

Synaptics Reports Results for Second Quarter Fiscal 2016

- Record December quarter revenue of \$471 million
- Record December quarter non-GAAP EPS of \$1.60; GAAP EPS of \$0.93

SAN JOSE, Calif., Jan. 28, 2016 /PRNewswire/ -- Synaptics (NASDAQ: SYNA), a leading developer of human interface solutions, today reported financial results for its second quarter ended December 31, 2015.

Net revenue for the second quarter of fiscal 2016 increased 2 percent compared to the comparable quarter last year to \$470.5 million. Net income for the second quarter of fiscal 2016 was \$35.0 million, or \$0.93 per diluted share.

Non-GAAP net income for the first quarter of fiscal 2016 grew 9 percent over the prior year period to \$60.3 million, or \$1.60 per diluted share. (See attached table for a reconciliation of GAAP to non-GAAP financial measures.)

"We are pleased to report record second quarter revenue and non-GAAP net income that were within our guidance range despite negative impacts due to macroeconomic uncertainty and resulting weakness at top smartphone OEMs," stated Rick Bergman, President and CEO. "We expect these factors to also slow our fiscal year growth from the levels we previously forecasted. However, we believe that our diversified product portfolio and the breadth of our global customer base should help cushion the effects of industry gyrations and enable us to continue to deliver solid revenue growth and profitability for the fiscal year."

Second Quarter 2016 Business Metrics

- Revenue mix from mobile and PC products was approximately 87 percent and 13 percent, respectively. Fingerprint authentication products have been classified according to type of device.
- Revenue from mobile products of \$407.8 million was up 2 percent year-over-year. Mobile products revenue includes all touchscreen, display driver, and applicable fingerprint authentication products.
- Revenue from PC products totaled \$62.7 million, a decrease of 4 percent year-over-year, and includes applicable fingerprint authentication products.

Wajid Ali, CFO, added, "Considering our backlog of \$139 million entering the March quarter, subsequent bookings, customer forecasts, product sell-in and sell-through timing patterns, as well as expected product mix, we anticipate revenue in the March quarter to be in the range of \$430 to \$470 million, with the revenue mix from mobile and PC products to be approximately 90 percent and 10 percent, respectively. By prudently managing our operating expenses we expect to drive incremental earnings results in the March quarter relative to expected top-line performance. Despite the turbulence in the macroeconomic environment and specifically the mobile phone market, we believe we can preserve a more modest but healthy growth rate. Based on our current outlook for the remainder of fiscal 2016, we anticipate annual revenue growth in the range of 9 percent to 11 percent."

Cash at December 31, 2015 was \$372 million. In the second quarter of fiscal 2016, cash flow from operations was \$94.5 million.

Earnings Call Information

The Synaptics second quarter fiscal 2016 teleconference and webcast is scheduled to begin at 2:00 p.m., Pacific Time, on Thursday, January 28, 2016, during which the company will provide forward-looking information. To participate on the live call, analysts and investors should dial 800-524-8950 (conference ID: 8104671) at least ten minutes prior to the call. Synaptics will also offer a live and archived webcast of the conference call, accessible from the "Investor Relations" section of the company's Website at www.synaptics.com.

About Synaptics Incorporated

Synaptics is the pioneer and leader of the human interface revolution, bringing innovative and intuitive user experiences to intelligent devices. Synaptics' broad portfolio of touch, display, and biometrics products is built on the company's rich R&D, extensive IP and dependable supply chain capabilities. With solutions designed for mobile, PC and automotive industries, Synaptics combines ease of use, functionality and aesthetics to enable products that help make our digital lives more productive, secure and enjoyable. (NASDAQ: SYNA) www.synaptics.com.

Use of Non-GAAP Financial Information

In evaluating its business, Synaptics considers and uses net income excluding share-based compensation, change in contingent consideration, and certain non-cash or non-recurring items as a supplemental measure of operating performance. Net income excluding share-based compensation, change in contingent consideration, and certain non-cash or non-recurring items 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 net income excluding share-based compensation, change in contingent consideration, and certain non-cash or non-recurring items because it considers it an important supplemental measure of its performance. The company believes this measure 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, change in contingent consideration, and certain non-cash or non-recurring items. Net income excluding share-based compensation, change in contingent consideration liability, and certain non-cash or non-recurring items 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.

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 risks as identified in the "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" sections of our Annual Report on Form 10-K for the fiscal year ended June 27, 2015 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 filing.

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(Tables to Follow)

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Assets			
Current assets:			
Cash and cash equivalents		\$ 372.0	\$ 399.9
Accounts receivables, net of allowances of \$2.3 and \$2.9, respectively		337.0	324.6
Inventories		136.6	140.2
Prepaid expenses and other current assets		46.7	51.3
Total current assets		892.3	916.0
Property and equipment at cost, net		116.0	123.4
Goodwill		206.8	206.8
Purchased intangibles, net		201.9	235.4
Non-current other assets		36.3	37.8
Total assets		\$ 1,453.3	\$ 1,519.4
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable		\$ 166.6	\$ 188.5
Accrued compensation		43.5	35.9
Income taxes payable		27.5	34.7
Acquisition-related liabilities		68.4	102.2
Other accrued liabilities		77.1	74.1
Current portion of long-term debt		15.0	11.3
Total current liabilities		398.1	446.7
Long-term debt		223.7	231.1
Deferred tax liabilities		25.8	33.9
Other long-term liabilities		41.9	14.6
Total liabilities		689.5	726.3
Commitments and contingencies			
Stockholders' equity:			
Preferred stock: \$.001 par value; 10,000,000 shares authorized; no shares issued and outstanding		-	-
Common stock: \$.001 par value; 120,000,000 shares authorized; 59,038,874 and 58,249,107 shares issued, and 36,650,662 and 37,529,608 shares outstanding, respectively		0.1	0.1
Additional paid in capital		882.6	843.8
Less: 22,388,212 and 20,719,499 treasury shares, respectively, at cost		(776.7)	(651.7)
Accumulated other comprehensive income		5.9	7.8
Retained earnings		651.9	593.1
Total stockholders' equity		763.8	793.1
Total liabilities and stockholders' equity		\$ 1,453.3	\$ 1,519.4

SYNAPTICS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions except per share data)
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
Net revenue	\$ 470.5	\$ 463.7	\$ 940.5	\$ 746.5
Acquisition and integration related costs (1)	14.1	39.3	28.6	43.3
Cost of revenue	291.2	297.6	582.9	456.1
Gross margin	165.2	126.8	329.0	247.1
Operating expenses				
Research and development	78.6	77.3	159.1	134.8
Selling, general, and administrative	41.0	37.4	81.2	68.1
Acquisition related costs (2)	0.3	(2.5)	7.7	(6.7)
Foreign currency adjustment (3)	-	(15.4)	-	(15.4)
Restructuring costs (4)	-	-	1.9	-
Total operating expenses	119.9	96.8	249.9	180.8
Operating income	45.3	30.0	79.1	66.3
Interest and other expense, net	(0.8)	(0.7)	(1.6)	(0.1)
Income before provision for income taxes	44.5	29.3	77.5	66.2
Provision for income taxes	9.5	8.3	18.7	18.6
Net income	\$ 35.0	\$ 21.0	\$ 58.8	\$ 47.6
Net income per share:				
Basic	\$ 0.96	\$ 0.57	\$ 1.61	\$ 1.29
Diluted	\$ 0.93	\$ 0.55	\$ 1.55	\$ 1.22
Shares used in computing net income per share:				
Basic	36.4	36.5	36.6	36.9
Diluted	37.7	38.2	38.0	38.9

- These acquisition and integration related costs consist primarily of amortization associated with certain acquired intangible assets and integration costs associated with acquisitions.
- These acquisition related costs consist primarily of changes in contingent consideration and amortization associated with certain acquired intangible assets.
- These foreign currency adjustments include currency remeasurement adjustments related to our acquisition of RSP.
- Restructuring costs include severance costs associated with an operational restructuring.

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Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures
(In millions except per share data)
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
GAAP gross margin	\$ 165.2	\$ 126.8	\$ 329.0	\$ 247.1
Acquisition and integration related costs	14.1	39.6	28.6	43.6
Share-based compensation	0.4	0.3	0.8	0.6
Non-GAAP gross margin	\$ 179.7	\$ 166.7	\$ 358.4	\$ 291.3
GAAP gross margin - percentage of				

revenue	35.1%	27.3%	35.0%	33.1%
Acquisition and integration related costs - percentage of revenue	3.0%	8.5%	3.0%	5.8%
Share-based compensation - percentage of revenue	0.1%	0.1%	0.1%	0.1%
Non-GAAP gross margin - percentage of revenue	<u>38.2%</u>	<u>35.9%</u>	<u>38.1%</u>	<u>39.0%</u>
GAAP research and development expense	\$ 78.6	\$ 77.3	\$ 159.1	\$ 134.8
Acquisition and integration related costs	-	(1.4)	-	(1.7)
Share-based compensation	(7.5)	(6.0)	(14.0)	(11.4)
Non-GAAP research and development expense	<u>\$ 71.1</u>	<u>\$ 69.9</u>	<u>\$ 145.1</u>	<u>\$ 121.7</u>
GAAP selling, general, and administrative expense	\$ 41.0	\$ 37.4	\$ 81.2	\$ 68.1
Acquisition and integration related costs	-	(4.3)	-	(7.4)
Share-based compensation	(6.1)	(4.4)	(11.1)	(8.2)
Non-GAAP selling, general, and administrative expense	<u>\$ 34.9</u>	<u>\$ 28.7</u>	<u>\$ 70.1</u>	<u>\$ 52.5</u>
GAAP operating income	\$ 45.3	\$ 30.0	\$ 79.1	\$ 66.3
Acquisition and integration related costs	14.4	42.8	36.3	46.0
Share-based compensation	14.0	10.7	25.9	20.2
Foreign currency adjustments	-	(15.4)	-	(15.4)
Restructuring costs	-	-	1.9	-
Non-GAAP operating income	<u>\$ 73.7</u>	<u>\$ 68.1</u>	<u>\$ 143.2</u>	<u>\$ 117.1</u>
GAAP net income	\$ 35.0	\$ 21.0	\$ 58.8	\$ 47.6
Acquisition and integration related costs	14.4	42.8	36.3	46.0
Share-based compensation	14.0	10.7	25.9	20.2
Foreign currency adjustments	-	(15.4)	-	(15.4)
Other non-cash items, net	(0.2)	(0.3)	(0.4)	(0.6)
Restructuring costs	-	-	1.9	-
Tax adjustments	(2.9)	(3.3)	(5.3)	(1.3)
Non-GAAP net income	<u>\$ 60.3</u>	<u>\$ 55.5</u>	<u>\$ 117.2</u>	<u>\$ 96.5</u>
GAAP net income per share - diluted	\$ 0.93	\$ 0.55	\$ 1.55	\$ 1.22
Acquisition and integration related costs	0.38	1.13	0.95	1.20
Share-based compensation	0.37	0.28	0.68	0.52
Foreign currency adjustments	-	(0.40)	-	(0.40)
Other non-cash items, net	-	(0.01)	(0.01)	(0.02)
Restructuring costs	-	-	0.05	-
Tax adjustments	(0.08)	(0.09)	(0.14)	(0.04)
Non-GAAP net income per share - diluted	<u>\$ 1.60</u>	<u>\$ 1.46</u>	<u>\$ 3.08</u>	<u>\$ 2.48</u>

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