



# Synaptics to Acquire DisplayLink

July 20, 2020



# Safe Harbor Statement

This presentation 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, including our expectations regarding the proposed transaction between Synaptics and DisplayLink, the expected timetable for completing the transaction and the potential benefits of the transaction, 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 possibility that various conditions to the consummation of the proposed transaction between Synaptics and DisplayLink will not be satisfied or waived; the ability to successfully integrate the acquired business into our portfolio; the failure to realize the anticipated benefits of the transaction; the ability to successfully integrate the acquired business into our portfolio; the risk that our business, results of operations and financial condition and prospects may be materially and adversely affected by the COVID-19 pandemic and that significant uncertainties remain related to the impact of COVID-19 on our business operations and future results, including our fourth quarter fiscal 2020 business outlook; 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 29, 2019 (including that the impact of the COVID-19 pandemic may also exacerbate the risks discussed therein); 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.

# Disclaimer Regarding Non-GAAP Financial Measures

In this presentation, we disclose certain financial measures that are not calculated in accordance United States generally accepted accounting principles, including Synergized EBITDA, non-GAAP gross margin, non-GAAP EPS and free cash flow. We have not provided a reconciliation of these non-GAAP financial measures to their respective comparable GAAP financial measures because, without unreasonable efforts, we are unable to predict with reasonable certainty the amount or timing of adjustments that are used to calculate these non-GAAP financial measures. These adjustments are uncertain, depend on various factors that are beyond our control and could have a material impact on, in each case, the most directly comparable GAAP financial measure.

# Strategic Rationale



## Financially compelling transaction

- \$305M purchase price is at ~6x synergized EBITDA
- Immediately and significantly accretive to non-GAAP margins, free cash flow, and EPS
- Accelerates diversification into IoT



## In-depth market knowledge helps drive unique and significant synergies

- \$15M in synergies leading to 40%+ non-GAAP operating margin
- With synergies, accretive by ~\$1.00 in non-GAAP EPS annually



## Creates an entrée into a different sub-segment of the Enterprise Docking market

- Leverage existing Synaptics ICs to produce unique systems solutions
- Extends leadership in video interface market and adds universal docking segment

# DisplayLink – Leadership in Universal Docking

Track Record of Success

Founded in  
**2003**  
UK Based

Revenue CAGR  
**29%**  
2011-19

**>\$500M**  
Lifetime Revenue

Strong Market Validation

**>250**  
Patents and  
Patent Applications

**40M+**  
ICs SHIPPED

**100+**  
Certified End  
Products

High Performance Software and Video Compression



Tier 1 Customers And Technology Partners



# Expands Position in Enterprise Docking Market

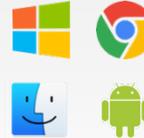
## Commercial MST Hub Docks



*Thunderbolt / USB-C Alt-mode docks*

- Windows OS
- Specific port type matched to notebook
- Throughput up to 26Gbps today
- Add-on to PC/notebook sale

## Universal Docks



*Software based multi-4K docking system*

- Any OS
- Any port type, any notebook
- 96Gbps throughput using dynamic compression
- Any channel, any user

# Trends Driving Universal Dock Adoption

## Market Trends



## Technology Trends



# Well Positioned for New Opportunities

TODAY



4x4K Support

TOMORROW



Future-proof with 8K and 10K support

FUTURE



Roadmap for wireless docking and displays



- ✓ *Complete portfolio for CIO*
- ✓ *Any device, OS or interface*
- ✓ *Seamless user experience*
- ✓ *Future-proof enterprise IT spend*

# Transaction Overview

## Consideration

- \$305M total purchase price
- All-cash consideration from Synaptics

## Timing

- Expected to close during Synaptics fiscal Q1'21; no expected regulatory filings
- Subject to customary closing conditions

## Financials

- \$94M in CY2019 Sales
- Immediately accretive to Synaptics' non-GAAP margins, free cash flow, and EPS

## Funding

- Funded from Synaptics existing on-hand cash balance
- No additional financing sources required; \$100M of our line of credit remains available

\*DisplayLink CY2019 is fiscal year-ending Dec 31, 2019

# Compelling Financial Combination

Non-GAAP (\$M)	DisplayLink CY2019	Synergy Plan	Transaction w/ Synergy	Combined w/ Synergy
Revenue	\$94		\$94	
Gross Profit	72		72	
Gross Margin	77%		77%	+ 2%
Operating Expense	46	-15	31	
Operating Profit	26	15	41	
Operating Margin	27%		43%	+ 2%
EPS Accretion	\$0.63	\$0.37	\$1.00	

## Attractive Valuation

\$305 / \$94 Sales =  
~3x EV / Sales

\$305 / \$46 EBITDA =  
~6x EV / EBITDA

Combined EBITDA  
\$60-70M per Quarter

Complementary business  
drives unique synergies

\*All values are non-GAAP measurements; see slide 3 for certain disclaimers concerning non-GAAP financial measures

\*DisplayLink CY2019 is fiscal year-ending Dec 31, 2019

\*EBITDA includes D&A of approximately \$5M in CY2019 for DisplayLink and assumes achievement of synergy plan

\*Combined EBITDA includes Synaptics TTM, DisplayLink with synergy achievement, and inclusion of estimates for wireless IoT acquisition announced on July 7, 2020

# Accretive to our Financial Model

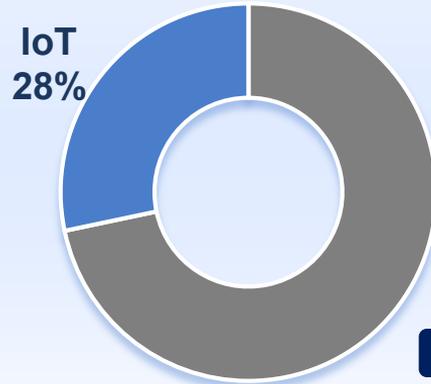
	Long-Term Model	DisplayLink	Broadcom Wireless IoT
Revenue	+4-6%	✓	✓✓
Non-GAAP Gross Margin	>50%	✓✓	✓
Non-GAAP Operating Margin	~20%	✓✓	✓✓

*Accelerates Synaptics Ability to Deliver Long-Term Shareholder Value*

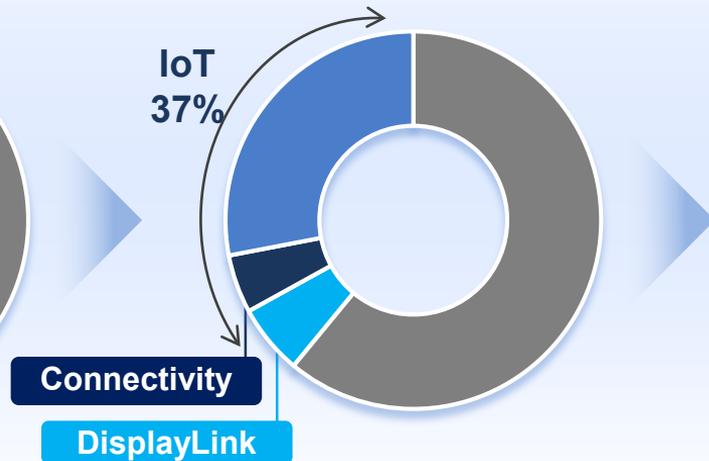
Long-term financial model as presented on June 9, 2020; see disclaimer concerning non-GAAP financial measures on slide 3  
Broadcom Wireless IoT acquisition announced on July 7, 2020

# Continues Synaptics Diversification into IoT

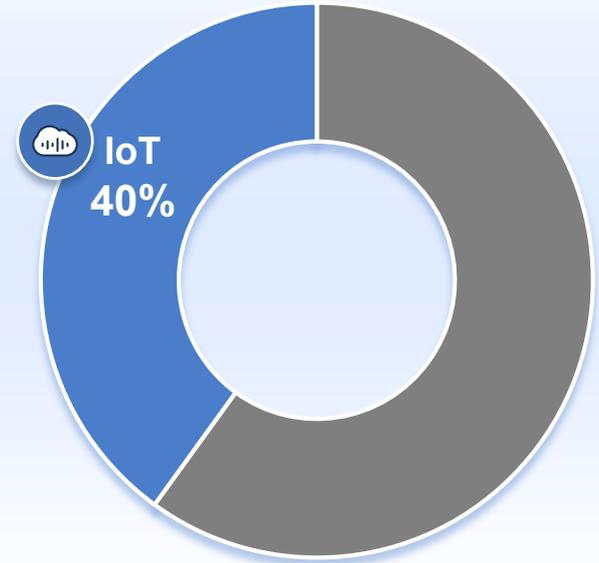
## YTD Synaptics Revenue Mix



## Pro Forma with IoT Acquisitions

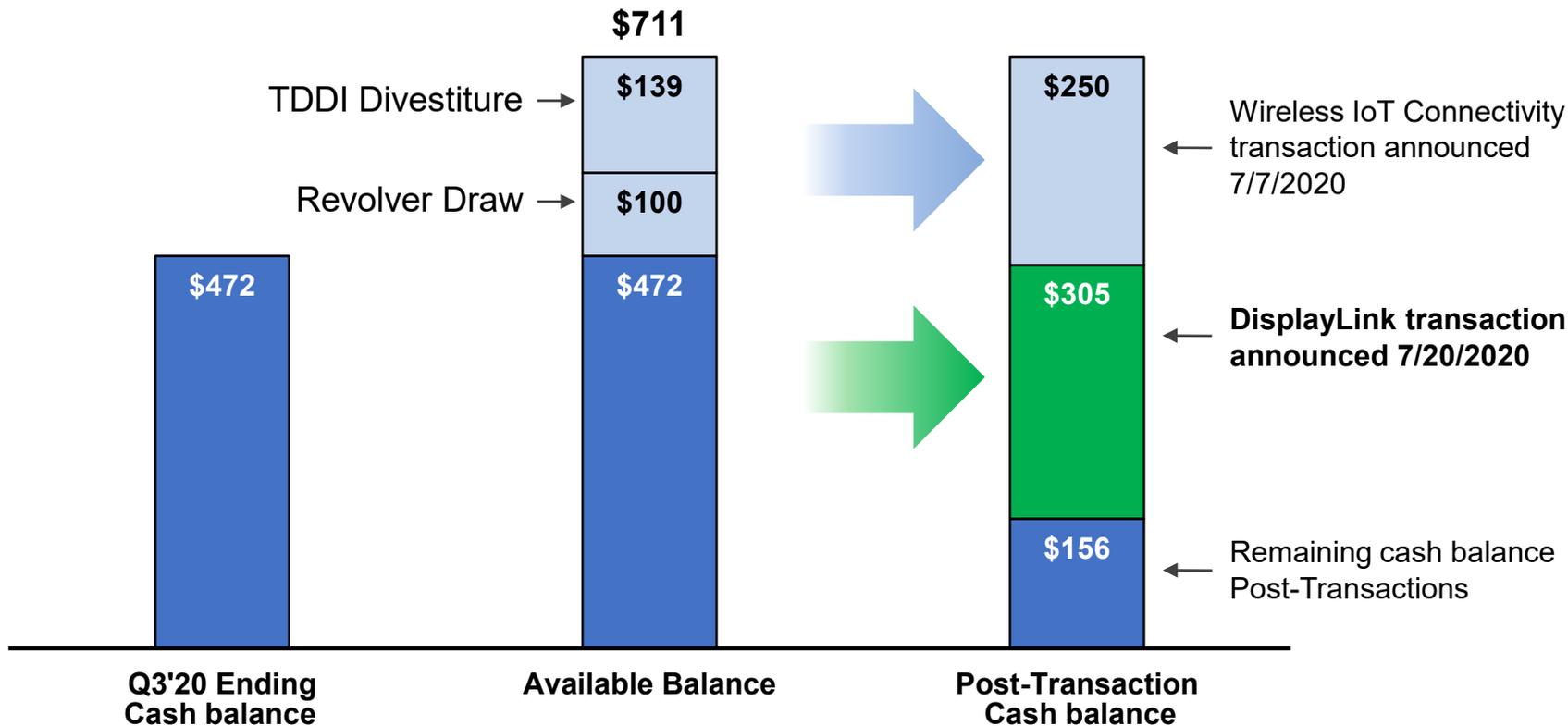


## Long-Term Model



YTD Synaptics: Q1-Q3'20 FY2020 Net Revenue less divested LCD TDDI Net Revenue  
Pro Forma: Expected Net Revenue from transactions in addition to Synaptics Q1-Q3'20 FY2020 Net Revenue  
Long Term: Management's current long-term model as presented on June 9, 2020  
Connectivity: Acquisition of Broadcom's wireless IoT connectivity asset announced July 7, 2020

# Capital Deployment for Growth & Accretive Assets



See 10Q for F3Q20 filed on May 7, 2020. All values are stated in millions.

# Summary



**Compelling financial transaction: ~6x EBITDA and highly accretive**



**Highly complementary to roadmap with unique synergies**



**Accelerates Synaptics' long-term IoT diversification strategy**



**Well positioned to capitalize on technology and market trends**

~6x EBITDA includes planned synergy achievement



Q&A