The below transcript is drawn from a joint conference call held on June 25, 2026 by Synaptics Incorporated and ON Semiconductor Corporation.

Filed pursuant to Rule 425 under the
Securities Act of 1933, as amended, and
deemed filed under Rule 14a-12 under the
Securities Exchange Act of 1934, as amended

Filer: Synaptics Incorporated
Commission File No.: 000-49602

Subject Company: Synaptics Incorporated

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EDITED TRANSCRIPT

ON.OQ - ON Semiconductor Corp to Acquire Synaptics Inc

EVENT DATE/TIME: JUNE 25, 2026 / 4:00PM GMT

OVERVIEW:

Company Summary

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PRESENTATION

Operator

Thank you for standing by. Welcome to the call to discuss onsemi's acquisition of Synaptics.

(Operator Instructions)

Now, it's my pleasure to hand the conference over to the Vice President of Corporate Development and Investor Relations, Parag Agarwal. Please proceed.

Parag Agarwal - *ON Semiconductor Corp - Vice President, Investor Relations and Corporate Development*

Thank you, Carmen. Good afternoon and thank you for joining us today to discuss onsemi's acquisition of Synaptics.

I am joined today by Hassane El-Khoury, President and CEO of onsemi; Thad Trent, CFO of onsemi; and Rahul Patel, President and CEO of Synaptics.

This call is being webcast on the Investor Relations section of our website at www.onsemi.com.

A replay of this webcast, along with the accompanying slides referenced in the call, will be available on our website approximately one hour, following this conference call. A recorded webcast will be available for approximately 30 days, following this conference call.

Additional information is posted on the Investor Relations section of our website.

During the course of this conference call, we'll make projections or other forward-looking statements regarding future events or the future financial performance of the company.

We wish to caution that such statements are subject to risks and uncertainties that could cause actual results or events to differ materially from projections.

Important factors that can affect our business, including factors that could cause actual results to differ materially from our forward-looking statements, are described in our most recent Form 10-K, Form 10-Qs, and other filings with the Securities and Exchange Commission.

Our estimate or other forward-looking statements might change. The company assumes no obligation to update forward-looking statements to reflect actual results, changed assumptions, or other events that may occur, except as required by law.

The purpose of this call is to discuss onsemi's acquisition of Synaptics. We request that you focus your questions on the transaction. We will not be able to answer questions on current business conditions or other topics.

During this conference call, the speakers will refer to the presentation related to this transaction, which is posted on onsemi's Investor Relations website.

Now, let me turn it over to Hassan. Hassan?

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

Thank you, Parag. Good afternoon, everyone. Thank you for joining us.

Today, we are excited to announce our proposed acquisition of Synaptics. This marks the next chapter in our journey, as we position ourselves to become a leading provider of intelligent systems.

I'll walk you through the strategic rationale and why this is the right time for us to go down this path.

Moving to slide 4, this combination starts with a shared mission of intelligent technologies for power and sensing for onsemi; and connected devices for Synaptics.

It will enable us to deliver intelligent systems to support AI applications, from the data center to physical AI, and provide us with the four key pillars needed to win.

Those are power, sense, and control, coming from onsemi; and the connected compute, from Synaptics. Together, we would become a leading provider of intelligent systems, expanding our total addressable market, while enabling us to capture more content value per platform.

Turning to slide 5, the technologies this combination brings together will expand our AI capabilities, from AI data centers into physical AI.

We anticipate it will expand our total addressable market by $30 billion to $243 billion by 2030, as we are positioned to enable AI, from infrastructure all the way to the edge; and to increase the value we can deliver to our customers and our shareholders.

We're integrating a differentiated edge AI compute franchise with a strong portfolio of human machine interface and wireless connectivity solutions.

Together with our differentiated power portfolio, spanning from silicon to wide bandgap, our image sensors, and our Treo portfolio of products, we would become an industry leader, positioned at the intersection of power, sense, connected compute, and control, addressing the four pillars of physical AI.

We expect the transaction to be accretive within 18 months from close, strengthening our long-term financial model.

On slide 6, you'll see our business is already well-positioned across AI infrastructure ecosystem, where we are a leader in energy storage systems and AI data centers, from the grid to the core. Many of our products are also used across various edge AI applications today.

With Synaptics' portfolio, we will be able to extend our reach and content opportunity across physical AI applications, like robotics and humanoids. As a result, we believe we will address an AI TAM of $100 billion by 2030, growing at a CAGR of 25% over that period.

Now, let me hand over the call to Rahul, the architect behind Synaptics' transformation. Rahul?

Rahul Patel - *Synaptics Inc - President, Chief Executive Officer*

Thank you, Hassan. It's a pleasure to join you on today's call.

We are excited about this transaction. I share your vision of building intelligent systems and scalable platforms for customers.

First, I'd like to sincerely thank my entire one Synaptics team for their dedication and execution in reaching this important milestone. Let me briefly introduce Synaptics and the platform that we have built:

Throughout our 40-year history, Synaptics has consistently anticipated major technology shifts and captured emerging market opportunities through innovation. Today, we offer a broad portfolio of edge compute, connectivity, interface, and sensing solutions.

Over the past several years, we have focused on AI-native compute and connectivity, while extending our leadership in human-machine interfaces into new physical AI applications.

As intelligence moves from the data center to the physical world, the convergence of these technologies is becoming increasingly important. We have built strong and strategic relationships with companies, leading AI at the edge.

Slide 8. At the center of our strategy is the Astra platform. We have developed AI-native microprocessors and microcontrollers that integrate multiple compute engines, including a neural processing unit, Google's Coral NPU, GPU, general purpose CPU, and multimedia processors within a monolithic SoC.

We have architected the platform for performance, power efficiency, and scalability with an open source and developer-friendly software framework and tools that simplify deployment of AI models across a broad range of applications.

Since joining Synaptics, I have focused the company on delivering solutions that accelerate customer innovation and time to market.

Through this combination with onsemi, we are advancing a shared vision. I would say, a vision that I believe is shared between Hassan and I of bringing intelligent AI systems to a broad range of markets; particularly, industrial and physical AI.

Additionally, onsemi's established sales organization and global distribution network will accelerate the adoption of our solutions and expand our reach.

The one Synaptics leadership team is excited to work with Hassan and onsemi team to realize the full potential of the combined company.

I'd like to turn it back to Hassan.

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

Thank you, Rahul.

You can see why we're excited about this combination and the capabilities it would bring to onsemi and how, with Synaptics, we will be positioned at the intersection of the four pillars of physical AI.

We have a long history of supporting leading customers across auto, industrial, and AI data centers, giving us the right foundation to expand into the world of physical AI.

With Synaptics, we expect to provide all the key building blocks required for machines to sense, decide, act, and adapt to the physical world.

The transaction would create a category-defining leader in intelligent systems and enabler of the physical AI world, while expanding our automotive and industrial pedigree, which are already in the physical AI realm.

Together with Synaptics' strength in human-machine interface, wireless connectivity solutions, and connected compute, we can accelerate our strategy and expand our reach to a wide range of established and emerging markets, such as autonomous vehicles, robotics, and AR/VR.

As these markets ramp, we will continue to be at the center of it. We're already designed into many robotics platforms via our motor drivers, power converters for motors, our position sensors, and our power devices. This acquisition would extend those capabilities.

Moving to slide 10, the complementary portfolios enable us to unlock and drive significant value creation opportunities; and deepen customer engagements.

More importantly, beyond the technology and capabilities, this combination will bring in a world-class team that has made substantial R&D investments to establish this platform, which would help us accelerate innovation and unlock new markets as a combined company.

Our onsemi global sales network can help accelerate the go-to-market for our combined business. We have a history of moving products quickly into new markets.

Also, the onsemi executive team -- myself, included -- have first-hand experience in managing and scaling businesses, from connected compute to HMI.

Now, let me turn the call over to Thad to cover the financial aspects of the transaction. Thad?

Thad Trent - *ON Semiconductor Corp - Chief Financial Officer, Executive Vice President*

Thanks, Hassan.

I'm now on slide 11. This transaction is compelling from both financial and strategic perspectives.

It provides us with a market-leading technology portfolio that enables us to deliver intelligent systems to support AI applications, from the data center to physical AI.

From a financial perspective, we believe this combination has significant value-creation opportunities to drive revenue and earnings growth, with a very attractive margin profile.

The combined pro forma company would be $7.8 billion in revenue in 2026, based on Street estimates.

The pro forma company, on the right side of this chart, includes our expected $200 million of annual run rate synergies and includes stock-based compensation for Synaptics, consistent with onsemi's non-GAAP reporting.

The combined scale strengthens the financial profile with attractive gross margins and accelerates our path to our long-term model. We expect non-GAAP EPS accretion 18 months after close.

Turning to slide 12, let me provide a brief summary of the transaction details:

The acquisition is an all-stock transaction. Synaptics shareholders will receive 1.35 onsemi shares per Synaptics share, implying a total enterprise value of approximately $7 billion.

Our offer represents an approximately 19% premium to the volume-weighted average closing prices of onsemi and Synaptics over the last 10 trading days.

Pro forma ownership will be 88%, onsemi; and, 12% Synaptics. The acquisition is expected to be accretive within 18 months of closing, with $200 million of synergies.

Turning to the balance sheet, we maintained flexibility, with pro forma net debt of $1.2 billion, as of today; and net leverage well below [1].

With this flexibility, we remain committed to our existing capital return policy, returning 100% of our free cash flow to shareholders through our share-repurchase program between now and close.

We anticipate closing the acquisition in mid-2027. The transaction is subject to Synaptics shareholders' approval, regulatory approvals, and other customary closing conditions.

Also, as highlighted in today's press release, both companies are reiterating previously provided financial guidance for the current quarter.

To wrap up, this combination would expand our total addressable market and our solutions to enable AI, from infrastructure all the way to the edge, increasing the value we can deliver to our customers and our shareholders.

With that, I'll turn the call back over to Carmen to open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Ross Seymore, Deutsche Bank.

Ross Seymore - *Deutsche Bank AG - Research Analyst*

Hi, guys. Thanks for letting me ask a question. Congratulations on the deal.

I wanted to see what your thoughts were on revenue synergies. I can see how this diversifies the end markets for both companies. I can see how the scale of onsemi could be beneficial to Synaptics.

But I wondered how you thought about any revenue synergies, where the actual combined company can grow faster than the two individual companies could.

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

Yeah. Ross, this is Hassan.

Clearly, as you can imagine, there is going to be revenue synergies. If we look at about intelligent systems, as we define it, we have our core markets; Synaptics has their core markets; and there's not a lot of overlap between them.

To simplify the outlook of the way we look at it: The systems we are in, where we have power, sensing -- both on the power conversion and control -- there's always a compute connected or not at the center of it.

In the systems that Synaptics is very strong in, where they have the architectural control, from the compute side, there are always parts that we are able to deliver around those same systems.

With that small overlap, if any; the complementary nature of both the portfolio, the markets, and the customers, the net benefit for the combined company is the revenue synergies. That's what we're looking at.

On top of that, of course, we talk about the expanding TAM that both Thad and I talked about.

You put all of these together and then, you can see the excitement that we have with the combined company, as we go to market together.

Ross Seymore - *Deutsche Bank AG - Research Analyst*

Thank you for that.

As a quick follow-up: The $200 million in synergies, any color? Is that anything in the COGS line? Or is that all on OpEx?

And then, the regulatory approval, anything unique in that? Do you need China?

Thad Trent - *ON Semiconductor Corp - Chief Financial Officer, Executive Vice President*

On the $200 million of synergies, most of that is on the OpEx line. You can think about it as, probably, 85% to 90% on the OpEx line; and the remainder being in the COGS line.

We think most of that will come out of SG&A.

I just want to also point out: That, also, includes the stock-based compensation. When you think about your models, you need to adjust the Synaptics historical reporting to include stock-based compensation.

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

From the regulatory, it's customary regulatory, based on the work that we've done. Obviously, we have to continue to do the work.

We do expect China regulatory. But, other than that, it's very customary.

Of course, we're comfortable, given the complementary nature of our portfolio, as I described before and, really, the benefit that all that brings to customers, worldwide.

Ross Seymore - *Deutsche Bank AG - Research Analyst*

Thank you.

Operator

Vivek Arya, Bank of America Securities.

Vivek Arya - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Thanks for taking my questions.

Hassan, as of your last earnings call, the assumption was that ON's preferred area of expansion is the cloud data center and power, rather than consumer and edge.

I'm curious: What tipped you in this direction of doing more in consumer and edge, as opposed to doing more in the AI data center? I realize it's not either/or. But I imagine there is still a level of opportunity cost to expanding in this direction, as opposed to re-emphasizing the AI data center more.

Just curious to hear what tipped you in this direction.

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

Sure. As you know, that doesn't change our direction, at all. That's what I mentioned by the complementary nature and, really, the expanded nature of that combination.

We have already established a very strong foundation in the AI infrastructure -- call it, the AI data center and the AI infrastructure: what we call the AI halo.

We have a leadership position in industrial that is benefiting from AI data center. We have all of the technologies that are required and that are needed. We are winning and have a strong growth in these markets.

Of course, as the market for SSDs, as you know, develops, we are already present and have the technology for those.

Going into the AI data center, we've talked about our revenue position last year and what we expect this year. We've done some of the acquisitions for capabilities, already.

Not to say that we have a very strong foundation, already, that we have built over the last few years for, call it, the AI data center and AI infrastructure.

What this combination adds is a more strategic and forward-looking -- you can think about it as, we're skating where the puck is going to be, while continuing to build upon the foundation that we've done, so far. We have been very successful.

It is not one or the other. It is, continue to do what we're really good at and we have built, while we think about how to expand. Because the natural extension of AI out of the data center is into the physical realm, which is physical AI.

We see it in automotive. We see it in humanoid. Both of these markets, we play in. We see it in, of course, robotics as an overall market, which includes humanoids. We see it in industrial.

Getting that complementarity with the connected compute, it strengthened the whole portfolio, beyond just where we're strong at and what we've built for the last three years.

Vivek Arya - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Got it.

For my follow-up: What do you see as the structural growth rate of Synaptics for the next few years? When I look at consensus, right now, it's showing a 9% to 11% growth rate from '26 to '28.

I appreciate that parts of the business are growing faster. But, regardless, as an enterprise, people see their growth rate as 9% to 11%, which is a little bit lower than ON's expected growth rate.

What do you think the market is missing in projecting Synaptics growth rate that ON can, perhaps, add to in terms of revenue synergies?

Thank you.

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

Yeah. I'm going to give you the opportunity that we see as a combined company. Of course, there are two parts for Synaptics:

You have the Astra that Rahul talked about. That is growing, actually, much faster. You can think about -- I think, from the consensus -- 25%. That's a small portion of the revenue today. But that is the high growth that is at the center of what I talk about: intelligent systems.

That's going to accelerate the growth of both the combined company. Really, it's a higher growth for Synaptics proper, as well.

Now, I think what -- there is an untapped missing concept of technology -- is, I think, from the human-machine interface side of it, what is new and emerging is the applicability of human-machine interface, beyond just what we all know -- including me -- the touch interfaces or the touch screen or capacitive touch screen into the sensing for humanoids and robotics, in general.

That is a forward-looking growth that we, together -- because we are strong in those markets, as well -- we can take that part of our sensing portfolio.

We already do position sensing with inductive. This brings the tactile sensing. That, I believe, is an untapped opportunity: that the technology exists. Synaptics have been investing in it. The go-to-market of the combined company will help accelerate that.

Vivek Arya - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Thank you.

Operator

Quinn Bolton, Needham & Company.

N. Quinn Bolton - *Needham & Company LLC - Analyst*

Hey, guys. I'll offer my congratulations on the acquisition, as well.

Hassan, maybe just wanted to get your thoughts on any potential manufacturing synergies. I know the COGS synergies are only 10% to 15%.

But, longer term, is there any opportunity to in-source any of the Synaptics product portfolio to your fabs or back end that might give you longer-term COGS benefits?

And then, I've got a follow-up.

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

Sure. Obviously, we'll have a lot more, once we start doing the integration planning and do a lot of that detailed work.

But, at a high level, I can tell you, from the Astra or the advanced nodes, anything below the 65 nanometers, we don't expect that, given just where our manufacturing footprint -- however, from the prior answer that I gave Vivek on the human-machine interface.

As we push towards that roadmap, there's definitely potential there that we have to look at. It is very synergistic with the capabilities that we have built -- part of our Treo platform or BCD65 that we run in East Fishkill. Of course, that will be a favorable gross margin that brings it in.

I just want to highlight: That is not at an expense of capacity that will be taken away from Treo. It's actually, again, complementary to what we do. We already do the sensing with Treo. This adds that synergistic capabilities that we can bring in.

Some of the business, yes. The other, we don't plan on that.

N. Quinn Bolton - *Needham & Company LLC - Analyst*

Perfect. And then, maybe, for Rahul, just any thoughts? Can you give us some sense of the design win pipeline that you have for Astra and your tactile sensing in humanoid or other physical AI applications?

Maybe, for everybody on the line: Do you have a sense what your dollar content could be as a combined company, say, now, in a humanoid, as you bring the two companies together?

Thank you.

Rahul Patel - *Synaptics Inc - President, Chief Executive Officer*

Well, Quinn, first, on the design pipeline, I think we haven't broken out the design pipeline. At some point, we will start sharing what our total design pipeline is.

But let me go back to, first, Astra: Astra, absolutely, is seeing momentum build-up better than what we had anticipated for the year FY26.

Our fiscal year ends in June. We had anticipated a certain pipeline. We are ahead of that plan.

On humanoids and robotics from tactile sensing point of view, at the last conference call that we had in May, I had indicated, we have 35 engagements --- 35 unique company engagements; multiple SKUs within these companies that we are engaged on. That number has gone up even more, since then.

I'll be more than happy to share with you the next level of detail at the next conference call or the next opportunity that comes about.

But the growth in that design pipeline has been just phenomenal in terms of where we thought it would be versus where it is, right now. I go back to what Hassan is saying:

I think the amount of momentum that we are seeing in physical AI -- and, as a result, the new importance that is being put on the function of tactile sensing in these humanoids as they come to become not only contextually aware but human aware and interactive to humans and machines on a forward-looking basis -- the tactile sensing component has seen a lot more traction.

I had indicated on the last call that we have a major hyperscaler, out of San Francisco, engaging with us, along with another big company that we are already shipping. They have announced shipments of humanoid.

And so there are inbounds coming into us, where, before, our sales guys get a chance to react to some of these opportunities. And so really excited about what the opportunity is for the combined company in the realm of physical AI.

In terms of dollar content, just for Synaptics, I had indicated on the last call, it's a few tens of dollars. You can model anywhere from $30 to $60 range for us. And so what comes together with ON is a much higher number in these platforms.

Now, again, they vary by the platform.

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

We'll be obviously disclosing more on the content, as we explore and expand our strategic intent here.

That goes back to what Rahul mentioned: The untapped potential for what is considered today as purely HMI and how we look at it -- part of this combination -- as enhancing the sensing portfolio that we bring into the market.

Together, we will have a lot more modalities that we can address.

N. Quinn Bolton - *Needham & Company LLC - Analyst*

Perfect. Thank you.

Operator

[Joe Quattrocchi], Wells Fargo.

Unidentified Participant

Yeah. Thanks for taking the question.

Maybe, first, I was curious, if you could talk about, how do you think about, just, the potential integration of some of Synaptics technology around connectivity and wireless for the Treo platform?

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

I think you can't think about it as a combination for the Treo platform. It is complementary to what we do. Because the connected compute that Synaptics does is a much different node. Really, it's a much different application.

How you can think about it is, Synaptics' compute or connected compute at the center of an intelligent system and multiple Treo around it controlling the loads, whether it's a driver to our silicon carbide or driver to our G FET and connected to -- wirelessly -- or connected through 10BASE-T1S Ethernet, which, also, is on Treo.

I just explained to you what an intelligent system in the physical AI realm would look like; and how each one of the companies and the technologies each bring into this combination will play a complementary role in achieving what the system's supposed to achieve.

We do a lot of wireless. We're leaders in the wired connectivity. Leadership comes from Synaptics on the compute and wireless compute. Together, we are basically a leading force in the physical AI, when it comes to intelligent systems.

Unidentified Participant

Thanks for that.

As a follow-up: Is there any way you can comment, was this a competitive bidding process?

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

Obviously, the nature of the combination, given the two public companies, you just stay tuned. We'll be filing all of the appropriate filings, when the time comes.

I'll leave that answer to when the filing goes publicly.

Unidentified Participant

Fair enough. Thank you.

Operator

Joshua Buchalter, TD Cowen.

Joshua Buchalter - *Cowen and Company LLC - Analyst*

Hey, guys. Thank you for taking my question.

I was hoping to understand a little better: How does this change your portfolio, from a competitive standpoint? In particular - onsemi, obviously, has a rich legacy in power and analog. You're adding the assets from Synaptics, which will have the edge AI processors.

But do you feel like you're inhibited by the lack of a general-purpose microcontroller business? Can you speak, maybe, more broadly to what you'll be able to offer, from a processing standpoint, for some of these edge AI applications?

Thank you.

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

Yeah. I think, obviously, with every system we target, I wouldn't say, we've been inhibited. Because this is -- the complementary nature of the combined companies expands the market.

We've always been very consistent that our outlook, our strategy, and our financial model is organic and independent of outside acceleration.

We have been introducing our own compute -- different level than what Synaptics brings. What Synaptics really brings is an acceleration and a faster time to market, with a much larger TAM that we talked about.

It's really an additive, if you will; not a plugging-a-hole that we have. That's why the market expanded with the top-line outlook expansion that they bring; plus, of course, the potential for revenue synergies that I mentioned to Ross earlier.

I don't look at it as lacking. I look at it as additive and a very natural additive. Because, as we engage with these intelligence systems with our customers, there is a compute at the center of it that we have been also very successful, before this announcement.

This adds that to the customer, where customers now gets a, you can call it, synergistic-system level that works very well together.

Yeah. Go ahead.

Rahul Patel - *Synaptics Inc - President, Chief Executive Officer*

If I may add, I think, to what Hassan just shared: Just to be very specific, the Synaptics processing platforms include both microprocessors and microcontrollers. They both are multi-compute fabric implementations. They scale, from an architecture point of view, depending on the end application.

Obviously, the portfolio, today, is at a certain level in terms of scale. With the combination, it can broaden scale very quickly because of the architecture choices we've made, not only in silicon but also in the software strategy, which is largely open source, developer-friendly, and can scale across a broader ecosystem.

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

That's really the exciting part of adding that capability -- the way Rahul just described it -- with our global reach of sales and how quickly we can scale that with the engine that we have built at onsemi.

Joshua Buchalter - *Cowen and Company LLC - Analyst*

Okay. Thank you for all the color, both of you.

Maybe, for Thad: Can you maybe walk through the rationale behind using stock, instead of cash, here?

Thank you.

Thad Trent - *ON Semiconductor Corp - Chief Financial Officer, Executive Vice President*

Yeah, Josh. If you look at the deal, right, it's a low-premium deal -- all stock. It gives us flexibility on the balance sheet. I mentioned that in my prepared remarks.

We have flexibility to continue to return capital to our shareholders through the repurchase. I think that's the key, right, versus using cash -- tends to be a higher premium.

We partnered with the Synaptics team. We think there's a lot of value that we'll create for both shareholders, here.

Joshua Buchalter - *Cowen and Company LLC - Analyst*

Thank you.

Operator

Christopher Rolland, Susquehanna.

Christopher Rolland - *Susquehanna Financial Group LLLP - Analyst*

Hi, guys. Thanks for the question. Congrats on the deal. I am calling it [Cypress] 2.0.

With that, maybe you could describe how the playbook -- is it going to be exactly the same as Cypress? Or do you see some differences, here, as to how you ran that business?

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

No, of course. It's a very different business. I've always held that no two companies are alike.

In this case, no two combinations are alike. The technology and the platform -- call it, the edge AI platform -- that Synaptics brings is much further and above what Cypress had, at the time, which was a microcontroller-only or traditional microcontroller. This is beyond what that capability is. That's point number 1.

Point number 2 is the opportunity for both the connected compute and the sensing that Synaptics has with the combination of what onsemi already has on the power, sense, and control. That is playing in a very different market than it was, whatever, seven, eight years ago with Cypress.

The market has grown tremendously. Physical AI was not a thing. AI data center was not a thing. Therefore, the content -- that's where the TAM is exciting for us.

We're playing in a much bigger pie, overall. The coverage of the combined company is much bigger slices of that larger pie.

We intend to deliver the wins and the leadership, as the combined company, for that larger pie, with differentiated technology -- way more differentiated than what it was, when I was running in my past life.

Familiarity, however, with that adds credibility. That's why, for us, it's not a deviation. It's a continuation of what we are doing at onsemi.

Of course, the executive team at onsemi, in combination with the leadership at Synaptics, is a natural technology and, really, market that we can target together.

That's what makes this exciting and very natural combination.

Christopher Rolland - *Susquehanna Financial Group LLLP - Analyst*

Excellent.

Perhaps, a question for Rahul: Hassan just mentioned the low premium. It's particularly even lower, perhaps, for an all-stock deal.

What was the thinking here? Like, in terms of that -- the ultimate deal price but, also, for your future standalone versus tied up? If. you could, maybe, talk about that.

Rahul Patel - *Synaptics Inc - President, Chief Executive Officer*

Yeah, Chris, look, I definitely got a chance to understand onsemi's strategy on a forward-looking basis. I'm truly excited about a couple of big things:

First, their strategy, in itself, presenting an upside potential for the Synaptics shareholders, from where they are headed on their roadmap and their plans, independent of Synaptics.

Number 2, the combination with onsemi presents Synaptics scale. I go back to something I said earlier during the presentation: the like-mindedness of building solutions. It's not point product anymore. It's solutions, all the way, taking the entire tech stack, including software capabilities, into account. And so you now have a formidable platform across multiple market segments.

The third big thing -- again, going back to the revenue dimension -- is the scale of global reach. I have discussed, on behalf of Synaptics, at some point over the next two to three years, we may plan on getting our distribution set up. However, this happens on day 1, with the combination.

And so, with our developer-friendly, open-source platforms that are virally scaling through our partnership with Google and others, this distribution capability that onsemi brings to the partnership further accelerates our reach into the global markets, especially in the markets that are industrial and physical AI -- the combination with onsemi.

If you net it out, it was not a difficult decision, in context of coming together with onsemi, to go with the all-stock deal.

Christopher Rolland - *Susquehanna Financial Group LLLP - Analyst*

Great. Thanks. Congrats, guys.

Rahul Patel - *Synaptics Inc - President, Chief Executive Officer*

Thank you.

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

Thank you.

Operator

Tore Svanberg, Stifel.

Tore Svanberg - *Stifel Nicolaus & Company Inc - Analyst*

Yes. Thank you. I'm from Stifel. Congratulations on the deal.

Hassan, my first question is on the roadmap, eventually. You think about the competency that you offer in power and sensors; and combining that with compute and connectivity.

Should we think of the products to be discrete? Or is there potential roadmap, here, where you could develop some SOCs that contain all the IPs needed in physical AI?

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

Of course. This is day 1 of announcement. Now, the team is going to shift into -- to the extent, of course, we are allowed as two separate companies, post-announcement of what we would call integration planning -- to understand -- more adept -- about what day 1, which is what we would call the closing day, would be.

From a work that we've done -- part of this process -- we do see complementary technologies. Whether we meet at the board in a system or whether we meet in a package, that's yet to be defined.

That's not a one-size-fits-all. It depends on the technology and what is the best thing to do for the customer to get that value that the customer will get from a system level with the combined technologies we offer.

Tore Svanberg - *Stifel Nicolaus & Company Inc - Analyst*

Very good. Thank you for that.

As for my follow-up: As you evaluated Synaptics, perhaps, with other companies you may have looked at or other technologies, what were some of the things that were really unique? Was it the NPU? Was it the connectivity portfolio?

I assume it's a little bit all of the above, right? But I'm sure you must have looked at other technologies, as well. Just curious if there was any few things that really stood out for you.

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

Yeah. I would say, look, obviously, we chose -- for us, Synaptics was the choice we've made for a lot of reasons. I'll do two of them:

One is the strategic and the obvious reasons that we announced this deal. We announced this combination.

The strategic one is, you can think about getting a microcontroller or traditional microcontroller with some peripherals and getting into AI -- is very different than starting with an AI native and then, getting into the rest of the market.

When our intent is to complement our power and sensing in the physical AI, you need an AI-first microprocessor or an AI-first engine. That is what Synaptics has done.

We gravitated towards that, from a strategic perspective. Of course, as we engaged, we liked the rest of the portfolio.

I talked about the HMI. I see it as HMI, of course. But I also see the untapped potential that I talked about in the tactile feedback or in applications that are critical for the physical AI, where tactile becomes a need of sensing. That's more of, I would say, a positive surprise, on top of the strategic intent.

Of course, you add all of that with the synergies we announced and the deal being accretive; and, of course, the combination where, some of that business, while you invest in the forward-looking AI platforms that I discussed, the rest of the business brings in cash flow to invest in high growth.

That's, always, what you want in a growth business so it's not a drag on earnings. It's actually -- you can think about it as self-funding. It's what we've done at onsemi. We've been really good at it.

They have done very similar -- that, together with our combination, delivers a compelling financial profile for the combined company, on top of the strategic profile that I described.

It basically clicked all of the boxes that we were looking at, when we were looking for a strategic partnership.

Tore Svanberg - *Stifel Nicolaus & Company Inc - Analyst*

Makes a lot of sense. Thank you, Hassan.

Operator

James Schneider, Goldman Sachs.

James Schneider, Ph.D. - *Goldman Sachs Group Inc - Analyst*

Good afternoon. Thanks for taking my question.

First question I wanted to ask is: In terms of the design wins and the market share position that Synaptics has with Astra in both humanoid and, maybe, industrial robots, how do you frame, roughly, what you think your market share position is with the embedded processors in that sub-market, realizing that it's growing very quickly?

You can either frame that in terms of today's wins or tomorrow's pipeline.

Rahul Patel - *Synaptics Inc - President, Chief Executive Officer*

Well, I think, look, the marketplace for humanoids is still evolving. And so there is not a clear way to say what the design potentials are in terms of revenue, over time.

I will say this: We have a lot more HMI traction. We also have something that we didn't talk, thus far, on this call -- is interface technology, as well.

And so the combination of tactile sensing and interface is already in multiple platforms out there. We are shipping silicon, already.

There is one that is a North American franchise that's been publicly talked about. The company has already indicated that they're going to have pilot humanoids by the end of this year and about 1 million-unit run rate on humanoids by the end of 27. We are in there, right?

And so without going into names -- because it would be prohibitive to do so at this early juncture -- I would go back to the 35 designs that I had announced during the last earnings call in May. Since then, we have graduated to a newer level, which I'll definitely, at some point, disclose.

And so really excited about overall content dollars that we are seeing from our product portfolio, along with, in many situations, gaining traction with Astra, as we pull in; along with tactile sensing.

I go back to what Hassan initially touched on, as well: With multiple sensing capabilities now in a combined portfolio, tactile -- we didn't talk about ISP capabilities -- image sensor capabilities; audio capabilities from Synaptics; wireless sensing capabilities from Synaptics.

The AI-native processor capability becomes a very natural hub for supporting multi-modal AI inference capability right there in the functional section of the humanoid, right?

And so, you can see -- again, I indicated earlier -- very like-mindedness between Hassan and I as systems-first -- systems solution-first. This effectively builds that platform equation, not only in humanoids but many other industrial applications that would be in the realm of physical AI, on a go-forward basis.

So really excited. As this market evolves, the potential and the like-mindedness of bringing system solutions brings the benefit for the combination.

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

Yeah. That's really what gets us very excited about this combination because you talked about share and market and so on. None of that is possible without a strong technology foundation that Rahul described. Point number 1.

Point number 2 is, it all starts with winning with the winners and going broad, as fast as you can. They've done a great job with that. We would help with the combined company, with our sales and distribution network.

Those are the foundation for a leadership position, as a combined company, that benefits the customers. That's what gets us excited about this combination.

James Schneider, Ph.D. - *Goldman Sachs Group Inc - Analyst*

Thanks.

Just as a quick follow-up: Can you talk about, if you think about Synaptics' customer base, roughly, how many of those customers would you say are ON customers, as well, today?

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

That's a hard one to say of how many because, you have to imagine, we have tens of thousands of customers. But I would say there's a complementary -- and there's some overlap.

Obviously, we are leaders in auto and industrial. Synaptics has some auto and industrial, in addition to consumer and the edge AI customers that Rahul discussed. Together, there's not a lot of overlap but more of an expansion of a customer base.

This is where I answered the potential for revenue synergies, where we would be able to support their existing customers with our portfolio and vice versa.

That -- the minimum overlap is what makes this also exciting and beneficial for the combined customer list that we would have, together.

James Schneider, Ph.D. - *Goldman Sachs Group Inc - Analyst*

Thank you.

Operator

Harlan Sur, JP Morgan.

Harlan Sur - *JPMorgan Chase & Co - Analyst*

Good afternoon. Congratulations on the acquisition.

Synaptics team has been gaining pretty solid traction, right, with the Astra AI processor and MCU platform. As you mentioned, strong growth profile.

I know the Synaptics team was also focused, themselves, on driving higher analog, mixed signal power, sensing content attached to deliver more systems-level solutions, right?

But it seems like this is where the onsemi team can really fill almost the entire system/board-level [BOM] with its broad portfolio of power, power management, Treo mixed-signal, and intelligent sensing portfolio.

If you look at the Astra compute reference design and platforms across different applications, like, what percentage of the entire system is BOM, outside of the processor -- can the onsemi team address? Is it 50%, 60%, 70%? More?

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

Harlan, I'll buy you a drink, afterwards. But you gave me the thesis of the combination.

That is exactly how we look at it. It is.

Every system is different, of course. But, if you think about the components of it, which is -- what --the four pillars that I summarized at a high level, where, if you think about pillar being 100% of that bill of material, which is power, sense, connected compute, and control, together, we're able to do 100% of the four pillars in a non-overlapping manner.

You mentioned the reference design. That is a good design to anchor on for a lot of the customers that have that at the center.

I would flip it around where a lot of our designs that we do with customers have a compute platform that could be beneficial for the customer for it to be Synaptics.

That is exactly why this combination, with the complementary nature of our technology and our portfolio, is such an exciting combination for the systems that we talk about: our intelligent systems.

Rahul Patel - *Synaptics Inc - President, Chief Executive Officer*

Harlan, if I may add to what Hassan's saying -- and I'll just give you a customer perspective.

Harlan Sur - *JPMorgan Chase & Co - Analyst*

Okay.

Rahul Patel - *Synaptics Inc - President, Chief Executive Officer*

Given the interactions with some of the companies that have been in data center -- for example, a company in San Francisco; big in AI; wanting to get into the realm of physical AI, they clearly told me they would rather focus on data and not on systems.

The engineering, time, expertise needed to build a system from where they would ultimately get to data and machine learning to build inference training and machine inference capabilities is a very long-tenured cycle.

If somebody can come and provide the entire system solution and the tech stack that enables them to get jump-started in this arena, first, with data and ML capabilities that they would invest in engineering capabilities in, it is bingo for them.

And so, long story short, increasingly, the partnership with onsemi portfolio and Synaptics' portfolio brings that capability of system-solution delivery at the customer; and effectively taking that complexity and engineering burden outside of that company or the customer.

In the process, if you net it out, we create true-system solutions, engineering economies of scale that scales across multiple customers in terms of delivering system solutions.

And so that is the benefit of the combination that, ultimately, will see a tremendous dividend.

Obviously, I go back to -- I said this earlier -- the open-developer platform and the tech-stack accessibility to a broader engineering community and the customer base -- is very compelling in this context, as well.

Harlan Sur - *JPMorgan Chase & Co - Analyst*

I appreciate that. Very insightful.

Just a quick follow-up.: Any dynamics or challenges in transferring the connectivity-technology license between Synaptics -- Synaptics and Broadcom to onsemi?

The technology license is quite broad, right? Wi-Fi 8, UWB, Bluetooth, GPS, et cetera. Any challenges in transferring that technology license?

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

Obviously, we can't discuss those specifics. But we're focusing more on announcing the deal today. Obviously, the announcement of the deal is what got all of us, on both sides, comfortable with moving forward.

Harlan Sur - *JPMorgan Chase & Co - Analyst*

No. Perfect. Thank you.

Operator

Vijay Rakesh, Mizuho.

Vijay Rakesh - *Mizuho Securities USA LLC - Analyst*

Yeah. Hi, Hassan, Rahul. Congratulations on the deal. Just a couple of quick questions.

As you combine, get this IoT business from Synaptics, do you expect to keep that as a separate reporting segment within -- after the post of combination? Are you seeing any divestitures; anything that you feel is not strategic in this?

And then, a follow-up.

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

Yeah. Obviously, we intend on having Synaptics be an operating business unit within onsemi.

Of course, any reporting will come, when we -- post-close of the deal. Like I said, until then, we're two separate companies.

We are committed to the product lines that Synaptics has. I mentioned how each one of them is strategic and the reason why it is strategic, from an end market.

That is a complete deal, with all completed technology. We're excited about every segment of technology that Synaptics has invested in that they, post-close, would bring into onsemi.

Vijay Rakesh - *Mizuho Securities USA LLC - Analyst*

Got it. Thanks.

Just a quick one: Any thoughts on -- does it need a [MOFCOM] approval? Or any thoughts on -- is there a break-up fee in this?

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

Obviously, the details will be all filed, which is customary for a deal of this size for two public companies.

I mentioned before, this is normal regulatory approvals, which includes China, in this case.

Vijay Rakesh - *Mizuho Securities USA LLC - Analyst*

Got it. Thank you.

Operator

Thank you. This will conclude our Q&A session.

I will turn it back to Hassan El-Khoury, President and Chief Executive Officer of onsemi, for closing remarks.

Hassane El-Khoury - *ON Semiconductor Corp - President, Chief Executive Officer, Director*

All right. Thank you, all, for joining us on the call.

We're very excited for the prospect of this combination; and the compelling strategic and financial benefit to position the combined company, at scale, to win where the market is going, while maintaining our focus and success where we are winning, today.

Together, we would become an industry leader, positioned at the intersection of power, sense, connected compute, and control, addressing the four pillars of physical AI.

I can say, it's been a pleasure working with Rahul and his team during the process. We look forward to continuing this journey, together with the extended Synaptics family.

I look forward to welcoming them to onsemi. Together, we will execute and deliver the value for our customers and shareholders.

Thank you.

Operator

With that, we will conclude our conference.

Thank you for participating. You may now disconnect.

Cautionary Note Regarding Forward-Looking Statements

This communication relates to a proposed business combination transaction between Synaptics Incorporated and ON Semiconductor Corporation. This communication includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on Synaptics' and onsemi's current expectations, estimates and projections about the expected date of closing of the proposed transaction and the potential benefits thereof, their respective businesses and industries, management's beliefs and certain assumptions made by Synaptics and onsemi, all of which are subject to change. Some of these forward-looking statements can be identified by the use of forward-looking words such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates," "projects," "strategy," or "anticipates," or the negative of those words or other comparable terminology that convey uncertainty of future events or outcomes.

These forward-looking statements involve known and unknown risks and uncertainties, which may cause Synaptics' or onsemi's actual results and performance to be materially different from those expressed or implied in the forward-looking statements. Factors and risks that may impact future results and performance include, but are not limited to, the following factors: (1) the risk that the conditions to the closing of the transaction are not satisfied, including the risk that required approvals from regulators or the stockholders of Synaptics for the transaction are not obtained; (2) litigation relating to the transaction; (3) uncertainties as to the timing of the consummation of the transaction and the ability of each party to consummate the transaction; (4) risks that the proposed transaction disrupts the current plans and operations of Synaptics or onsemi, including restrictions during the pendency of the transaction that may impact the ability to pursue certain business opportunities or strategic transactions; (5) the ability of Synaptics and onsemi to retain and hire key personnel; (6) competitive responses to the proposed transaction; (7) unexpected costs, charges or expenses resulting from the transaction; (8) potential adverse reactions or changes to business relationships resulting from the announcement or completion of the transaction; (9) the combined companies' ability to achieve the growth prospects and synergies expected from the transaction, as well as delays, challenges and expenses associated with integrating the combined companies' existing businesses; (10) uncertainty as to the long-term value of onsemi's common stock; (11) legislative, regulatory and economic developments; and (12) unpredictability and severity of catastrophic events, including, but not limited to, acts of terrorism or outbreak of war or hostilities, as well as Synaptics' and onsemi's response to any of the aforementioned factors. These risks, as well as other risks associated with the proposed transaction, will be more fully discussed in the proxy statement/prospectus that will be included in the Registration Statement on Form S-4 that will be filed with the SEC in connection with the proposed transaction. While the list of factors presented here is considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward-looking statements.

In addition, actual results are subject to other risks and uncertainties that relate more broadly to Synaptics' overall business, including those more fully described in Synaptics' filings with the Securities and Exchange Commission ("SEC") including its annual report on Form 10-K for the fiscal year ended June 28, 2025, and its quarterly reports filed on Form 10-Q for the current fiscal year, and onsemi's overall business and financial condition, including those more fully described in onsemi's filings with the SEC including its annual report on Form 10-K for the fiscal year ended December 31, 2025, and its quarterly reports filed on Form 10-Q for its current fiscal year. Forward-looking statements are not guarantees of performance, and speak only as of the date made, and neither Synaptics nor its management undertakes any obligation to update or revise any forward-looking statements.

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Important Additional Information about the Transaction and Where To Find It

The proposed transaction will be submitted to the stockholders of Synaptics for their consideration. In connection with the proposed transaction, onsemi will file with the SEC a Registration Statement on Form S-4 that will include a proxy statement of Synaptics and that also constitutes a prospectus of onsemi. Each of Synaptics and onsemi will provide the proxy statement/prospectus to Synaptics stockholders. Synaptics and onsemi also plan to file other documents with the SEC regarding the proposed transaction. This document is not a substitute for any prospectus, proxy statement or any other document which Synaptics or onsemi may file with the SEC in connection with the proposed transaction. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS THAT WILL BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. You may obtain copies of all documents filed with the SEC regarding this transaction, free of charge, at the SEC's website (www.sec.gov). In addition, investors and stockholders will be able to obtain free copies of the proxy statement/prospectus and other documents filed with the SEC by the parties on Synaptics Investor Relations at https://investor.synaptics.com/ (for documents filed with the SEC by Synaptics) or onsemi Investor Relations at https://investor.onsemi.com/ (for documents filed with the SEC by onsemi).

Participants in the Solicitation

Synaptics, onsemi, and certain of their respective directors, executive officers and other members of management and employees, under SEC rules may be deemed to be participants in the solicitation of proxies from Synaptics stockholders in connection with the proposed transaction. Information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of Synaptics stockholders in connection with the proposed transaction, and a description of their direct and indirect interests, by security holdings or otherwise, will be set forth in the proxy statement/prospectus when it is filed with the SEC. You can find more detailed information about Synaptics' executive officers and directors under the headings "Proposal 1 – Election of Directors," "Director Compensation," "Compensation Discussion and Analysis," "Named Executive Officer Compensation Tables," "CEO Pay Ratio Disclosure," "Pay Versus Performance Disclosure" and "Beneficial Ownership of Certain Stockholders" in its definitive proxy statement filed with the SEC on September 16, 2025. To the extent holdings of Synaptics common stock by the directors and executive officers of Synaptics have changed from the amounts of Synaptics common stock held by such persons as reflected therein, such changes have been or will be reflected on Statements of Change in Ownership on Form 4 filed with the SEC, which are available at https://www.sec.gov/edgar/browse/?CIK=817720&owner=exclude under the tab "Ownership Disclosures". You can find more detailed information about onsemi's executive officers and directors under the headings "The Board of Directors and Corporate Governance," "Compensation of Executive Officers" and "Stock Ownership" in its definitive proxy statement filed with the SEC on April 2, 2026. To the extent holdings of onsemi common stock by the directors and executive officers of onsemi have changed from the amounts of onsemi common stock held by such persons as reflected therein, such changes have been or will be reflected on Statements of Change in Ownership on Form 4 filed with the SEC, which are available at https://www.sec.gov/edgar/browse/?CIK=1097864&owner=exclude under the tab "Ownership Disclosures". Additional information about Synaptics' executive officers and directors and onsemi's executive officers and directors can be found in the above-referenced Registration Statement on Form S-4 when it becomes available.