michael Hurlston, President and Chief Executive Officer
- Dean Butler, Chief Financial Officer

To participate on the live call, analysts and investors should pre-register at Synaptics Q1 FY2024 Earnings Call Registration. Supplementary slides, a copy of the prepared remarks, and a live and archived webcast of the conference call will be accessible from the “Investor Relations” section of the company’s Website at https://investor.synaptics.com/.

About Synaptics Incorporated:
Synaptics (Nasdaq: SYNA) is changing the way humans engage with connected devices and data, engineering exceptional experiences throughout the home, at work, in the car and on the go. Synaptics is the partner of choice for the world’s most innovative intelligent system providers who are integrating multiple experiential technologies into platforms that make our digital lives more productive, insightful, secure and enjoyable. These customers are combining Synaptics’ differentiated technologies in touch, display and biometrics with a new generation of advanced connectivity and AI-enhanced video, vision, audio, speech and security processing. Follow Synaptics on LinkedIn, Twitter and Facebook, or visit synaptics.com.

Use of Non-GAAP Financial Information
In evaluating its business, Synaptics considers and uses Non-GAAP Net Income, which we define as net income excluding share-based compensation, acquisition related costs, and certain other non-cash or recurring and non-recurring items the company does not believe are indicative of its core operating performance as a supplemental measure of operating performance. Non-GAAP Net Income is not a measurement of the company’s financial performance under GAAP and should not be considered as an alternative to GAAP net income. The company presents Non-GAAP Net Income because it considers it an important supplemental measure of its performance since it facilitates operating performance comparisons from period to period by eliminating potential differences in net income caused by the existence and timing of share-based compensation charges, acquisition related costs, and certain other non-cash or recurring and non-recurring items. Non-GAAP Net Income has limitations as an analytical tool and should not be considered in isolation or as a substitute for the company's GAAP net income. The principal limitations of this measure are that it does not reflect the company’s actual expenses and may thus have the effect of inflating its net income and net income per share as compared to its operating results reported under GAAP. In addition, the company presents components of Non-GAAP Net Income, such as Non-GAAP Gross Margin, Non-GAAP operating expenses and Non-GAAP operating margin, for similar reasons.

As presented in the “Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures” tables that follow, Non-GAAP Net Income and each of the other Non-GAAP financial measures excludes one or more of the following items:

Acquisition related costs
Acquisition related costs primarily consist of:

- amortization of purchased intangibles, which includes acquired intangibles such as developed technology, customer relationships, trademarks, backlog, licensed technology, patents, and in-process technology when post-acquisition development is determined to be substantively complete;
- inventory adjustments affecting the carrying value of inventory acquired in an acquisition;
- transitory post-acquisition incentive programs negotiated in connection with an acquired business or designed to encourage post-acquisition retention of key employees; and
- legal and consulting costs associated with acquisitions, including non-recurring post-acquisition costs and services.

These acquisition related costs are not factored into the company’s evaluation of its ongoing business operating performance or potential acquisitions, as they are not considered as part of the company’s principal operations. Further, the amount of these costs can vary significantly from period to period based on the terms of an earn-out arrangement, revisions to assumptions that went into developing the estimate of the contingent consideration associated with an earn-out arrangement, the size and timing of an acquisition, the lives assigned to the acquired intangible assets, and the maturity of the business acquired. Excluding acquisition related costs from Non-GAAP measures provides investors with a basis to compare Synaptics against the performance of other companies without the variability and potential earnings volatility associated with purchase accounting and acquisition related items.

Share-based compensation
Share-based compensation expense relates to employee equity award programs and the vesting of the underlying awards, which includes stock options, deferred stock units, market stock units, performance stock units, phantom stock units and the employee stock purchase plan. Share-based compensation settled with stock, which includes stock options, deferred stock units, market stock units, performance stock units and the employee stock purchase plan, is a non-cash expense, while share-based compensation settled with cash, which includes phantom stock units, is a cash expense. Settlement of all employee equity award programs, whether settled with cash or stock, varies in amount from period to period and is dependent on market forces that are often beyond the company’s control. As a result, the company excludes share-based compensation from its internal operating forecasts and models. The company believes that Non-GAAP measures reflecting adjustments for share-based compensation provide investors with a basis to compare the company’s principal operating performance against the performance of peer companies without the variability created by share-based compensation resulting from the variety of equity-linked compensatory awards used by other companies and the varying methodologies and assumptions used.

Amortization of prepaid development costs
Amortization of prepaid development costs represents the amortization of the estimated cost to develop certain future roadmap devices designed in advance process nodes in connection with an acquisition. The amortization of prepaid development costs represents a non-cash charge. As a result, the company excludes amortization of prepaid development costs from its internal operating forecasts and models when evaluating its ongoing business performance. The company believes that Non-GAAP measures reflecting adjustments for amortization of prepaid development costs provide investors with a basis to compare the company’s principal operating performance against the performance of other companies without the variability created by the amortization of prepaid development costs.

Restructuring costs
Restructuring costs are costs incurred to address cost structure inefficiencies of acquired or existing business operations and consist primarily of employee termination and office closure costs, including the reversal of such costs. These costs are generally cash-based. As a result, the company excludes restructuring costs from its internal operating forecasts and models when evaluating its ongoing business performance. The company believes that Non-GAAP measures reflecting adjustments for restructuring costs provide investors with a basis to compare the company’s principal operating performance against the performance of other companies without the variability created by restructuring costs designed to address cost structure inefficiencies of acquired or existing business operations.

Other non-cash items
Other non-cash items include non-cash amortization of debt discount and issuance costs. These items are excluded from Non-GAAP results as they are non-cash. Excluding other non-cash items from Non-GAAP measures provides investors with a basis to compare Synaptics against the
performance of other companies without the variability associated with other non-cash items.

**Non-GAAP tax adjustments**
The company forecasts its long-term Non-GAAP tax rate in order to provide investors with improved long-term modeling accuracy and consistency across financial reporting periods by eliminating the effects of certain items in our Non-GAAP net income and Non-GAAP net income per share, including the type and amount of share-based compensation, the taxation of post-acquisition intercompany intellectual property cross-licensing or transfer transactions, and the impact of other acquisition items that may or may not be tax deductible. The company intends to evaluate its long-term Non-GAAP tax rate annually for significant events, including material tax law changes in the major tax jurisdictions in which the company operates, corporate organizational changes related to acquisitions or tax planning opportunities, and substantive changes in our geographic earnings mix.

**Forward-Looking Statements**
This press release contains forward-looking statements that are subject to the safe harbors created under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business, and can be identified by the fact that they do not relate strictly to historical or current facts. Such forward-looking statements may include words such as "expect," “anticipate,” “intend,” “believe,” “estimate,” “plan,” “target,” “strategy,” “continue,” “may,” “will,” “should,” variations of such words, or other words and terms of similar meaning. All forward-looking statements reflect our best judgment and are based on several factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Such factors include, but are not limited to, the risk that our business, results of operations and financial condition and prospects may be materially and adversely affected by the temporary reduction in demand for our products resulting from accumulated inventories held by our customers and channel partners; the risks as identified in the “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” sections of our most recent Annual Report on Form 10-K and our most recent Quarterly Report on Form 10-Q; and other risks as identified from time to time in our Securities and Exchange Commission reports. Forward-looking statements are based on information available to us on the date hereof, and we do not have, and expressly disclaim, any obligation to publicly release any updates or any changes in our expectations, or any change in events, conditions, or circumstances on which any forward-looking statement is based. Our actual results and the timing of certain events could differ materially from the forward-looking statements. These forward-looking statements do not reflect the potential impact of any mergers, acquisitions, or other business combinations that had not been completed as of the date of this release.

**For more information contact:**
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Head of Investor Relations
munjal.shah@synaptics.com

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**SYNAPTICS INCORPORATED**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In millions)

(Received Audited)

<table>
<thead>
<tr>
<th>September 2023</th>
<th>June 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Current Assets:</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$801.3</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>23.1</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>111.2</td>
</tr>
<tr>
<td>Inventories, net</td>
<td>131.7</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>41.3</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>1,108.6</td>
</tr>
<tr>
<td>Property and equipment at cost, net</td>
<td>67.4</td>
</tr>
<tr>
<td>Goodwill</td>
<td>816.4</td>
</tr>
<tr>
<td>Purchased intangibles, net</td>
<td>288.7</td>
</tr>
<tr>
<td>Non-current other assets</td>
<td>267.6</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$2,548.7</td>
</tr>
<tr>
<td><strong>LIABILITIES AND STOCKHOLDERS’ EQUITY</strong></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities:</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$63.9</td>
</tr>
<tr>
<td>Accrued compensation</td>
<td>23.5</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>49.1</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>103.0</td>
</tr>
<tr>
<td>Current portion of debt</td>
<td>6.0</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>245.5</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>969.6</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>129.3</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>1,344.4</td>
</tr>
<tr>
<td>Stockholders’ Equity:</td>
<td></td>
</tr>
<tr>
<td>Common stock and additional paid-in capital</td>
<td>1,025.7</td>
</tr>
</tbody>
</table>
## SYNAPTICS INCORPORATED
### CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>September 2023</th>
<th>September 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenue</td>
<td>$237.7</td>
<td>$448.1</td>
</tr>
<tr>
<td>Acquisition related costs (1)</td>
<td>17.8</td>
<td>23.5</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>112.8</td>
<td>168.9</td>
</tr>
<tr>
<td>Gross margin</td>
<td>107.1</td>
<td>255.7</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>86.5</td>
<td>89.5</td>
</tr>
<tr>
<td>Selling, general, and administrative</td>
<td>42.3</td>
<td>44.7</td>
</tr>
<tr>
<td>Acquired intangibles amortization (2)</td>
<td>5.5</td>
<td>9.5</td>
</tr>
<tr>
<td>Restructuring costs (3)</td>
<td>8.0</td>
<td>—</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>142.3</td>
<td>143.7</td>
</tr>
<tr>
<td>Operating (loss) income</td>
<td>(35.2)</td>
<td>112.0</td>
</tr>
<tr>
<td>Interest and other expense, net</td>
<td>(5.4)</td>
<td>(8.3)</td>
</tr>
<tr>
<td>(Loss) income before provision for income taxes</td>
<td>(40.6)</td>
<td>103.7</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>15.0</td>
<td>39.1</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>$ (55.6)</td>
<td>$ 64.6</td>
</tr>
<tr>
<td>Net (loss) income per share:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$ (1.43)</td>
<td>$ 1.62</td>
</tr>
<tr>
<td>Diluted</td>
<td>$ (1.43)</td>
<td>$ 1.59</td>
</tr>
<tr>
<td>Shares used in computing net (loss) income per share:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>38.8</td>
<td>39.8</td>
</tr>
<tr>
<td>Diluted</td>
<td>38.8</td>
<td>40.7</td>
</tr>
</tbody>
</table>

(1) These acquisition related costs consist primarily of amortization of acquired intangible assets and inventory fair value adjustments associated with acquisitions.

(2) These acquisition related costs consist primarily of amortization associated with certain acquired intangible assets.

(3) Restructuring costs primarily include severance related costs associated with operational restructurings and acquisitions.

## SYNAPTICS INCORPORATED
### Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures
(In millions, except per share data)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>September 2023</th>
<th>September 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP gross margin</td>
<td>$107.1</td>
<td>$255.7</td>
</tr>
<tr>
<td>Acquisition related costs</td>
<td>17.8</td>
<td>23.5</td>
</tr>
<tr>
<td></td>
<td>September 2023</td>
<td>September 2022</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>----------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>$ (55.6)</td>
<td>$ 64.6</td>
</tr>
<tr>
<td>Non-cash operating items</td>
<td>75.2</td>
<td>80.7</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>25.8</td>
<td>(66.8)</td>
</tr>
<tr>
<td>Provided by operating activities</td>
<td>45.4</td>
<td>78.5</td>
</tr>
<tr>
<td>Net proceeds from maturities and sales of short-term investments and other</td>
<td>3.2</td>
<td>7.7</td>
</tr>
<tr>
<td>Purchase of short-term investments</td>
<td>(16.6)</td>
<td>—</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>(13.5)</td>
<td>—</td>
</tr>
<tr>
<td>Advance payment on intangible assets</td>
<td>(116.5)</td>
<td>—</td>
</tr>
<tr>
<td>Purchase of property and equipment and other</td>
<td>(6.7)</td>
<td>(6.2)</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>0.8</td>
</tr>
<tr>
<td>(Used in) provided by investing activities</td>
<td>(150.1)</td>
<td>2.3</td>
</tr>
<tr>
<td>Description</td>
<td>First Period</td>
<td>Second Period</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>--------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Proceeds from debt, net of issuance costs</td>
<td></td>
<td>(13.4)</td>
</tr>
<tr>
<td>Repurchases of common stock</td>
<td>—</td>
<td>(13.4)</td>
</tr>
<tr>
<td>Equity compensation, net</td>
<td>(16.8)</td>
<td>(22.9)</td>
</tr>
<tr>
<td>Payment of debt obligations</td>
<td>(3.0)</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Other</td>
<td>1.7</td>
<td>2.8</td>
</tr>
<tr>
<td>Used in financing activities</td>
<td>(18.1)</td>
<td>(35.0)</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and</td>
<td>(0.6)</td>
<td>(2.0)</td>
</tr>
<tr>
<td>cash equivalents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in cash and cash equivalents</td>
<td>(123.4)</td>
<td>43.8</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of</td>
<td>924.7</td>
<td>824.0</td>
</tr>
<tr>
<td>period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>$ 801.3</td>
<td>$ 867.8</td>
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</tbody>
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