UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission file number 000-49602

SYNAPTICS INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**77-0118518** **(I.R.S. Employer Identification No.)**

1109 McKay Drive
San Jose, California 95131
(Address of principal executive offices) (Zip code)

(408) 904-1100
(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $.001 per share	SYNA	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 2, 2023, the Company had 39,199,945 shares of Common Stock outstanding.

SYNAPTICS INCORPORATED
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2023

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PART I—FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SYNAPTICS INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except par value and share amounts)
(unaudited)

	September 2023	June 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 801.3	$ 924.7
Short-term investments	23.1	9.6
Accounts receivable, net	111.2	163.9
Inventories, net	131.7	137.2
Prepaid expenses and other current assets	41.3	36.6
Total current assets	1,108.6	1,272.0
Property and equipment, net	67.4	66.4
Goodwill	816.4	816.4
Acquired intangibles, net	288.7	298.5
Right-of-use assets	47.8	49.0
Non-current other assets	219.8	109.1
	$ 2,548.7	$ 2,611.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 63.9	$ 45.8
Accrued compensation	23.5	45.9
Income taxes payable	49.1	54.0
Other accrued liabilities	103.0	108.4
Current portion of long-term debt	6.0	6.0
Total current liabilities	245.5	260.1
Long-term debt	969.6	972.0
Other long-term liabilities	129.3	135.9
Total liabilities	1,344.4	1,368.0
Stockholders' Equity:		
Preferred stock:		
$0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock:		
$0.001 par value; 120,000,000 shares authorized, 69,299,794 and 68,687,511 shares issued, 39,183,355 and 38,571,072 shares outstanding, at September 2023 and June 2023, respectively	0.1	0.1
Additional paid-in capital	1,025.6	1,009.2
Treasury stock: 30,116,439 common shares at September 2023 and June 2023, at cost	(878.0)	(878.0)
Accumulated other comprehensive loss	0.1	—
Retained earnings	1,056.5	1,112.1
Total stockholders' equity	1,204.3	1,243.4
	$ 2,548.7	$ 2,611.4

See accompanying notes to condensed consolidated financial statements (unaudited)

SYNAPTICS INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)
(unaudited)

	Three Months Ended September	
	2023	**2022**
Net revenue	$ 237.7	$ 448.1
Cost of revenue	130.6	192.4
Gross margin	107.1	255.7
Operating expenses:		
Research and development	86.5	89.5
Selling, general, and administrative	42.3	44.7
Acquired intangibles amortization	5.5	9.5
Restructuring costs	8.0	—
Total operating expenses	142.3	143.7
Operating (loss) income	(35.2)	112.0
Interest and other expense, net	(5.4)	(8.3)
(Loss) income before provision for income taxes	(40.6)	103.7
Provision for income taxes	15.0	39.1
Net (loss) income	$ (55.6)	$ 64.6
Net (loss) income per share:		
Basic	$ (1.43)	$ 1.62
Diluted	$ (1.43)	$ 1.59
Shares used in computing net (loss) income :		
Basic	38.8	39.8
Diluted	38.8	40.7

See accompanying notes to condensed consolidated financial statements (unaudited)

SYNAPTICS INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(in millions)
(unaudited)

	Three Months Ended September	
	2023	**2022**
Net (loss) income	$ (55.6)	$ 64.6
Other comprehensive income (loss), net of tax		
Unrealized income (loss) on available-for-sale-securities	0.1	(0.1)
Comprehensive (loss) income	$ (55.5)	$ 64.5

See accompanying notes to condensed consolidated financial statements (unaudited)

SYNAPTICS INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions, except share amounts)
(unaudited)

	Common Stock						
	Shares	**Amount**	**Additional Paid-In Capital**	**Treasury Stock**	**Accumulated Other Comprehensive Income**	**Retained Earnings**	**Total Stockholders' Equity**
Balance at June 2023	68,687,511	$ 0.1	$ 1,009.2	$ (878.0)	$ —	$ 1,112.1	$ 1,243.4
Net loss	—	—	—	—	—	(55.6)	(55.6)
Other comprehensive income	—	—	—	—	0.1	—	0.1
Issuance of common stock for share-based award compensation plans	612,283	—	8.5	—	—	—	8.5
Payroll taxes related to net share settlement of share-based awards	—	—	(25.3)	—	—	—	(25.3)
Share-based compensation	—	—	33.2	—	—	—	33.2
Balance at September 2023	69,299,794	$ 0.1	$ 1,025.6	$ (878.0)	$ 0.1	$ 1,056.5	$ 1,204.3

See accompanying notes to condensed consolidated financial statements (unaudited)

SYNAPTICS INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions, except share amounts)
(unaudited)

	Common Stock						
	Shares	**Amount**	**Additional Paid-In Capital**	**Treasury Stock**	**Accumulated Other Comprehensive Loss**	**Retained Earnings**	**Total Stockholders' Equity**
Balance at June 2022	67,745,800	$ 0.1	$ 924.1	$ (694.5)	$ (1.8)	$ 1,038.5	$ 1,266.4
Net income	—	—	—	—	—	64.6	64.6
Other comprehensive loss	—	—	—	—	(0.1)	—	(0.1)
Issuance of common stock for share-based award compensation plans	483,713	—	8.5	—	—	—	8.5
Payroll taxes related to net share settlement of share-based awards	—	—	(31.4)	—	—	—	(31.4)
Common stock repurchased	—	—	—	(13.4)	—	—	(13.4)
Share-based compensation	—	—	30.5	—	—	—	30.5
Balance at September 2022	68,229,513	$ 0.1	$ 931.7	$ (707.9)	$ (1.9)	$ 1,103.1	$ 1,325.1

See accompanying notes to condensed consolidated financial statements (unaudited)

SYNAPTICS INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	Three Months Ended September	
	2023	**2022**
Cash flows from operating activities		
Net (loss) income	$ (55.6)	$ 64.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation costs	33.2	30.5
Depreciation and amortization	7.2	6.2
Acquired intangibles amortization	23.3	33.0
Deferred taxes	(1.1)	5.9
Other	12.6	5.1
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	53.6	37.7
Inventories	(6.8)	(9.7)
Prepaid expenses and other current assets	(4.8)	(3.2)
Other assets	0.9	3.1
Accounts payable	16.7	(17.6)
Accrued compensation	(22.0)	(38.2)
Income taxes payable	(6.6)	(18.9)
Other accrued liabilities	(5.2)	(20.0)
Net cash provided by operating activities	45.4	78.5
Cash flows from investing activities		
Proceeds from maturity of investments	3.2	7.7
Purchases of short-term investments	(16.6)	—
Purchases of property and equipment	(6.7)	(6.2)
Purchase of intangible assets	(13.5)	—
Advance payment on intangible assets	(116.5)	—
Other	—	0.8
Net cash provided by (used in) investing activities	(150.1)	2.3
Cash flows from financing activities		
Proceeds from issuance of shares	8.5	8.5
Payroll taxes related to net share settlement of share-based awards	(25.3)	(31.4)
Repurchases of common stock	—	(13.4)
Repayment of debt	(3.0)	(1.5)
Other	1.7	2.8
Net cash used in financing activities	(18.1)	(35.0)
Effect of exchange rate changes on cash and cash equivalents	(0.6)	(2.0)
Net increase (decrease) in cash and cash equivalents	(123.4)	43.8
Cash and cash equivalents, beginning of period	924.7	824.0
Cash and cash equivalents, end of period	$ 801.3	$ 867.8

See accompanying notes to condensed consolidated financial statements (unaudited)

1. Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission, or the SEC, and United States generally accepted accounting principles, or U.S. GAAP. Certain information or footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to SEC rules and regulations. In our opinion, the financial statements include all adjustments, which are of a normal and recurring nature and necessary for the fair presentation of the results of the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the operating results for the full fiscal year or any future period. These financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended June 24, 2023.

The condensed consolidated financial statements include our financial statements and those of our wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation. Certain reclassifications have been made to the amounts for prior years in order to conform to the current year’s presentation.

Our fiscal year is the 52- or 53-week period ending on the last Saturday in June. Our fiscal 2024 is a 53-week period ending June 29, 2024, and our fiscal 2023 was a 52-week period ending on June 24, 2023. The fiscal periods presented in this report are 14-week and 13-week periods for the three months ended September 30, 2023 and September 24, 2022, respectively. For simplicity, the accompanying condensed consolidated financial statements have been shown as ending on calendar quarter end dates as of and for all periods presented, unless otherwise indicated.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates including, but not limited to, those estimates related to revenue recognition, allowance for credit losses, cost of revenue, inventories, loss on purchase commitments, product warranty, accrued liabilities, share-based compensation costs, provision for income taxes, deferred tax assets and the associated valuation allowance, uncertain tax positions, goodwill, intangible assets, investments and loss contingencies. We base our estimates on historical experience, current period developments, applicable laws and regulations, and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Prepayment of Intangible Assets and Asset Acquisition

During the first quarter of fiscal 2024, we entered into an amendment to our wireless license agreement with Avago Technologies (“Broadcom”), to license four developed technology products and to extend the exclusivity period of certain developed technologies that were previously licensed from Broadcom in July 2020. As of September 2023, we have not obtained control of the four technology products and, accordingly, the relative fair value of these technology products are presented as a non-current asset in our condensed consolidated balance sheet.

The technologies included in the agreement do not constitute a business and, as such, we accounted for this transaction as an acquisition of an asset in accordance with the applicable guidance when we receive control of the developed technology. Refer to “Note 4. Prepayment of Intangible Assets and Asset Acquisition” for further discussion of the transaction.

Accounting Pronouncements Recently Adopted

In October 2021, the FASB issued ASU 2021-08, “Business Combinations (Topic 805): Accounting for Acquired Contract Assets and Contract Liabilities” which improves comparability for both the recognition and measurement of acquired revenue contracts with customers at the date of and after a business combination by providing consistent recognition guidance. This standard is effective for fiscal years beginning after December 15, 2022. We adopted this standard in the first quarter of our fiscal 2024 and it did not have any impact on our consolidated financial statements.

In December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848. ASU 2022-06 defers the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. We early adopted this standard in the first quarter of fiscal 2024 and it did not have any impact on our consolidated financial statements.

2. Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to our customers in an amount that reflects the consideration we expect to receive in exchange for those goods or services. Most of our revenue, except an inconsequential amount, is recognized at a point in time, either on shipment or delivery of the product, depending on customer terms and conditions.

Rights to our intellectual property, or IP, are either sold or licensed to customers. Revenue recognition from the licensing of our IP is dependent on the nature and terms of each agreement. We recognize revenue from the licensing of our IP upon delivery of the IP if there are no substantive future obligations to perform under the arrangement. Sales-based or usage-based royalties from the license of IP are recognized at the later of the period the sale or usage occurs, or the satisfaction of the performance obligation to which some or all of the sales-based or usage-based royalties have been allocated.

Our accounts receivable balance is from contracts with customers and represents our unconditional right to receive consideration from customers. To date, there have been no material credit loss charges recorded on accounts receivable. As of September 2023, and June 2023, contract assets recorded on our condensed consolidated balance sheets were $8.2 million and $1.3, respectively. Contract assets are presented as part of prepaid expenses and other current assets.

Contract liabilities and refund liabilities were $18.7 million and $37.2 million, respectively, as of September 2023, and $18.7 million and $39.8 million, respectively, as of June 2023. Both contract liabilities and refund liabilities are presented as customer obligations in Note 10 Balance Sheet Components. During the three months ended September 2023 and September 2022, we recognized $2.4 million and $1.8 million, respectively, in revenue related to contract liabilities, which was outstanding as of the beginning of such fiscal year.

Revenue from contracts with customers disaggregated by geographic area based on customer location and product category is presented in Note 15. Segment, Customers, and Geographical Information.

3. Net Income Per Share

The computation of basic and diluted net income per share was as follows (in millions, except per share data):

	Three Months Ended September	
	2023	2022
Numerator:		
Net (loss) income	$ (55.6)	$ 64.6
Denominator:		
Shares, basic	38.8	39.8
Effect of dilutive share-based awards and convertible notes	-	0.9
Shares, diluted	38.8	40.7
Net (loss) income per share:		
Basic	$ (1.43)	$ 1.62
Diluted	$ (1.43)	$ 1.59

Our basic net income per share amounts for each period presented have been computed using the weighted average number of shares of common stock, $0.001 par value, or the common stock, outstanding over the period measured. Our diluted net income per share amounts for each period presented include the weighted average effect of potentially dilutive shares. We use the "treasury stock" method to determine the dilutive effect of our stock options, restricted stock units, or RSUs, market stock units, or MSUs, and performance stock units, or PSUs. Potentially dilutive shares whose effect would have been antidilutive are excluded from the computation of diluted net income per share.

4. Prepayment of Intangible Assets and Asset Acquisition

During the fourth quarter of fiscal 2023, we paid an aggregate consideration of $130.0 million to Broadcom to extend the exclusivity period of certain previously acquired intangible assets for an additional three-year period and to license certain developed technology intangible assets. The developed technologies are expected to be delivered at various dates through August 2025.

The purchase consideration allocated to the extension of the exclusivity period was $13.5 million and was recorded as a developed technology intangible asset in the first quarter of fiscal 2024. This intangible asset is being amortized over its estimated economic useful life of three years. The remaining balance of the purchase consideration, totaling $116.5 million relating to the four technology products to be received at future dates, has been recorded as a prepayment of intangible assets. This prepayment is classified under non-current other assets in our condensed consolidated balance sheets. Upon obtaining control of the developed technologies, the amounts recorded under non-current other assets will be reclassified as intangible assets based on their respective fair values determined as of the agreement date.

5. Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value and consisted of the following (in millions):

	September 2023	June 2023
Raw materials and work-in-progress	$ 75.4	$ 70.5
Finished goods	56.3	66.7
	$ 131.7	$ 137.2

Inventories are recorded at standard cost, which approximates actual cost computed on a first-in, first-out basis. We record a write-down, if necessary, to reduce the carrying value of inventory to its net realizable value. The effect of these write-downs is to establish a new cost basis in the related inventory, which we do not subsequently write up. We also record a liability and charge to cost of revenue for estimated losses on inventory we are obligated to purchase from our contract manufacturers when such losses become probable from customer delays, order cancellations, or other factors. The following factors influence our estimates: changes to or cancellations of customer orders, unexpected or sudden decline in demand, rapid product improvements, technological advances, and termination or changes by our original equipment manufacturers, or OEM, customers of any product offerings incorporating our product solutions.

6. Cash, Cash Equivalents and Short-Term Investments

The following table summarizes our cash, cash equivalents and short-term investments by category at September 2023 and June 2023 (in millions):

	September 2023		
	Amortized Cost	Gross unrealized loss	Fair Value
Cash	$ 323.6	$ —	$ 323.6
Cash equivalents:			
Money market funds	426.7	—	426.7
Certificates of deposit	51.0	—	51.0
Total cash and cash equivalents	$ 801.3	$ —	$ 801.3
Short-term investments:			
Treasury bills	$ 16.6	$ —	$ 16.6
Corporate debt securities	5.6	(0.1)	5.5
Municipal bonds	1.0	—	1.0
Total short-term investments	$ 23.2	$ (0.1)	$ 23.1

	June 2023		
	Amortized Cost	Gross unrealized loss	Fair Value
Cash	$ 853.9	$ —	$ 853.9
Cash equivalents:			
Money market funds	54.4	—	54.4
Treasury bills	16.4	—	16.4
Total cash and cash equivalents	$ 924.7	$ —	$ 924.7
Short-term investments:			
Certificates of deposit	$ 0.2	$ —	$ 0.2
Corporate debt securities	6.5	(0.2)	6.3
Municipal bonds	3.1	—	3.1
Total short-term investments	$ 9.8	$ (0.2)	$ 9.6

The following table classifies our short-term investments by contractual maturities (in millions):

	September 2023		June 2023	
	Amortized cost	Fair value	Amortized cost	Fair value
Due within 1 year	$ 23.2	$ 23.1	$ 9.8	$ 9.6
Due between 1 year to 5 years	—	—	—	—
	$ 23.2	$ 23.1	$ 9.8	$ 9.6

7. Fair Value Measurements

We determine fair value based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value assumes that the transaction to sell the asset or transfer the liability occurs in the principal or most advantageous market for the asset or liability and establishes that the fair value of an asset or liability shall be determined based on the assumptions that market participants would use in pricing the asset or liability. The classification of a financial asset or liability within the hierarchy is based upon the lowest level input that is significant to the fair value measurement. The fair value hierarchy prioritizes the inputs into three levels that may be used to measure fair value:

- Level 1 – Valuation is based upon unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 – Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 – Valuation is based upon other unobservable inputs that are significant to the fair value measurements.

Our Level 1 financial instruments are traded in active markets, and the fair value is based on quoted market prices for identical instruments. The fair value of our Level 2 fixed income securities is obtained from an independent pricing service, which may use quoted market prices for identical or comparable instruments or model driven valuations using observable market data or inputs corroborated by observable market data. Our marketable securities are held by custodians who obtain investment prices from a third-party pricing provider that incorporates standard inputs in various asset price models.

At September 2023 and June 2023, financial assets measured at fair value on a recurring basis are summarized below (in millions):

	September 2023		
	Level 1	Level 2	Total (1)
Assets:			
Cash equivalents:			
Money market funds	$ 426.7	$ —	$ 426.7
Certificates of deposit	—	51.0	51.0
Short-term investments:			
Treasury bills	16.6	—	16.6
Corporate debt securities	—	5.5	5.5
Municipal bonds	—	1.0	1.0
Total assets	$ 443.3	$ 57.5	$ 500.8

(1) Excludes $323.6 million in cash held in our bank accounts as of September 2023. We did not have any financial instruments measured at fair value on a recurring basis within Level 3 fair value in this period.

	June 2023		
	Level 1	Level 2	Total (1)
Assets:			
Cash equivalents:			
Money market funds	$ 54.4	$ —	$ 54.4
Treasury bills	16.4	—	16.4
Short-term investments:			
Certificates of deposit	—	0.2	0.2
Corporate debt securities	—	6.3	6.3
Municipal bonds	—	3.1	3.1
Total assets	$ 70.8	$ 9.6	$ 80.4

(1) Excludes $853.9 million in cash held in our bank accounts as of June 2023. We did not have any financial instruments measured at fair value on a recurring basis within Level 3 fair value.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

We report our financial instruments at fair value with the exception of the Senior Notes and Term Loan Facility, as defined in Note 12. Debt. The estimated fair value of the Senior Notes and Term Loan Facility was determined based on the trading price of the Senior Notes and Term Loan Facility as of the last day of trading for the period. We consider the fair value of the Senior Notes and Term Loan Facility to be a Level 2 measurement as they are not actively traded in markets.

The carrying amounts and estimated fair values of the Senior Notes and Term Loan Facility are as follows for the periods presented (in millions):

	September 2023		June 2023	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Senior Notes due 2029	$ 395.8	$ 328.5	$ 395.6	$ 337.2
Term Loan Facility due 2028	579.8	578.4	$ 582.4	$ 575.3
	$ 975.6	$ 906.9	$ 978.0	$ 912.5

8. Acquired Intangibles and Goodwill

Goodwill

The following table represents the change in our goodwill balance for the three and twelve month periods ended September 2023 and June 2023, respectively (in millions):

	September 2023	June 2023
Beginning balance	$ 816.4	$ 806.6
Acquisition activity	—	9.8
Ending balance	$ 816.4	$ 816.4

Acquired Intangibles

The following table summarizes the life, the gross carrying value and the related accumulated amortization of our acquired intangible assets (in millions):

		September 2023			June 2023		
	Weighted Average Life in Years	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Audio and video technology	5.6	$ 231.9	$ (158.1)	$ 73.8	$ 231.9	$ (150.7)	$ 81.2
Customer relationships	4.1	158.2	(123.0)	35.2	158.2	(117.8)	40.4
Wireless connectivity technology	5.6	171.5	(65.6)	105.9	158.0	(58.0)	100.0
Video interface technology	3.0	82.0	(82.0)	—	82.0	(79.7)	2.3
Human presence detection technology	5.0	5.2	(1.0)	4.2	5.2	(0.7)	4.5
Licensed technology and other	4.4	10.8	(9.1)	1.7	10.8	(8.9)	1.9
Patents	8.0	4.4	(4.4)	—	4.4	(4.3)	0.1
Tradename	4.4	5.8	(4.9)	0.9	5.8	(4.7)	1.1
In process research and development	Not applicable	67.0	—	67.0	67.0	—	67.0
Acquired intangibles totals	4.9	$ 736.8	$ (448.1)	$ 288.7	$ 723.3	$ (424.8)	$ 298.5

The total amortization expense for the acquired intangible assets was $23.3 million and $33.0 million for the three months ended September 2023 and September 2022, respectively.

During the three months ended September 2023 and September 2022, $17.8 million and $23.5 million, respectively, of amortization expense was included in our condensed consolidated statements of operations in cost of revenue; the remainder was included in acquired intangibles amortization.

The following table presents the estimated future amortization expense of acquired amortizable intangible assets as of September 2023 (in millions):

Remainder of 2024	$ 54.6
2025	71.4
2026	58.3
2027	23.5
2028	10.6
2029	3.3
Thereafter	—
To be determined	67.0
Future amortization	$ 288.7

9. Leases

Our leases mainly include our worldwide office and research and development facilities which are all classified as operating leases. Certain leases include renewal options that are under our discretion. The leases expire at various dates through fiscal 2034, some of which include options to extend the lease for up to seven years. For the three months ended September 2023 and September 2022, we recorded operating lease expense of approximately $2.9 million and $3.3 million, respectively. Our short-term leases are immaterial.

As of September 2023 and June 2023, the components of leases are as follows (in millions):

	September 2023	June 2023
Operating lease right-of-use assets	$ 47.8	$ 49.0
Operating lease liabilities	$ 9.0	$ 9.0
Operating lease liabilities, long-term	40.9	42.4
Total operating lease liabilities	$ 49.9	$ 51.4

Supplemental cash flow information related to leases, including from acquisitions, is as follows (in millions):

	Three Months Ended September	
	2023	2022
Cash paid for operating leases included in operating cash flows	$ 2.3	$ 2.7
Supplemental non-cash information related to lease liabilities arising from obtaining right-of-use assets	$ 1.2	$ 1.4

As of September 2023, the weighted average remaining lease term is 7.26 years, and the weighted average discount rate is 5.19%.

Future minimum lease payments for the operating lease liabilities are as follows (in millions):

Fiscal Year	Operating Lease Payments
Remainder of 2024	$ 8.3
2025	10.0
2026	8.6
2027	7.3
2028	5.7
Thereafter	20.0
Total future minimum operating lease payments	59.9
Less: interest	(10.0)
Total lease liabilities	$ 49.9

10. Balance Sheet Components

Accounts receivable, net, consisted of the following (in millions):

	September 2023	June 2023
Accounts receivable	$ 115.4	$ 168.9
Less: Allowance for credit losses	(4.2)	(5.0)
	$ 111.2	$ 163.9

Other non-current assets consisted of the following (in millions):

	September 2023	June 2023
Prepayment of intangible assets	$ 116.5	$ —
Deferred taxes	65.0	68.0
Other	38.3	41.1
	$ 219.8	$ 109.1

Other accrued liabilities consisted of the following (in millions):

	September 2023	June 2023
Customer obligations	$ 56.0	$ 58.5
Inventory obligations	6.4	7.0
Operating lease liabilities	9.0	9.0
Other	31.6	33.9
	$ 103.0	$ 108.4

Other long-term liabilities consisted of the following (in millions):

	September 2023	June 2023
Operating lease liabilities, long-term	$ 40.9	$ 42.4
Deferred tax liability	35.2	39.1
Income taxes payable, long-term	35.7	38.1
Other	17.5	16.3
	$ 129.3	$ 135.9

11. Indemnifications and Contingencies

Indemnifications

In connection with certain agreements, we are obligated to indemnify the counterparty against third party claims alleging infringement of certain intellectual property rights by us. We have also entered into indemnification agreements with our officers and directors. Maximum potential future payments under these agreements cannot be estimated because these agreements generally do not have a maximum stated liability. However, historical costs related to these indemnification provisions have not been significant. We have not recorded any liability in our condensed consolidated financial statements for such indemnification obligations.

Contingencies

We have in the past, and may in the future, receive notices from third parties that claim our products infringe their intellectual property rights. We cannot be certain that our technologies and products do not, and will not, infringe issued patents or other proprietary rights of third parties.

Any infringement claims, with or without merit, could result in significant litigation costs and diversion of management and financial resources, including the payment of damages, which could have a material adverse effect on our business, financial condition, and results of operations.

Legal Proceedings

From time to time, we are subject to various claims and legal proceedings, either asserted or unasserted, that arise in the ordinary course of business. While we currently believe that resolving claims against us, individually or in the aggregate, will not have a material adverse impact on our business, financial condition, or results of operations, these matters are subject to inherent uncertainties and our view of these matters may change in the future. We accrue for loss contingencies when it is both probable that we will incur the loss and we can reasonably estimate the amount of the loss or range of loss.

12. Debt

Senior Notes

On March 11, 2021, we completed an offering of $400.0 million aggregate principal amount of 4.0% senior notes due 2029, or the Senior Notes, in a private offering. The Senior Notes were issued pursuant to an indenture, dated as of March 11, 2021, or the Indenture, by and among our company, the guarantors named therein and Wells Fargo Bank, National Association, as trustee.

The Indenture provides that the Senior Notes will bear interest at a rate of 4.0% per annum, payable in cash semi-annually in arrears on December 15 and June 15 of each year, commencing on June 15, 2021. The Senior Notes will mature on June 15, 2029 and are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by each of our current and future domestic restricted subsidiaries that guarantee our obligations under our senior secured credit facilities.

Prior to June 15, 2024, we may redeem the Senior Notes, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus a make-whole premium set forth in the Indenture, plus accrued and unpaid interest, if any, up to, but excluding, the redemption date.

On or after June 15, 2024, we may redeem some or all of the Senior Notes at the redemption prices specified below, plus accrued and unpaid interest, if any, up to, but excluding, the redemption date:

Year	Price
2024	102 %
2025	101 %
2026 and thereafter	100 %

In addition, at any time prior to June 15, 2024, we may redeem up to 40% of the aggregate principal amount of the Senior Notes at a redemption price equal to 104% of the principal amount thereof, plus accrued and unpaid interest, if any, up to, but excluding, the applicable redemption date with the net cash proceeds from one or more equity offerings by us.

The Senior Notes are the general unsecured obligations of our company. The Senior Note guarantees are the senior unsecured obligations of each guarantor. Under certain circumstances, the guarantors may be released from their Senior Note guarantees without consent of the holders of Senior Notes. Under the terms of the Indenture, the Senior Notes rank equally in right of payment with all of our and the guarantors' existing and future senior indebtedness, and rank contractually senior in right of payment to our and the guarantors' future indebtedness and other obligations that are, by their terms, expressly subordinated in right of payment to the Senior Notes. The Senior Notes are effectively subordinated to our and the guarantors' existing and future secured indebtedness, including secured indebtedness under our senior secured credit facilities, to the extent of the value of the assets securing such indebtedness. The Senior Notes and guarantees are structurally subordinated to all existing and future indebtedness and liabilities (including trade payables) of our subsidiaries that do not guarantee the Senior Notes.

The Indenture contains covenants that, subject to exceptions and qualifications, among other things, limit our ability and the ability of our Restricted Subsidiaries (as defined in the Indenture) to (i) incur additional indebtedness and guarantee indebtedness; (ii) pay dividends or make other distributions or repurchase or redeem our company's or any parent's capital stock; (iii) prepay, redeem or repurchase certain indebtedness; (iv) issue certain preferred stock or similar equity securities; (v) make loans and investments; (vi) dispose of assets; (vii) incur liens; (viii) enter into transactions with affiliates; (ix) enter into agreements restricting its subsidiaries' ability to pay dividends; and (x) consolidate, merge or sell all or substantially all of its assets.

The Indenture contains customary events of default including, without limitation, failure to make required payments, failure to comply with certain agreements or covenants, cross-acceleration to certain other indebtedness in excess of specified amounts, certain events of bankruptcy and insolvency, and failure to pay certain judgments. An event of default under the Indenture will allow either the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Senior Notes to accelerate, or in certain cases, will automatically cause the acceleration of, the maturity of the principal, and accrued and unpaid interest, if any, on all outstanding Notes.

Debt issuance costs relating to the Senior Notes of $5.7 million, netted against the debt amount on the condensed consolidated balance sheet, are amortized as interest expense through the maturity date. The total interest expense and amortization of the debt issuance costs recorded on the Senior Notes during the three months ended September 2023 and 2022 was $4.1 million in each period.

Revolving Credit Facility

On March 16, 2023, we entered into a Second Amendment, or the Second Amendment, and on July 28, 2023, we entered into a Third Amendment, or the Third Amendment, to our Second Amended and Restated Credit Agreement, as amended, or the Credit Agreement, with the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent, dated March 11,

2021. The Second Amendment replaces the LIBOR-based interest rate applicable to borrowings under the Credit Agreement with a SOFR-based interest rate, and the Third Amendment provides that the consolidated interest coverage ratio financial covenant only applies if, as of the last day of any fiscal quarter, our aggregate cash and cash equivalents balance is less than $450 million.

The Credit Agreement provides for a revolving credit facility in a principal amount of up to $250 million, which includes a $20 million sublimit for letters of credit and a $25 million sublimit for swingline loans. Under the terms of the Credit Agreement, we may, subject to the satisfaction of certain conditions, request increases in the revolving credit facility commitments in an aggregate principal amount of up to $150 million to the extent existing or new lenders agree to provide such increased or additional commitments, as applicable. Future proceeds under the revolving credit facility are available for working capital and general corporate purposes. As of September 2023, there was no balance outstanding under the revolving credit facility.

Borrowings under the revolving credit facility are required to be repaid in full by March 11, 2026. Debt issuance costs relating to the revolving credit facility of $1.6 million, included in non-current other assets on our consolidated balance sheet, are being amortized over 60 months.

Our obligations under the Credit Agreement are guaranteed by the material domestic subsidiaries of our company, subject to certain exceptions, who collectively with our company are referred to as the Credit Parties. The obligations of the Credit Parties under the Amended Credit Agreement and the other loan documents delivered in connection therewith are secured by a first priority security interest in substantially all of the existing and future personal property of the Credit Parties, including, without limitation, 65% of the voting capital stock and 100% of the non-voting capital stock of certain of the Credit Parties' direct foreign subsidiaries, subject to certain exceptions.

The Credit Agreement bears interest, at our election, of a Base Rate plus an Applicable Margin or Adjusted Term SOFR, as defined in the Second Amendment, plus an Applicable Margin. Swingline loans bear interest at a Base Rate plus an Applicable Margin. The Base Rate is a floating rate that is the greater of the Prime Rate, the Federal Funds Rate plus 50 basis points, or Adjusted Term SOFR plus 100 basis points. The Applicable Margin is based on a sliding scale which ranges from 25 to 100 basis points for Base Rate loans and 100 basis points to 175 basis points for Adjusted Term SOFR loans. We are required to pay a commitment fee on any unused commitments under the Credit Agreement which is determined on a leverage-based sliding scale ranging from 0.175% to 0.25% per annum. Interest and fees are payable on a quarterly basis.

Under the Credit Agreement, there are various restrictive covenants, including two financial covenants which limit the consolidated total leverage ratio, or leverage ratio, the consolidated interest coverage ratio, or interest coverage ratio, which, after the Third Amendment, only applies if our cash and cash equivalents balance is less than $450 million as of the last day of any fiscal quarter. The leverage ratio is the ratio of net debt as of the measurement date to Consolidated EBITDA, for the four consecutive quarters ending with the quarter of measurement. The current leverage ratio shall not exceed 3.75 to 1.00 provided that for the four fiscal quarters ending after the date of a material acquisition, such maximum leverage ratio shall be adjusted to 4.25 to 1.00, and thereafter 3.75 to 1.0. The interest coverage ratio is Consolidated EBITDA to interest expense for the four consecutive quarters ending with the quarter of measurement. If our quarter-end cash and cash equivalents balance is less than $450.0 million, the interest coverage ratio must not be less than 3.50 to 1.0 as of the date of determination. As of September 2023, we remain in compliance with the restrictive covenants.

Term Loan Facility

On December 2, 2021, we entered into that certain First Amendment and Lender Joinder Agreement to the Credit Agreement, to, among other things, establish a new $600.0 million incremental term loan facility, or the Term Loan Facility. The Term Loan Facility was advanced by certain existing and new lenders under the Credit Agreement to finance the DSPG acquisition. The Term Loan Facility matures on December 2, 2028. Principal on the Term Loan Facility is payable in equal quarterly installments on the last day of each March, June, September and December of each year, beginning December 31, 2021, at a rate of 1.00% per annum.

Borrowings under the Term Loan Facility accrue interest at the SOFR, plus 2.25%, or at the Base Rate plus 1.25%, subject to a 25 basis point step-down based on total gross leverage, and subject to an Adjusted Term SOFR floor of 50 basis points. The base rate is the highest of (i) the Federal Funds Rate plus 0.50%, (ii) the Prime Rate and (iii) the one-month Adjusted Term SOFR plus 1.00%. The Term Loan Facility contains customary representations and warranties, affirmative and negative covenants and events of default, in each case consistent with the Credit Agreement. The Term Loan Facility does not contain any financial covenants.

The Term Loan Facility is subject to a 1.00% prepayment premium in the event all or any portion of the Term Loan Facility is prepaid within the first 6 months in connection with a repricing transaction only. The Term Loan Facility is subject to customary mandatory prepayments, including an excess cash flow sweep, subject to customary step-downs and thresholds.

Debt issuance costs relating to the Term Loan Facility of $11.2 million, netted against the debt amount on the condensed consolidated balance sheet, are amortized as interest expense over 96 months. The total interest expense and amortization of the debt issuance costs recorded on the Term Loan Facility during the three months ended September 2023 and 2022 was $11.8 million and $6.9 million, respectively.

13. Share-Based Compensation

Share-Based Compensation Plans

On October 29, 2019, our stockholders approved: (i) our 2019 Equity and Incentive Compensation Plan, or the 2019 Incentive Plan, to replace our Amended and Restated 2010 Incentive Compensation Plan, or the 2010 Incentive Plan, and (ii) our 2019 Employee Stock Purchase Plan, or the 2019 ESPP, to replace our Amended and Restated 2010 Employee Stock Purchase Plan. Awards outstanding at October 29, 2019 under our prior share-based compensation plans were not impacted by the approval of the 2019 Incentive Plan and continue to remain outstanding and vest by their terms under the applicable share-based compensation plan. Shares underlying certain share-based awards forfeited under the 2010 Incentive Plan subsequent to the approval of the 2019 Incentive Plan automatically transfer to and become available for award issuance from the 2019 Incentive Plan.

The 2019 Incentive Plan authorizes our Board of Directors to provide equity-based compensation in the form of stock options, stock appreciation rights, restricted stock, RSUs, cash incentive awards, performance shares, PSUs, and other stock-based awards. The 2019 Incentive Plan has been amended and restated, and the cumulative number of shares approved by stockholders is 6,188,000 as of October 24, 2023. The 2019 ESPP authorizes the Company to provide eligible employees with an opportunity to acquire an equity interest in the Company through the purchase of stock at a discount, with an initial authorization of 1,500,000 shares.

Effective August 19, 2019, we adopted the 2019 Inducement Equity Plan, and 650,000 shares of our common stock were reserved for issuance under the 2019 Inducement Equity Plan, subject to adjustment for stock dividends, stock splits, or other changes in our common stock or capital structure. The 2019 Inducement Equity Plan was intended to comply with Rule 5635(c)(4) of the Nasdaq Stock Market Listing Rules, which provide an exception to the Nasdaq Stock Market Listing Rules on the shareholder approval requirement for the issuance of securities with regards to grants to employees of the Company or its subsidiaries as an inducement material to such individuals entering into employment with the Company or its subsidiaries. An individual was eligible to receive an award under the 2019 Inducement Equity Plan only if he or she was not previously an employee or director of our Company (or is returning to work after a bona-fide period of non-employment), and an award under the 2019 Inducement Equity Plan is a material inducement for him or her to accept employment with our Company. No new awards may be granted under the 2019 Inducement Equity Plan.

Share-Based Compensation

Share-based compensation recognized in our condensed consolidated statements of operations were as follows (in millions):

	Three Months Ended September	
	2023	2022
Cost of revenue	$ 1.1	$ 1.1
Research and development	15.2	14.0
Selling, general, and administrative	16.9	17.5
Total	$ 33.2	$ 32.6

Included in the preceding table is share-based compensation for our cash-settled phantom stock units, which we granted in October 2019 (see *Phantom Stock Units* below) (in millions):

	Three Months Ended September	
	2023	2022
Research and development	$ —	$ 1.5
Selling, general, and administrative	—	0.6
Total	$ —	$ 2.1

The final vesting of the phantom stock units occurred in October 2022, and no phantom stock units remain outstanding under this plan.

Historically, we have issued new shares in connection with our equity-settled share-based compensation plans, however, treasury shares are also available for issuance. Any additional shares repurchased under our common stock repurchase program will be available for issuance under our share-based compensation plans.

Share-Based Compensation Plan Activity

Stock Options

Stock option activity was as follows:

	Stock Option Awards Outstanding	Weighted Average Exercise Price
Balance as of June 2023	3,083	$ 52.53
Exercised	(3,083)	
Expired		
Balance as of September 2023	—	

Restricted Stock Units

RSUs granted generally vest ratably over three to four years from the vesting commencement date. RSU activity was as follows:

	RSU Awards Outstanding	Aggregate Intrinsic Value (in millions)
Balance as of June 2023	1,304,926	
Granted	1,224,402	
Vested	(454,536)	
Forfeited	(69,016)	
Balance as of September 2023	2,005,776	$ 179.4

The aggregate intrinsic value was determined using the closing price of our common stock on September 29, 2023, of $89.44.

The unrecognized share-based compensation cost of our outstanding RSUs was approximately $199.1 million as of September 2023, which will be recognized over a weighted average period of approximately 2.5 years.

Market Stock Units

An MSU is a promise to deliver shares of our common stock at a future date based on the achievement of market-based performance requirements in accordance with the terms of the MSU grant agreement.

MSU activity was as follows:

	MSU Awards Outstanding	Aggregate Intrinsic Value (in millions)
Balance as of June 2023	227,321	
Granted	303,802	
Delivered	(223,984)	
Forfeited	(59,988)	
Balance as of September 2023	247,151	$ 22.1

The aggregate intrinsic value was determined using the closing price of our common stock on September 29, 2023, of $89.44.

We value MSUs using the Monte Carlo simulation model on the date of grant and amortize the compensation expense over the three- or four-year performance and service period on a ratable basis by tranche. The unrecognized share-based compensation cost of our outstanding MSUs was approximately $45.4 million as of September 2023, which will be recognized over a weighted average period of approximately 1.7 years.

Performance Stock Units

A PSU is a promise to deliver shares of our common stock at a future date based on the achievement of performance-based requirements in accordance with the terms of the PSU grant agreement.

PSU activity was as follows:

	PSU Awards Outstanding	Aggregate Intrinsic Value (in millions)
Balance as of June 2023	253,359	
Granted	282,353	
Delivered	(107,785)	
Forfeited	(63,126)	
Balance as of September 2023	364,801	$ 32.6

The aggregate intrinsic value was determined using the closing price of our common stock on September 29, 2023, of $89.44.

We value PSUs using the aggregate intrinsic value on the date of grant adjusted for estimated performance achievement during the performance period and amortize the compensation expense over the three-year service period on a ratable basis. The amount of stock-based compensation expense recognized in any period related to PSUs can vary based on the achievement or anticipated achievement of the performance conditions. If the performance conditions are not met or not expected to be met, no compensation cost would be recognized on the underlying PSUs, and any previously recognized compensation expense related to those PSUs would be reversed. The unrecognized share-based compensation cost of our outstanding PSUs was approximately $21.7 million as of September 2023, which will be recognized over a weighted average period of approximately 1.4 years.

Employee Stock Purchase Plan

Shares purchased, weighted average purchase price, cash received, and the aggregate intrinsic value for employee stock purchase plan purchases during the three months ended September 2023, were as follows (in millions, except for shares purchased and weighted average price):

Shares purchased		110,836
Weighted average purchase price	$	75.11
Cash received	$	8.3
Aggregate intrinsic value	$	1.5

14. Income Taxes

We account for income taxes under the asset and liability method. The provision for income taxes recorded in interim periods is based on our estimate of the annual effective tax rate applied to year-to-date income before provision for income taxes, adjusted for discrete items required to be recognized in the period in which they are incurred. In each quarter, we update our estimate of the annual effective tax rate, and if the estimated annual tax rate changes, we make a cumulative adjustment in that quarter. Our quarterly tax provision and our quarterly estimate of the annual effective tax rate can be subject to volatility due to several factors, including our ability to accurately forecast annual income before provision for income taxes in each of the tax jurisdictions in which we operate.

The provision for income taxes of $15.0 million and $39.1 million for the three months ended September 2023 and 2022, respectively, represented estimated federal, foreign, and state income taxes. The effective tax rate for the three months ended September 2023 diverged from the combined U.S. federal and state statutory tax rate primarily due to non-creditable foreign withholding taxes resulting from the final foreign tax credit regulations published in January 2022 and the research and development capitalization rules increasing our global intangible low-taxed income, or GILTI, resulting from the U.S. Tax Cuts and Jobs Act of 2017, foreign income taxed at higher rates and non-deductible officer compensation. This was partially offset by research credits and a one-time benefit from prior year creditable foreign withholding taxes resulting from U.S. Treasury Notice 2023-55, which was issued in July 2023 and provided us a one-year delay of the effective date of U.S. final foreign tax credit regulations published in January 2022. The effective tax rate for the three months ended September 2022 diverged from the combined U.S. federal and state statutory tax rate primarily due to the impact of tax law changes becoming effective in our fiscal 2023, including non-creditable foreign withholding taxes resulting from the final foreign tax credit regulations published in January 2022 and the research and development capitalization rules increasing our global intangible low-taxed income, or GILTI, resulting from the U.S. Tax Cuts and Jobs Act of 2017, and non-deductible officer compensation, partially offset by the benefit of foreign income taxed at lower rates, and research credits.

The total liability for gross unrecognized tax benefits related to uncertain tax positions decreased $4.4 million during the three months ended September 2023, to $39.3 million, and was included in other long-term liabilities on our condensed consolidated balance sheets. If recognized, the total gross unrecognized tax benefits would reduce the effective tax rate on income from continuing operations. Accrued interest and penalties related to unrecognized tax benefits as of September 2023 were $3.1 million; this balance increased by $0.1 million compared to June 2023. We classify interest and penalties as components of income tax expense. Any prospective adjustments to our unrecognized tax benefits will be recorded as an increase or decrease to income tax expense and cause a corresponding change to our effective tax rate. Accordingly, our effective tax rate could fluctuate materially from period to period.

Our major tax jurisdictions are the United States, Hong Kong SAR, Israel, Japan and the United Kingdom. From fiscal 2016 onward, we remain subject to examination by one or more of these jurisdictions.

15. Segment, Customers, and Geographic Information

We operate in one segment: the development, marketing, and sale of semiconductor products used in electronic devices and products. In previous reporting periods, we categorized revenues from three product categories: the IoT product market, the personal computing, or PC, product market, and the Mobile product market. Effective in the first quarter of fiscal 2024, we will now categorize our revenues in the following product categories: Core IoT, Enterprise and Automotive, and Mobile product applications. The primary reason for the change in the product group names was to align external reporting groups with the strategic focus of the Company on a go-forward basis.

A summary of our products and how they are categorized under our new product categories is as follows:

- Core IoT: Wireless and Processor Solutions
- Enterprise and Automotive: PC Touch Pad, PC Fingerprint, Video Interface Solutions, Enterprise Audio Solutions, Fax and Printer Solutions, Automotive Solutions
- Mobile: Touch and Display Solutions for Mobile phone applications

Revenues for the three months ended September 2022 from our previous product categories have been reclassified in order to conform to the current period presentation as follows:

		Core IoT	Enterprise and Auto	Mobile	Total
IoT product applications	$ 342.7	$ 113.4	$ 229.3	$ —	$ 342.7
PC product applications	65.2	—	65.2	—	65.2
Mobile product applications	40.2	—	—	40.2	40.2
	$ 448.1	$ 113.4	$ 294.5	$ 40.2	$ 448.1

Net revenue from our customers for each product category was as follows (in millions):

	Three Months Ended September	
	2023	2022
Enterprise and Automotive product applications	$ 154.8	$ 294.5
Core IoT product applications	38.5	113.4
Mobile product applications	44.4	40.2
	$ 237.7	$ 448.1

Net revenue within geographic areas based on our customers' locations for the periods presented was as follows (in millions):

	Three Months Ended September	
	2023	2022
China/Hong Kong	$ 106.6	$ 114.5
Taiwan	36.9	180.7
Japan	52.6	106.3
Other	14.1	36.6
South Korea	11.7	5.6
United States	15.8	4.4
	$ 237.7	$ 448.1

Net revenue from major customers as a percentage of total net revenue for the periods presented was as follows:

	Three Months Ended September	
	2023	2022
Customer A	*	13%
Customer B	18%	*
Customer C	11%	*

* Less than 10%

We extend credit based on evaluation of a customer's financial condition, and we generally do not require collateral. Major customer accounts receivable as a percentage of total accounts receivable were as follows:

	September 2023	June 2023
Customer A	*	10%
Customer B	13%	20%

* Less than 10%

Additionally, as of September 2023, three other customer accounts receivable balances cumulatively totaled 35% of total accounts receivable.

16. Comprehensive Income

Our comprehensive income generally consists of unrealized gains or losses on our available-for-sale securities. We recognize foreign currency remeasurement adjustments and foreign currency transaction gains and losses in our condensed consolidated statements of operations as the U.S. dollar is the functional currency of our foreign entities.

17. Restructuring Activities

In the first quarter of fiscal 2024, we initiated restructuring actions primarily intended to focus on key growth initiatives, reduce costs and align our business in response to market conditions. As a result of this restructuring, we expect to incur approximately $10.0

million in restructuring charges and expect to complete the restructuring by the end of fiscal 2024. The restructuring costs related to these activities were recorded to the restructuring costs line item within our condensed consolidated statements of operations.

The following table summarizes the restructuring activity and related charges during the periods presented (in millions):

	Three Months Ended September	
	2023	2022
Balance, beginning of period	$ —	$ 1.4
Charges	8.0	—
Payments	(6.0)	(1.2)
Balance, end of period	$ 2.0	$ 0.2

During the three months ended September 2023, the restructuring and related charges of $8.0 million was primarily attributable to severance and employee-related benefits.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements and Factors That May Affect Results

This Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 (this "Report") contains forward-looking statements that are subject to the safe harbors created under the Securities Act of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business, 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 following: our dependence on our solutions for the Core IoT and Enterprise and Automotive product applications market for a substantial portion of our revenue; risks related to the volatility of our net revenue from our solutions for Core IoT and Enterprise and Automotive product applications; our dependence on one or more large customers; our exposure to industry downturns and cyclicality in our target markets; the risk that our product solutions for new markets will not be successful; our ability to maintain and build relationships with our customers; our dependence on third parties to maintain satisfactory manufacturing yields and deliverable schedule; regional instabilities and hostilities (including the war in Israel) and 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 24, 2023, and other risks as identified from time to time in our SEC 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 have not been completed as of the date of this filing.

Statements made in this Report, unless the context otherwise requires, include the use of the terms "us," "we," "our," the "Company" and "Synaptics" to refer to Synaptics Incorporated and its consolidated subsidiaries.

Overview

We are a leading worldwide developer and fabless supplier of premium mixed signal semiconductor solutions 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. We believe our results to date reflect the combination of our customer focus and the strength of our intellectual property and our engineering know-how, which allow us to develop or engineer products that meet the demanding design specifications of our Original Equipment Manufacturers, or OEMs.

We recognize revenue when control of the promised goods or services is transferred to our customers in an amount that reflects the consideration we expect to receive in exchange for those goods or services. Nearly all of our revenue, except an inconsequential amount, is recognized at a point in time, either on shipment or delivery of the product, depending on customer terms and conditions.

Revenue recognition from the licensing of our IP is dependent on the nature and terms of each agreement. We recognize revenue from the licensing of our IP upon delivery of the IP if there are no substantive future obligations to perform under the arrangement. Sales-based or usage-based royalties from the license of IP are recognized at the later of the period the sale or usage occurs, or the satisfaction of the performance obligation to which some or all of the sales-based or usage-based royalties have been allocated.

Many of our customers have manufacturing operations in China, and many of our OEM customers have established design centers in Asia. With our expanding global presence, including offices in China, France, Germany, Hong Kong, India, Israel, Japan, Korea, Poland, Switzerland, Taiwan, the U.K., and the U.S., we are well positioned to provide local sales, operational, and engineering support services to our existing customers, as well as potential new customers, on a global basis.

Our manufacturing operations are based on a variable cost model in which we outsource all of our production requirements and generally drop ship our products directly to our customers from our contract manufacturers' facilities, eliminating the need for significant capital expenditures and allowing us to minimize our investment in inventories. This approach requires us to work closely with our contract manufacturers and semiconductor fabricators to ensure adequate production capacity to meet our forecasted volume requirements. In the past, when supply constraints and capacity shortages have impacted the global semiconductor industry, we have entered into long-term capacity and pricing agreements with some suppliers. We use third-party wafer manufacturers to supply wafers and third-party packaging manufacturers to package our proprietary ASICs. In certain cases, we rely on a single source or a limited number of suppliers to provide other key components of our products. Our cost of revenue includes all costs associated with the production of our products, including materials; logistics; amortization of intangibles related to acquired developed technology;

backlog; supplier arrangements; manufacturing, assembly, royalties paid to third-party intellectual property providers and test costs paid to third-party manufacturers; and related overhead costs associated with our indirect manufacturing operations personnel. Additionally, we charge all warranty costs, losses on inventory purchase obligations, and the provision for excess and obsolete inventories to cost of revenue.

Our gross margin generally reflects the combination of the added value we bring to our OEM customers' products by meeting their custom design requirements and the impact of our ongoing cost-improvement programs. These cost-improvement programs include reducing materials and component costs and implementing design and process improvements. Our newly introduced products may have lower margins than our more mature products, which have realized greater benefits associated with our ongoing cost-improvement programs. As a result, new product introductions may initially negatively impact our gross margin.

Our research and development expenses include costs for supplies and materials related to product development, as well as the engineering costs incurred to design ASICs and human experience solutions for OEM customers prior to and after our OEMs' commitment to incorporate those solutions into their products. In addition, we expense in-process research and development projects acquired as part of a business acquisition, which have not yet reached technological feasibility, and which have no foreseeable alternative future use. We continue to commit to the technological and design innovation required to maintain our position in our existing markets, and to adapt our existing technologies or develop new technologies for new markets.

Selling, general, and administrative expenses include expenses related to sales, marketing, and administrative personnel; internal sales and outside sales representatives' commissions; market and usability research; outside legal, accounting, and consulting costs; and other marketing and sales activities.

Acquired intangibles amortization, included in operating expenses, consists primarily of amortization of developed technology, customer relationship and tradenames intangible assets recognized under the purchase method for business combinations.

Restructuring costs primarily reflect severance costs related to the restructuring of our operations to reduce operating expenses and gain efficiencies from our recent acquisitions. See Note 17. Restructuring Activities to the consolidated financial statements contained elsewhere in this Report.

Interest and other expense, net, primarily reflects interest expense on our Senior Notes (as defined herein), Term Loan Facility (as defined herein) and revolving line of credit as well as the amortization of debt issuance costs and discount on our debt, partially offset by interest income earned on our cash, cash equivalents and short-term investments.

Acquisitions

Broadcom

In July 2023, we entered into a transaction with Broadcom to extend the exclusivity period of certain developed technologies, and to license certain technology assets for an aggregate consideration of $130.0 million, which was paid in cash in the first quarter of fiscal 2024.

Emza

On October 25, 2022, we acquired all of the outstanding shares of Emza for total purchase consideration of $15.8 million, which was paid in cash. The results of Emza are included in our condensed consolidated financial statements for the periods from October 25, 2022.

Critical Accounting Policies and Estimates

There have been no significant changes in our critical accounting policies and estimates during the three months ended September 2023, compared with our critical accounting policies and estimates disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended June 24, 2023.

Trends and Uncertainties

Current Economic Conditions

The frequency and amplitude in which central banks raise interest rates has subsided relative to the first half of calendar year 2023, but the impact has had a material effect on many sectors of the economy leading to broad-based workforce reductions, a slowing or deferral of investment in information technology spending, and increased concern of a global recession. We believe the threat of global recession is the primary driver for the slowdown in orders from our customer base. During the quarter, we continued to experience a broad reduction in demand in most of our product applications as many customers and channel partners continue to consume their accumulation of inventories, combined with customer requests to delay orders. We continue to believe that the demand slowdown is temporary, but the rebound in demand is likely to extend beyond calendar 2023, and potentially beyond 2024. In addition, although we currently do not believe inflation in the costs of goods and services will have a material impact on our results of operations, it is possible that rising inflation could increase our operating expenses and reduce our net income. Further, rising interest rates have increased our borrowing costs on our variable rate Term Loan Facility, which will continue to drive an increase in interest costs in future accounting periods and potentially limit our borrowing capacity if a future acquisition opportunity requiring financing presents itself.

The War between Israel and Hamas

The uncertainty resulting from the war in Israel and the threat for expansion of the war could result in some of our customers delaying purchases from us. Although our employees in this office have the ability to work remotely and business continuity plans are in place to address any medium- or long-term disruptions that could result from the closure of this office, the office closure and general effects of employees operating in a region at war could have a negative impact on our operations. Further, a number of our employees in Israel are members of the military reserves subject to activation in response to the war. Following the terrorist attacks in Israel in October 2023, a number of our employees have been activated for military duty, and additional employees may be activated if the war in Israel continues. While we also have business continuity plans in place to address the safety of our employees and to continue product development in the event of reduced employee availability in the region during the war, it could affect the timing of projects in the short-term as work is shifted to other team members where necessary.

Results of Operations

In the first quarter of fiscal 2024, we changed the classification of our product categories to more closely align with the strategic focus of the Company. Certain reclassifications have been made to the prior period revenue presentation to conform to the current period revenue presentation. Certain of the data used in our condensed consolidated statements of operations for the periods indicated, together with comparative absolute and percentage changes in these amounts, were as follows (in millions, except percentages):

	Three Months Ended September			
	2023	**2022**	**$ Change**	**% Change**
Enterprise and Automotive product applications	$ 154.8	$ 294.5	$ (139.7)	(47.4%)
Core IoT product applications	38.5	113.4	(74.9)	(66.0%)
Mobile product applications	44.4	40.2	4.2	10.4%
Net revenue	237.7	448.1	(210.4)	(47.0%)
Gross margin	107.1	255.7	(148.6)	(58.1%)
Operating expenses:				
Research and development	86.5	89.5	(3.0)	(3.4%)
Selling, general, and administrative	42.3	44.7	(2.4)	(5.4%)
Acquired intangibles amortization	5.5	9.5	(4.0)	(42.1%)
Restructuring costs	8.0	—	8.0	100%
Operating (loss) income	(35.2)	112.0	(147.2)	(131.4%)
Interest and other expense, net	(5.4)	(8.3)	2.9	34.9%
(Loss) income before provision for income taxes	(40.6)	103.7	(144.3)	(139.2%)
Provision for income taxes	15.0	39.1	(24.1)	(61.6%)
Net (loss) income	$ (55.6)	$ 64.6	$ (120.2)	(186.1%)

Certain of the data used in our condensed consolidated statements of operations presented here as a percentage of net revenue for the periods indicated were as follows:

	Three Months Ended September		Percentage Point Increase/
	2023	2022	(Decrease)
Enterprise and Automotive product applications	65.1 %	65.7 %	(0.6 %)
Core IoT product applications	16.2 %	25.3 %	(9.1 %)
Mobile product applications	18.7 %	9.0 %	9.7 %
Net revenue	100.0 %	100.0 %	0.0 %
Gross margin	45.1 %	57.1 %	(12.0 %)
Operating expenses:			
Research and development	36.4 %	20.0 %	16.4 %
Selling, general, and administrative	17.8 %	10.0 %	7.8 %
Acquired intangibles amortization	2.3 %	2.1 %	0.2 %
Restructuring costs	3.4 %	0.0 %	3.4 %
Operating (loss) income	(14.8 %)	25.0 %	(39.8 %)
Interest and other expense, net	(2.3 %)	(1.9 %)	(0.4 %)
(Loss) income before provision for income taxes	(17.1 %)	23.1 %	(40.2 %)
Provision for income taxes	6.3 %	8.7 %	(2.4 %)
Net (loss) income	(23.4 %)	14.4 %	(37.8 %)

Net Revenue

Net revenue was $237.7 million for the three months ended September 2023, compared with $448.1 million for the three months ended September 2022, a decrease of $210.4 million, or 47.0%. Of this net revenue, $154.8 million, or 65.1%, was from Enterprise and Automotive product applications, $44.4 million, or 18.7%, was from Mobile product applications, and $38.5 million, or 16.2%, was from Core IoT product applications. Revenue decreased in most of our product applications for the three months ended September 2023. Net revenue from Enterprise and Automotive product applications decreased as a result of lower average selling prices (which decreased 16.2%) due to product sales mix and a decrease in units sold (which decreased 37.3%). The decrease in revenue from Enterprise and Automotive product applications was partially offset by $27.0 million in revenue from a license of certain of our IP, or the IP license. Net revenue from Mobile product applications increased due to an increase in units sold (which increased 131.6%), as demand increased for our products in the mobile market, partially offset by a decrease in average selling prices (which decreased 52.3%) due to our product sales mix. Net revenue from Core IoT product applications decreased due to a decline in units sold (which decreased 70.7%) related to certain end customers' decline in demand and desire to reduce their inventory holdings, partially offset by an increase in average selling prices (which increased 15.7%) due to our product sales mix.

Gross Margin

Gross margin as a percentage of net revenue was 45.1%, or $107.1 million, for the three months ended September 2023, compared with 57.1%, or $255.7 million, for the three months ended September 2022. The net 1,200 basis point decrease in gross margin for the three months ended September 2023 was primarily due to an increase in the excess obsolescence reserve during the first quarter of fiscal 2024 and an overall decline in average sales prices across many of our product applications, partially offset by revenue from the IP license.

Because we sell our technology solutions in designs that are generally unique or specific to an OEM customer’s application, gross margin varies on a product-by-product basis, making our cumulative gross margin a blend of our product specific designs. As a fabless manufacturer, our gross margin percentage is generally not materially impacted by our shipment volume. Under most circumstances, revenue from license-based arrangements are accretive to our gross margin.

Operating Expenses

Research and Development Expenses. Research and development expenses decreased $3.0 million to $86.5 million for the three months ended September 2023, compared with $89.5 million for the three months ended September 2022. The decrease in research and development expenses was primarily driven by a $3.4 million decrease in variable compensation costs and a $2.5 million decrease in amortization of prepaid development costs that were fully amortized at the end of fiscal 2023, partially offset by an increase in product development spend of $2.0 million and the reflection of one additional week in the current period compared to the same period a year ago.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses decreased $2.4 million to $42.3 million for the three months ended September 2023, compared with $44.7 million for the three months ended September 2022. The decrease in selling, general, and administrative expenses primarily reflected a $1.7 million decrease in variable compensation and a $1.4 million favorable impact from exchange rates on foreign currencies, partially offset by a $1.2 million increase in professional services.

Acquired Intangibles Amortization. Acquired intangibles amortization reflects the amortization of intangibles acquired through acquisitions. For further discussion of acquired intangibles amortization, see Note 8. Acquired Intangibles and Goodwill to the condensed consolidated financial statements contained elsewhere in this Report.

Interest and Other Expense, Net. Interest and other expense, net, primarily includes interest on our debt, amortization of debt discount and issuance costs, partially offset by interest income earned on our cash, cash equivalents and short-term investments. Interest and other expense, net, decreased by $2.9 million to $5.4 million for the three months ended September 2023, as compared to $8.3 million for the three months ended September 2022.

Interest expense on the $600 million incremental Term Loan Facility increased by $4.9 million in the first quarter of fiscal 2024 compared to the same period a year ago, as the interest rate on the Term Loan Facility increased by 338 basis points period-over-period. The interest expense and amortization of debt issuance costs on the Term Loan Facility for the three months ended September 2023 and 2022 were $11.8 million and $6.9 million, respectively. The increase in interest expense was partially offset by an increase of $7.6 million in interest income compared to the same period a year ago and is due to the rise in interest rates period-over-period.

Provision for Income Taxes. We account for income taxes under the asset and liability method. The provision for income taxes recorded in interim periods is based on our estimate of the annual effective tax rate applied to year-to-date income before provision for income taxes, adjusted for discrete items required to be recognized in the period in which they are incurred. In each quarter, we update our estimate of the annual effective tax rate, and if the estimated annual tax rate changes, we make a cumulative adjustment in that quarter. Our quarterly tax provision and our quarterly estimate of the annual effective tax rate can be subject to volatility due to several factors, including our ability to accurately forecast annual income before provision for income taxes in each of the tax jurisdictions in which we operate.

See “Note 14. Income Taxes” in the Notes to the Unaudited Condensed Consolidated Financial Statements for additional information on our provision for income taxes.

Liquidity and Capital Resources

Our cash and cash equivalents were $801.3 million as of September 2023, compared with $924.7 million as of June 2023, representing a decrease of $123.4 million. The decrease is primarily related to a prepayment of intangible assets of $130.0 million paid to Broadcom.

We consider almost all of the earnings of our foreign subsidiaries as not indefinitely invested overseas and have made appropriate provisions for income or withholding taxes that may result from a future repatriation of those earnings. As of September 2023, $765.0 million of cash, cash equivalents and short-term investments was held by our foreign subsidiaries. If these funds are needed for our operations in the United States, we would be able to repatriate substantially all of these funds without impacting our provision for income taxes.

Cash Flows from Operating Activities. Operating activities during the three months ended September 2023 generated $45.4 million compared with $78.5 million net cash generated during the three months ended September 2022. For the three months ended September 2023, the primary operating activities were adjustments for non-cash charges of $75.2 million and a net change in operating assets and liabilities of $25.8 million. The net change in operating assets and liabilities was primarily attributable to a $53.6 million decrease in accounts receivable primarily related to a decrease in sales and payment in advance from some of our customers, a $6.8 million decrease in inventories as we continue our efforts to control inventory spend while turning over the inventories we accumulated during the first half of fiscal 2023 and a $22.0 million decrease in accrued compensation primarily related to payment of our annual bonus in the first quarter of fiscal 2024, partially offset by a $16.7 million increase in accounts payable due to the timing of payments made to our vendors.

During the three months ended September 2023, our days sales outstanding was 42 days compared to 57 days at the same period a year ago. Our annual inventory turns decreased from four to three over the same time period.

Cash Flows from Investing Activities. Cash used in investing activities during the three months ended September 2023 was $150.1 million compared with cash provided by investing activities of $2.3 million during the three months ended September 2022. Net cash used in investing activities for the three months ended September 2023 consisted of $130.0 million paid to Broadcom as a prepayment to acquire developed technologies and to extend the exclusivity for certain products for an additional three-year period, $16.6 million to purchase short-term investments and $6.7 million for purchases of property and equipment, partially offset by $3.2 million in proceeds from the maturities of our short-term investments.

Cash Flows from Financing Activities. Cash used in financing activities for the three months ended September 2023 was $18.1 million compared with $35.0 million used by financing activities for the three months ended September 2022. Net cash used by financing activities for the three months ended September 2023 consisted of $25.3 million used for payroll taxes on the delivery of the underlying shares for share-based awards, partially offset by $8.5 million proceeds from issuance of shares.

Common Stock Repurchase Program. As of April 2023, our board had cumulatively authorized $2.3 billion for our common stock repurchase program, which will expire in July 2025. The program authorizes us to purchase our common stock in the open market or in privately negotiated transactions, depending upon market conditions and other factors. The number of shares purchased, and the timing of purchases, are based on the level of our cash balances, general business and market conditions, and other factors. Common stock purchased under this program is held as treasury stock. From April 2005 through September 2023, we purchased, net of issuances for settlement of our convertible notes, 30,116,439 shares of our common stock in the open market for an aggregate cost of $878.0 million. During the three months ended September 2023, we did not repurchase shares of our common stock. As of September 2023, the remaining available authorization under our common stock repurchase program was $893.9 million.

Senior Notes. In March 2021, we completed an offering of $400.0 million aggregate principal amount of 4.0% senior notes due 2029, or the Senior Notes, in a private offering. The Senior Notes were issued pursuant to an Indenture, dated as of March 11, 2021, by and among our company, the guarantors named therein and Wells Fargo Bank, National Association, as trustee. The Senior Notes requires bi-annual interest only payments in June and December of each year. For the three months ended September 2023, we did not pay any interest on the Senior Notes.

Bank Credit Facility. On March 16, 2023, we entered into the Second Amendment, and on July 28, 2023, we entered into the Third Amendment to our Credit Agreement, dated March 11, 2021. The Second Amendment replaces the LIBOR-based interest rate applicable to borrowings under the Credit Agreement with SOFR-based interest rate. The Third Amendment provides that the consolidated interest coverage ratio financial covenant only applies if, as of the last day of any fiscal quarter, our aggregate cash and cash equivalents balance is less than $450 million. The Credit Agreement provides for a revolving credit facility in a principal amount of up to $250 million, which includes a $20 million sublimit for letters of credit and a $25 million sublimit for swingline loans. Under the terms of the Credit Agreement, we may, subject to the satisfaction of certain conditions, request increases in the revolving credit facility commitments in an aggregate principal amount of up to $150 million to the extent existing or new lenders agree to provide such increased or additional commitments, as applicable. Future proceeds under the revolving credit facility are available for working capital and general corporate purposes. As of September 2023, there was no balance outstanding under the revolving credit facility.

Term Loan Facility. In December 2021, we entered into that certain First Amendment and Lender Joinder Agreement to the Credit Agreement, to, among other things, establish a new $600.0 million incremental term loan facility, or the Term Loan Facility. The Term Loan Facility was advanced under the Credit Agreement to finance our DSPG acquisition. The Term Loan Facility matures on December 2, 2028. Principal on the Term Loan Facility is payable in equal quarterly installments on the last day of each March, June, September and December of each year, beginning December 31, 2021, at a rate of 1.00% per annum. For three months ended September 2023, we repaid $3.0 million of the principal outstanding on the Term Loan Facility.

See “Note 12. Debt” in the Notes to the Unaudited Condensed Consolidated Financial Statements for additional information on our outstanding debt obligations.

$100 Million Shelf Registration. We have registered an aggregate of $100.0 million of common stock and preferred stock for issuance in connection with acquisitions, which shares will generally be freely tradeable after their issuance under the Securities Act unless held by an affiliate of us, in which case such shares will be subject to the volume and manner of sale restrictions of Rule 144 of the Securities Act.

Working Capital Needs. We believe our existing cash and cash equivalents, anticipated cash flows from operating activities, anticipated cash flows from financing activities, and available credit under our revolving credit facility, will be sufficient to meet our working capital and other cash requirements, including small tuck-in acquisitions, and our debt service obligations for at least the next 12 months. Our future capital requirements will depend on many factors, including our revenue, the timing and extent of spending to support product development efforts, costs associated with restructuring activities net of projected savings from those activities, costs related to protecting our intellectual property, the expansion of sales and marketing activities, timing of introduction of new products and enhancements to existing products, costs to ensure access to adequate manufacturing, costs of maintaining sufficient space for our workforce, the continuing market acceptance of our product solutions, our common stock repurchase program, and the amount and timing of our investments in, or acquisitions of, other technologies or companies. Further equity or debt financing may not be available to us on acceptable terms or at all. If sufficient funds are not available or are not available on acceptable terms, our ability to fund our future long-term working capital needs, take advantage of business opportunities or to respond to competitive pressures could be limited or severely constrained.

The undistributed earnings of our foreign subsidiaries are not currently required to meet our United States working capital and other cash requirements, but should we repatriate a portion of these earnings, we may be required to pay certain previously accrued state and foreign taxes, which would impact our cash flows.

Contractual Obligations and Commercial Commitments

Our material contractual obligations and commercial commitments as of September 2023 were as follows (in millions):

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	1-3 Years	3-5 Years	Thereafter
Long-term debt [1]	$ 1,313.5	$ 41.7	$ 133.8	$ 131.9	$ 1,006.1
Leases	59.9	8.3	18.6	13.0	20.0
Purchase obligations and other commitments [2]	153.1	71.0	82.1	—	—
Total	$ 1,526.5	$ 121.0	$ 234.5	$ 144.9	$ 1,026.1

(1) Represents the principal and interest payable through the maturity date of the underlying contractual obligation.

(2) Purchase obligations and other commitments include payments due for inventory purchase obligations with contract manufacturers, long-term software tool licenses, and other licenses.

The amounts in the table above exclude gross unrecognized tax benefits related to uncertain tax positions of $39.3 million. As of September 2023, we were unable to make a reasonably reliable estimate of when cash settlement with a taxing authority may occur in connection with our gross unrecognized tax benefit.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Except as described below, as of September 30, 2023, our market risk related to interest rates on our cash and cash equivalents, and foreign currency exchange risks has not changed materially from the risks disclosed in Item 7A of our Annual Report on Form 10-K for the fiscal year ended June 24, 2023.

Interest Rate Risk on Debt

With our outstanding debt, we are exposed to various forms of market risk, including the potential losses arising from adverse changes in interest rates on our outstanding Term Loan Facility. See “Note 12. Debt” for further information.

Our ultimate realized gain or loss with respect to interest rate fluctuations will depend on interest rates and the exposures that arise during the period. As an example, a hypothetical increase or decrease in the interest rate by 1% or 100 basis points, the quarterly interest expense would have increased or decreased by approximately $1.5 million based on the outstanding balance of our Term Loan as of September 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Although many of the restrictions and containment measures implemented by governmental authorities in response to the COVID-19 pandemic have been lifted or scaled back, some of our employees continue to work from home, or on a hybrid basis. Established business continuity plans remain in place in order to mitigate the impact to our control environment, operating procedures, data, and internal controls. The design of our processes and controls allows for remote execution with accessibility to secure data.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer, as of September 30, 2023, concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

We assessed, with the participation of our Chief Executive Officer and Chief Financial Officer, any change in our internal control over financial reporting as of the end of the fiscal quarter covered by this Report.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period ended September 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are party to various litigation matters and claims arising from time to time in the ordinary course of business. While the results of such matters cannot be predicted with certainty, we believe that the final outcome of such matters will not have a material adverse effect on our business, financial condition, results of operations or cash flows.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below and all information contained in this report before you decide to invest in our common stock. Our business, financial condition, results of operations or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. If any of the risks actually occur, our business, financial condition, cash flows, liquidity and results of operations could adversely impact our business. In that event, the market price of our common stock could decline, and you could lose part or all of your investment. Therefore, you should not consider the following discussion to be a complete statement of all the potential risks or uncertainties that we face.

Risks Related to Our Markets and Customers

We currently depend on our solutions for the Core IoT, Enterprise and Automotive and Mobile product applications markets for a substantial portion of our revenue, and any downturn in sales of these products would adversely affect our business, revenue, operating results, and financial condition.

We currently depend on our solutions for the Core IoT, Enterprise and Automotive and Mobile product applications markets for a substantial portion of our revenue. Any downturn in sales of our products into any of these markets would adversely affect our business, revenue, operating results, and financial condition. Similarly, a softening of demand in any of these markets, or a slowdown of growth in any of these markets because of changes in customer preferences, the emergence of applications not including our solutions, or other factors would cause our business, operating results, and financial position to suffer.

A significant portion of our sales comes from one or more large customers, the loss of which could harm our business, financial condition, and operating results.

Historically, we have relied on a limited number of customers for a substantial portion of our total revenue. If we lost key customers, or if key customers reduced or stopped placing orders for our high-volume products, our financial results could be adversely affected. Sales to two customers accounted for 29% of our net revenue in the first quarter of fiscal 2024. During the first quarter of fiscal 2024, we had five OEM customers that integrated our products into their products representing approximately 40% of our revenue; we sold to these customers primarily indirectly through multiple distributors. Significant reductions in sales to our largest customers, the loss of other major customers, or a general decrease in demand for our products within a short period of time could adversely affect our revenue, financial condition, and business.

We sell to contract manufacturers that serve our OEM customers. Any material delay, cancellation, or reduction of orders from any one or more of these contract manufacturers or the OEMs they serve could harm our business, financial condition, and operating results. The adverse effect could be more substantial if our other customers do not increase their orders or if we are unsuccessful in generating orders for our solutions with new customers. Many of these contract manufacturers sell to the same OEMs, and therefore our concentration with certain OEMs may be higher than with any individual contract manufacturer. Concentration in our customer base may make fluctuations in revenue and earnings more severe and make business planning more difficult.

We face risks related to recessions, inflation, stagflation and other macroeconomic conditions

Customer demand for our products may be impacted by weak macroeconomic conditions, inflation, stagflation, recessionary or lower-growth environments, rising interest rates, equity market volatility or other negative economic factors in the U.S. or other nations. For example, under these conditions or expectation of such conditions, our customers may cancel orders, delay purchasing decisions or reduce their use of our services. In addition, these economic conditions could result in higher inventory levels and the possibility of resulting excess capacity charges from our manufacturing partners if we need to slow production to reduce inventory levels. Further, in the event of a recession or threat of a recession, our manufacturing partners, suppliers, distributors, and other third-party partners may suffer their own financial and economic challenges, and as a result they may demand pricing accommodations, delay payment, or become insolvent, which could harm our ability to meet our customer demands or collect revenue or otherwise harm our business. Similarly, disruptions in financial and/or credit markets may impact our ability to manage normal commercial relationships with our manufacturing partners, customers, suppliers and creditors and might prevent us from accessing preferred sources of liquidity, and causing our borrowing costs to potentially increase. Thus, if general macroeconomic conditions, conditions in the semiconductor industry, or conditions in our customer end markets continue to deteriorate or experience a sustained period of weakness or slower growth, our business and financial results could be materially and adversely affected.

In addition, we are subject to risk from inflation and increasing market prices of certain components and supplies, which are incorporated into our end products or used by our manufacturing partners or suppliers to manufacture our end products. These components and supplies have, from time-to-time, become restricted. Additionally, general market factors and conditions have in the past, and may in the future, affect pricing of such components and supplies (such as inflation or supply chain constraints). See also, "Our gross margin and results of operations may be adversely affected in the future by a number of factors, including decreases in our average selling prices of products over time, shifts in our product mix, or price increases of certain components or third-party services due to inflation, supply chain constraints, or for other reasons."

We are exposed to industry downturns and cyclicality in our target markets that may result in fluctuations in our operating results.

The consumer electronics industry has experienced significant economic downturns at various times. These downturns are characterized by diminished product demand, accelerated erosion of average selling prices, production overcapacity, and increased inventory and credit risk. In addition, the consumer electronics industry is cyclical in nature. We seek to reduce our exposure to industry downturns and cyclicality by providing design and production services for leading companies in rapidly expanding industry segments. We may, however, experience substantial period-to-period fluctuations in future operating results because of general industry conditions or events occurring in the general economy.

We cannot assure you that our product solutions for new markets will be successful or that we will be able to continue to generate significant revenue from these markets.

Our product solutions may not be successful in new markets. Various target markets for our product solutions, such as Core IoT, may develop slower than anticipated or could utilize competing technologies. The markets for certain of these products depend in part upon the continued development and deployment of wireless and other technologies, which may or may not address the needs of the users of these products.

Our ability to generate significant revenue from new markets will depend on various factors, including the following:

- the development and growth of these markets;
- the ability of our technologies and product solutions to address the needs of these markets, the price and performance requirements of OEMs, and the preferences of end users; and
- our ability to provide OEMs with solutions that provide advantages in terms of size, power consumption, reliability, durability, performance, and value-added features compared with alternative solutions.

Many manufacturers of these products have well-established relationships with competitive suppliers. Our ongoing success in these markets will require us to offer better performance alternatives to other solutions at competitive costs. The failure of any of these target markets to develop as we expect, or our failure to serve these markets to a significant extent, will impede our sales growth and could result in substantially reduced earnings and a restructuring of our operations. We cannot predict the size or growth rate of these markets or the market share we will achieve or maintain in these markets in the future.

If we fail to maintain and build relationships with our customers, or our customers' products that utilize our solutions do not gain widespread market acceptance, our revenue may stagnate or decline.

We do not sell any products to end users and we do not control or influence the manufacture, promotion, distribution, or pricing of the products that incorporate our solutions. Instead, we design various solutions that our OEM customers incorporate into their products, and we depend on such OEM customers to successfully manufacture and distribute products incorporating our solutions and to generate consumer demand through marketing and promotional activities. As a result of this, our success depends almost entirely upon the widespread market acceptance of our OEM customers' products that incorporate our solutions. Even if our technologies successfully meet our customers' price and performance goals, our sales could decline or fail to develop if our customers do not achieve commercial success in selling their products that incorporate our solutions.

We must maintain our relationships with our existing customers and expand our relationships with OEMs in new markets. Our customers generally do not provide us with firm, long-term volume purchase commitments, opting instead to issue purchase orders that they can cancel, reduce, or delay, subject to certain limitations. In order to meet the expectations of our customers, we must provide innovative solutions on a timely and cost-effective basis. This requires us to match our design and production capacity with customer demand, maintain satisfactory delivery schedules, and meet performance goals. If we are unable to achieve these goals for any reason, our sales may decline or fail to develop, which would result in decreasing revenue.

In addition to maintaining and expanding our customer relationships, we must also identify areas of significant growth potential in other markets, establish relationships with OEMs in those markets, and assist those OEMs in developing products that incorporate our solutions. Our failure to identify potential growth opportunities in the markets in which we operate, particularly in the Core IoT market, or our failure to establish and maintain relationships with OEMs in those markets, would prevent our business from growing in those markets.

Our gross margin and results of operations may be adversely affected in the future by a number of factors, including decreases in our average selling prices of products over time, shifts in our product mix, or price increases of certain components or third-party services due to inflation, supply chain constraints, or other reasons.

We expect that the average unit selling prices of our products will continue to be subject to significant pricing pressures. In addition, our more recently introduced products tend to have higher associated costs because of initial overall development and production expenses. Therefore, over time, we may not be able to maintain or improve our gross margins. Our financial results could suffer if we are unable to offset any reductions in our average selling prices by other cost reductions through efficiencies, introduction of higher margin products and other means.

To attract new customers or retain existing customers, we may offer certain price concessions to certain customers, which could cause our average selling prices and gross margins to decline. In the past, we have reduced the average selling prices of our products in anticipation of future competitive pricing pressures, new product introductions by us or by our competitors and other factors. We expect to continue to have to reduce prices of existing products in the future. Moreover, because of the wide price differences across the markets we serve, the mix and types of performance capabilities of our products sold may affect the average selling prices of our products and have a substantial impact on our revenue and gross margin. We may enter new markets in which a significant amount of competition exists, and this may require us to sell our products with lower gross margins than we earn in our established businesses. If we are successful in growing revenue in these markets, our overall gross margin may decline. Fluctuations in the mix and types of our products may also affect the extent to which we are able to recover the fixed costs and investments associated with a particular product, and as a result may harm our financial results.

Additionally, because we do not operate our own manufacturing, assembly, testing or packaging facilities, we are not able to reduce our costs as rapidly as companies that operate their own facilities and our costs may even increase, which could also reduce our gross margins. Our gross margin could also be impacted, for example, by the following factors: increased costs (including increased costs caused by tariffs, inflation, higher interest rates, or supply chain constraints); loss of cost savings if parts ordering does not correctly anticipate product demand or if the financial health of either our manufacturers partners or our suppliers deteriorates; excess inventory, or inventory holding and obsolescence charges. In addition, we are subject to risks from fluctuating market prices of certain components, which are incorporated into our products or used by our suppliers to manufacture our products. Supplies of these components may from time-to-time become restricted, or general market factors and conditions such as inflation or supply chain constraints have in the past affected and may in the future affect pricing of such commodities. Any increase in the price of components used in our products will adversely affect our gross margins.

We are subject to order and shipment uncertainties. If we are unable to accurately predict customer demand, we may hold excess or obsolete inventory, which would reduce our gross margin. Conversely, we may have insufficient inventory or be unable to obtain the supplies or contract manufacturing capacity to meet that demand, which would result in lost revenue opportunities and potential loss of market share as well as damaged customer relationships.

We typically sell products pursuant to purchase orders rather than long-term purchase commitments. Some of our customers have, and others may in the future, cancel or defer purchase orders on short notice without incurring a significant penalty. In addition, customers who have purchase commitments may not honor those commitments. Due to their inability to predict demand or other reasons during our fiscal 2024, some of our customers have accumulated excess inventories and, as a consequence, they either have deferred or they may defer future purchases of our products. We cannot accurately predict what or how many products our customers will need in the future. Anticipating demand is difficult because our customers face unpredictable demand for their own products and are increasingly focused more on cash preservation and tighter inventory management.

We place orders with our suppliers based on forecasts of customer demand and, in some instances, may establish buffer inventories to accommodate anticipated demand. Our forecasts are based on multiple assumptions, each of which may introduce error into our estimates. For example, our ability to accurately forecast customer demand may be impaired by the delays inherent in our customer’s product development processes, which may include extensive qualification and testing of components included in their products, including ours. In many cases, they design their products to use components from multiple suppliers. This creates the risk that our customers may decide to cancel or change product plans for products incorporating our semiconductor solutions prior to completion, which makes it even more difficult to forecast customer demand. In addition, while many of our customers are subject to purchase orders or other agreements that do not allow for cancellation, there can be no assurance that these customers will honor these contract terms and cancellation of these orders may adversely affect our business operations and demand forecast which is the basis for us to have products made.

Our products are incorporated into complex devices and systems, which creates supply chain cross-dependencies. Due to cross dependencies, supply chain disruptions have in the past, and may in the future, negatively impact the demand for our products. We have a limited ability to predict the timing of a supply chain correction. If we cannot predict future customer demand or supply chain disruptions, then we may hold excess or obsolete inventory. Moreover, significant supply chain disruption may negatively impact the timing of our product shipments and revenue shipment linearity, which may impact and extend our cash conversion cycle. In addition, the market share of our customers could be adversely impacted on a long-term basis due to any continued supply chain disruption, which could negatively affect our results of operations.

If we overestimate customer demand, our excess or obsolete inventory may increase significantly, which would reduce our gross margin and adversely affect our financial results. The risk of obsolescence and/or excess inventory is heightened for semiconductor solutions due to the rapidly changing market for these types of products. Conversely, if we underestimate customer demand or if insufficient manufacturing capacity is available, we would miss revenue opportunities and potentially lose market share and damage our customer relationships. In addition, any future significant cancellations or deferrals of product orders, or the return of previously sold products, could materially and adversely affect our profit margins, increase product obsolescence and restrict our ability to fund our operations.

Risks Related to Our Supply Chain

We depend on third parties to maintain satisfactory manufacturing yields and delivery schedules, and their inability to do so could increase our costs, disrupt our supply chain, and result in our inability to deliver our products, which would adversely affect our operating results.

We depend on our contract manufacturers and semiconductor fabricators to maintain high levels of productivity and satisfactory delivery schedules at manufacturing and assembly facilities located primarily in Asia. We provide our contract manufacturers with six-month rolling forecasts of our production requirements. We generally do not, however, have long-term agreements with our contract manufacturers that guarantee production capacity, prices, lead times, or delivery schedules. If end customer demand declines, these long-term capacity agreements could result in significant write-downs of inventory. On occasion, customers require rapid increases in production, which can strain our resources and reduce our margins. Although we have been able to obtain increased production capacity from our third-party contract manufacturers in the past, there is no guarantee that our contract manufacturers will be able to increase production capacity to enable us to meet our customer demands in the future. Our contract manufacturers also serve other customers, a number of which have greater production requirements than we do. As a result, our contract manufacturers could determine to prioritize production capacity for other customers or reduce or eliminate deliveries to us on short notice.

Qualifying new contract manufacturers, and specifically semiconductor foundries, is time consuming and might result in unforeseen manufacturing and operations problems. We may also encounter lower manufacturing yields and longer delivery schedules in commencing volume production of new products that we introduce, which could increase our costs or disrupt our supply of such products. The loss of relationships with our contract manufacturers or assemblers, or their inability to conduct their manufacturing and assembly services for us as anticipated in terms of capacity, cost, quality, and timeliness could adversely affect our ability to fill customer orders in accordance with required delivery, quality, and performance requirements, and adversely affect our operating results.

Shortages of components and materials may delay or reduce our sales and increase our costs, thereby harming our operating results.

The inability to obtain sufficient quantities of components and other materials necessary for the production of our products could result in reduced or delayed sales or lost orders. Many of the materials used in the production of our products are available only from a limited number of foreign suppliers, particularly suppliers located in Asia. In most cases, neither we nor our contract manufacturers have long-term supply contracts with these suppliers. As a result, we are subject to increased costs, supply interruptions, and difficulties in obtaining materials. Our customers also may encounter difficulties or increased costs in obtaining the materials necessary to produce their products into which our product solutions are incorporated. Future shortages of materials and components, including potential supply constraints of silicon, could cause delayed shipments and customer dissatisfaction, which may result in lower revenue.

Risks Related to Product Development

We are subject to lengthy development periods and product acceptance cycles, which can result in development and engineering costs without any future revenue.

We provide solutions that are incorporated by OEMs into the products they sell. OEMs make the determination during their product development programs whether to incorporate our solutions or pursue other alternatives. This process requires us to make significant investments of time and resources in the design of solutions for our OEMs' products well before our customers introduce their products incorporating our interface solutions into the market, and before we can be sure that we will generate any significant sales to our customers or even recover our investment. During a customer's entire product development process, we face the risk that our interfaces will fail to meet our customer's technical, performance, or cost requirements, or that our products will be replaced by competitive products or alternative technological solutions. Even if we complete our design process in a manner satisfactory to our customer, the customer may delay or terminate its product development efforts. The occurrence of any of these events could cause sales to not materialize, be deferred, or be cancelled, which could adversely affect our operating results.

We face intense competition that could result in our losing or failing to gain market share and suffering reduced revenue.

We serve intensely competitive markets that are characterized by price erosion, rapid technological change, and competition from major domestic and international companies. This intense competition could result in pricing pressures, lower sales, reduced margins, and lower market share. Depressed economic conditions, a slowdown in the markets in which we operate, the emergence of new products not including our product solutions, rapid changes in the markets in which we operate, and competitive pressures may result in lower demand for our product solutions and reduced unit margins.

Some of our competitors have greater market recognition, larger customer bases, and substantially greater financial, technical, marketing, distribution, and other resources than we possess and that afford them greater competitive advantages. As a result, they may be able to devote greater resources to the promotion and sale of products, negotiate lower prices for raw materials and components, deliver competitive products at lower prices, and introduce new product solutions and respond to customer requirements more quickly than we can. Our competitive position could suffer if one or more of our customers determine not to utilize our custom engineered, total solutions approach and instead, decide to design and manufacture their own interfaces, contract with our competitors, or use alternative technologies.

If we do not keep pace with technological innovations, our products may not remain competitive and our revenue and operating results may suffer.

We operate in rapidly changing, highly competitive markets. Technological advances, the introduction of new products and new design techniques could adversely affect our business unless we are able to adapt to changing conditions. Technological advances could render our solutions less competitive or obsolete, and we may not be able to respond effectively to the technological requirements of evolving markets. Therefore, we may be required to expend substantial funds for and commit significant resources to enhancing and developing new technology, which may include purchasing advanced design tools and test equipment, hiring additional highly qualified engineering and other technical personnel, and continuing and expanding research and development activities on existing and potential solutions.

Our research and development efforts with respect to new technologies may not result in customer or market acceptance. Some or all of those technologies may not successfully make the transition from the research and development stage to cost-effective production as a result of technology problems, competitive cost issues, yield problems, and other factors. Even if we successfully complete a research and development effort with respect to a particular technology, our customers may decide not to introduce or may terminate products utilizing the technology for a variety of reasons, including difficulties with other suppliers of components for the products, superior technologies developed by our competitors and unfavorable comparisons of our solutions with these technologies, price considerations and lack of anticipated or actual market demand for the products.

Our business could be harmed if we are unable to develop and utilize new technologies that address the needs of our customers, or our competitors or customers develop and utilize new technologies more effectively or more quickly than we can. Any investments made to enhance or develop new technologies that are not successful could have an adverse effect on our net revenue and operating results.

We may not be able to enhance our existing product solutions and develop new product solutions in a timely manner.

Our future operating results will depend to a significant extent on our ability to continue to provide new solutions that compare favorably with alternative solutions on the basis of time to introduction, cost, performance, and end user preferences. Our success in maintaining existing customers, attracting new customers, and developing new business depends on various factors, including the following:

- innovative development of new solutions for customer products;
- utilization of advances in technology;
- maintenance of quality standards;
- performance advantages;
- efficient and cost-effective solutions; and
- timely completion of the design and introduction of new solutions.

Our inability to enhance our existing product solutions and develop new product solutions on a timely basis could harm our operating results and impede our growth.

Conditions in Israel may materially and adversely affect our business.

We have employees located in Israel. As a result, political, economic and military conditions in Israel may directly affect our business. In October 2023, Hamas conducted several terrorist attacks in Israel resulting in ongoing war across the country, forcing the closure of our offices in Israel for several days. Any armed conflicts, terrorist activities or political instability involving Israel or other countries in the region could adversely affect our business, results of operations, financial condition, cash flows and prospects. Although the Israeli Government currently covers the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot ensure stockholders that this coverage will be maintained or will be adequate in the event we submit a claim.

Our operations could also be disrupted by the absence for significant periods of one or more key employees or a significant number of other employees because of military service. Some of our employees in Israel are obliged to perform military reserve duty, and in certain emergency circumstances, employees may be called to immediate and unlimited active duty. In response to the terrorist attacks in October 2023, a number of our employees in Israel have been activated for military duty and additional employees may be activated if the war in Israel continues. While we have business continuity plans in place to address the safety of our employees and to continue product development in the event of reduced employee availability in the region during the war, any of the foregoing circumstances could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

If we become subject to product returns or claims resulting from defects in our products, we may incur significant costs resulting in a decrease in revenue.

We develop complex products in an evolving marketplace and generally warrant our products for a period of 12 months from the date of delivery. Despite testing by us and our customers, defects may be found in existing or new products. We handle product quality matters sustainably by working on a one-on-one basis with our customers. We have never formally recalled a product or had a mass defect that affected an entire product line. Nevertheless, manufacturing errors or product defects could result in a delay in recognition or loss of revenue, loss of market share, or failure to achieve market acceptance. Additionally, defects could result in financial or other damages to our customers, causing us to incur significant warranty, support, and repair costs, and diverting the attention of our engineering personnel from key product development efforts.

We must finance the growth of our business and the development of new products, which could have an adverse effect on our operating results.

To remain competitive, we must continue to make significant investments in research and development, marketing, and business development. Our failure to sufficiently increase our net revenue to offset these increased costs would adversely affect our operating results.

From time-to-time, we may seek additional equity or debt financing to provide for funds required to expand our business, including through acquisitions. We cannot predict the timing or amount of any such requirements at this time. If such financing is not available to us on satisfactory terms, we may be unable to expand our business or to develop new business at the rate desired and our operating results may suffer. If obtained, the financing itself carries risks including the following: (i) debt financing increases expenses and must be repaid regardless of operating results; and (ii) equity financing, including the issuance of convertible notes or additional shares in connection with acquisitions, could result in dilution to existing stockholders and could adversely affect the price of our common stock.

Risks Related to International Sales and Operations

Changes to import, export and economic sanction laws may expose us to liability, increase our costs and adversely affect our operating results.

As a global company headquartered in the U.S., we are subject to U.S. laws and regulations, including import, export, and economic sanction laws. These laws may include prohibitions on the sale or supply of certain products to embargoed or sanctioned countries, regions, governments, persons, and entities, may require an export license prior to the export of the controlled item, or may otherwise limit and restrict the export of certain products and technologies. Many of our customers, suppliers and contract manufacturers are foreign companies or have significant foreign operations. The imposition of new or additional economic and trade sanctions against our major customers, suppliers or contract manufacturers could result in our inability to sell to, and generate revenue from such customer, supplier, or contract manufacturer. As a result of restrictive export laws, our customers may also develop their own solutions to replace our products or seek to obtain a greater supply of similar or substitute products from our competitors that are not subject to these restrictions, which could material and adversely affect our business and operating results.

In addition, compliance with additional export regulations may result in increased costs to the company. Although we have an export compliance program, maintaining and adapting our export controls program to new and shifting regulations is expensive, time-consuming and requires significant management attention. Failure to comply with trade or economic sanctions could subject the company to legal liabilities and fines from the U.S. government. We must also comply with export restrictions and laws imposed by other countries affecting trade and investments. Although these restrictions and laws have not materially restricted our operations in the recent past, there is a significant risk that they could do so in the future, which would materially and adversely affect our business and operating results.

Changes to international trade policy and rising concerns of international tariffs, including tariffs applied to goods traded between the U.S. and China, could materially and adversely affect our business and results of operations.

Many of the materials used in the production of our products are available only from a limited number of foreign suppliers, particularly suppliers located in Asia. The imposition of tariffs against foreign imports of certain materials could make it more difficult or expensive for us or our OEMs to obtain sufficient quantities of components and other materials necessary for the production of our products or products which incorporate our product solutions. Any interruptions to supply could result in delay or cancellation of our products, which could adversely affect our business and operating results.

In addition, the institution of trade tariffs both globally and between the U.S. and China carry the risk that China's overall economic condition may be negatively affected, which could affect our China operations, including the manufacturing operations on which we rely in China. Further, imposition of tariffs could cause a decrease in the sales of our products to customers located in China or to our OEMs selling to customers in China, which could impact our business, revenue, and operating results.

International sales and manufacturing risks could adversely affect our operating results.

Our manufacturing and assembly operations are primarily conducted in Taiwan, China, and Korea by contract manufacturers and semiconductor fabricators. We have sales and logistics operations in Hong Kong, and sales and engineering design support operations in China, France, Germany, India, Israel, Japan, Korea, Poland, Switzerland, Taiwan, and the U.K. These international operations expose us to various economic, political, regulatory, and other risks that could adversely affect our operations and operating results, including the following:

- difficulties and costs of staffing and managing a multinational organization;
- unexpected changes in regulatory requirements;
- differing labor regulations;
- differing environmental laws and regulations, including in response to climate change;
- potentially adverse tax consequences;
- possible employee turnover or labor unrest;
- greater difficulty in collecting accounts receivable;

- the burdens and costs of compliance with a variety of foreign laws;
- the volatility of currency exchange rates;
- potentially reduced protection for intellectual property rights;
- political or economic instability in certain parts of the world; and
- natural disasters, including earthquakes or tsunamis.

If any of these risks associated with international operations materialize, our operations could significantly increase in cost or be disrupted, which would negatively affect our revenue and operating results.

Our operating results could be adversely affected by fluctuations in the value of the U.S. dollar against foreign currencies.

We transact business predominantly in U.S. dollars, and we invoice and collect our sales in U.S. dollars. A weakening of the U.S. dollar could cause our overseas vendors to require renegotiation of either the prices or currency we pay for their goods and services. In the future, customers may negotiate pricing and make payments in non-U.S. currencies.

If our overseas vendors or customers require us to transact business in non-U.S. currencies, fluctuations in foreign currency exchange rates could affect our cost of goods, operating expenses, and operating margins, and could result in exchange losses. In addition, currency devaluation could result in a loss to us if we hold deposits of that currency. Hedging foreign currencies can be difficult, especially if the currency is not freely traded. We cannot predict the impact of future exchange rate fluctuations on our operating results.

Risks Related to Our Employees

We depend on key personnel who would be difficult to replace, and our business will likely be harmed if we lose their services or cannot hire additional qualified personnel.

Our success depends substantially on the efforts and abilities of our senior management and other key personnel. The competition for qualified management and key personnel, especially engineers, is intense. Although we maintain nondisclosure covenants with most of our key personnel, and our key executives have change of control severance agreements, we do not have employment agreements with many of them. The loss of services of one or more of our key employees or the inability to hire, train, and retain key personnel, especially engineers and technical support personnel, and capable sales and customer-support employees outside the U.S., could delay the development and sale of our products, disrupt our business, and interfere with our ability to execute our business plan.

If we are unable to obtain stockholder approval of share-based compensation award programs or additional shares for such programs, we could be at a competitive disadvantage in the marketplace for qualified personnel or may be required to increase the cash element of our compensation program.

Competition for qualified personnel in our industry is extremely intense, particularly for engineering and other technical personnel. Our compensation program, which includes cash and share-based compensation award components, has been instrumental in attracting, hiring, motivating, and retaining qualified personnel. Our success depends on our continued ability to use our share-based compensation programs to effectively compete for engineering and other technical personnel and professional talent without significantly increasing cash compensation costs. In the future, if we are unable to obtain stockholder approval of our share-based compensation programs or additional shares for such programs, we could be at a competitive disadvantage in the marketplace for qualified personnel or we may be required to increase the cash elements of our compensation program to account for this disadvantage.

Risks Related to Our Intellectual Property

Our ability to compete successfully and continue growing as a company depends on our ability to adequately protect our proprietary technology and confidential information.

We protect our proprietary technology and confidential information through the use of patents, trade secrets, trademarks, copyrights, confidentiality agreements and other contractual provisions. The process of seeking patent protection is lengthy and expensive. Further, there can be no assurance that even if a patent is issued, that it will not be challenged, invalidated, or circumvented, or that the rights granted under the patents will provide us with meaningful protection or any commercial advantage. Failure to obtain trademark registrations could compromise our ability to fully protect our trademarks and brands and could increase the risk of challenge from third parties to our use of our trademarks and brands. Effective intellectual property protection may be unavailable or limited in some foreign countries in which we operate. In particular, the validity, enforceability and scope of protection of intellectual property in

China, where we derive a significant portion of our net sales, and certain other countries where we derive net sales, are still evolving and historically, have not protected and may not protect in the future, intellectual property rights to the same extent as laws developed in the U.S.

We do not consistently rely on written agreements with our customers, suppliers, manufacturers, and other recipients of our technologies and products and therefore, some trade secret protection may be lost and our ability to enforce our intellectual property rights may be limited. Confidentiality and non-disclosure agreements that are in place may not be adequate to protect our proprietary technologies or may be breached by other parties. Additionally, our customers, suppliers, manufacturers, and other recipients of our technologies and products may seek to use our technologies and products without appropriate limitations. In the past, we did not consistently require our employees and consultants to enter into confidentiality, employment, or proprietary information and invention assignment agreements. Therefore, our former employees and consultants may try to claim some ownership interest in our technologies and products or may use our technologies and products competitively and without appropriate limitations. Unauthorized parties may attempt to copy or otherwise use aspects of our technologies and products that we regard as proprietary. Other companies, including our competitors, may independently develop technologies that are similar or superior to our technologies, duplicate our technologies, or design around our patents. If our intellectual property protection is insufficient to protect our intellectual property rights, we could face increased competition in the markets for our technologies and products.

We may pursue, and from time-to-time defend, litigation to enforce our intellectual property rights, to protect our trade secrets, and to determine the validity and scope of the proprietary rights of others. Litigation whether successful or unsuccessful, could result in substantial costs and diversion of resources, which could have a material adverse effect on our business, financial condition, and operating results.

Any claims that our technologies infringe the intellectual property rights of third parties could result in significant costs and have a material adverse effect on our business.

We cannot be certain that our technologies and products do not and will not infringe issued patents or other third-party proprietary rights. Any claims, with or without merit, could result in significant litigation costs and diversion of resources, including the attention of management, and could require us to enter into royalty or licensing agreements, any of which could have a material adverse effect on our business. There can be no assurance that such licenses could be obtained on commercially reasonable terms, if at all, or that the terms of any offered licenses would be acceptable to us. We may also have to pay substantial damages to third parties or indemnify customers or licensees for damages they suffer if the products they purchase from us or the technology they license from us violates any third-party intellectual property rights. An adverse determination in a judicial or administrative proceeding, or a failure to obtain necessary licenses to use such third-party technology could prevent us from manufacturing, using, or selling certain of our products, and there is no guarantee that we will be able to develop or acquire alternate non-infringing technology.

In addition, we license certain technology used in and for our products from third parties. These third-party licenses are granted with restrictions, and there can be no assurances that such third-party technology will remain available to us on commercially acceptable terms. Any breach or violation of the terms and conditions specified in these license agreements could have significant adverse consequences on our operations and financial performance and may result in legal action, monetary penalties, or the termination of the license, which would impact our ability to offer certain products or services.

If third-party technology currently utilized in our products is no longer available to us on commercially acceptable terms, or if any third-party initiates litigation against us for alleged infringement of their proprietary rights, we may not be able to sell certain of our products and we could incur significant costs in defending against litigation or attempting to develop or acquire alternate non-infringing products, which would have an adverse effect on our operating results.

Risks Related to Acquisitions

Any acquisitions that we undertake could be difficult to integrate, disrupt our business, dilute stockholder value, and harm our operating results.

We expect to continue to pursue opportunities to acquire other businesses and technologies in order to complement our current solutions, expand the breadth of our markets, enhance our technical capabilities, or otherwise create growth opportunities. We cannot accurately predict the timing, size, and success of any currently planned or future acquisitions. We may be unable to identify suitable acquisition candidates or to complete the acquisitions of candidates that we identify. Increased competition for acquisition candidates or increased asking prices by acquisition candidates may increase purchase prices for acquisitions to levels beyond our financial capability or to levels that would not result in the returns required by our acquisition criteria. Acquisitions may also become more difficult in the future as we or others acquire the most attractive candidates. Unforeseen expenses, difficulties, and delays frequently encountered in connection with rapid expansion through acquisitions could inhibit our growth and negatively impact our operating results. If we make any future acquisitions, we could issue stock that would dilute existing stockholders' percentage ownership, incur substantial debt, assume contingent liabilities, or experience higher operating expenses.

We may be unable to effectively complete an integration of the management, operations, facilities, and accounting and information systems of acquired businesses with our own; efficiently manage, combine or restructure the operations of the acquired businesses with our operations; achieve our operating, growth, and performance goals for acquired businesses; achieve additional revenue as a result of our expanded operations; or achieve operating efficiencies or otherwise realize cost savings as a result of anticipated acquisition synergies. The integration of acquired businesses involves numerous risks, including the following:

- the potential disruption of our core business;
- the potential strain on our financial and managerial controls, reporting systems and procedures;
- potential unknown liabilities associated with the acquired business;
- costs relating to liabilities which we agree to assume;
- unanticipated costs associated with the acquisition;
- diversion of management’s attention from our core business;
- problems assimilating the purchased operations, technologies, or products;
- risks associated with entering markets and businesses in which we have little or no prior experience;
- failure of acquired businesses to achieve expected results;
- adverse effects on existing business relationships with suppliers and customers;
- failure to retain key customers, suppliers, or personnel of acquired businesses;
- the risk of impairment charges related to potential write-downs of acquired assets; and
- the potential inability to create uniform standards, controls, procedures, policies, and information systems.

We cannot assure you that we would be successful in overcoming problems encountered in connection with any acquisitions, and our inability to do so could disrupt our operations, result in goodwill or intangible asset impairment charges, and adversely affect our business.

Potential strategic alliances may not achieve their objectives, and the failure to do so could impede our growth.

We have entered, and we anticipate that we will continue to enter, into strategic alliances. We continually explore strategic alliances designed to enhance or complement our technology or to work in conjunction with our technology; to provide necessary know-how, components, or supplies; and to develop, introduce, and distribute products utilizing our technology. Certain strategic alliances may not achieve their intended objectives, and parties to our strategic alliances may not perform as contemplated. The failure of these alliances to achieve their objectives may impede our ability to introduce new products and enter new markets.

We may incur material environmental liabilities as a result of prior operations at an acquired company.

In connection with our acquisition in July 2017 of Conexant Systems, we agreed to assume certain environmental liabilities, including remediation of environmental impacts at a property formerly owned and operated by Conexant (the “Conexant Site”) and for potential future claims alleging personal injury or property damage related to the environmental impacts at and about the Conexant Site. We continue to incur costs to investigate and remediate the Conexant Site’s environmental impacts, and we are at risk for future personal injury and property damage claims related to the Conexant Site. Various federal, state, and local authorities regulate the release of hazardous substances into the environment and can impose substantial fines if our remediation efforts at or about the Conexant Site fail or are deemed inadequate. In addition, changes in laws, regulations and enforcement policies, the discovery of previously unknown contamination at the Conexant Site, the implementation of new technology at the Conexant Site, or the establishment or imposition of stricter federal, state, or local cleanup standards or requirements with respect to the Conexant Site could require us to incur additional costs in the future that could have a negative effect on our financial condition or results of operations.

Risks Factors Related to Our Indebtedness

Our indebtedness could adversely affect our financial condition or operating flexibility and prevent us from fulfilling our obligations outstanding under our credit agreement, our 4.000% senior notes due 2029, or the Senior Notes, and other indebtedness we may incur from time-to-time.

On March 11, 2021, we completed the offering of the Senior Notes in the aggregate principal amount of $400.0 million, with a corresponding amendment and restatement of our credit agreement, or as amended and supplemented, the Credit Agreement, with the lenders party thereto, or the Lenders, and Wells Fargo Bank, National Association, or the Administrative Agent, as administrative agent for the Lenders. The Senior Notes include a mandatory semi-annual payment of a 4.000% coupon. We are permitted under the indenture governing our Senior Notes and the Credit Agreement to incur additional debt under certain conditions, including additional secured debt. If new debt were to be incurred in the future, the related risks that we now face could intensify.

Our level of indebtedness could have important consequences on our future operations, including:

- making it more difficult for us to satisfy our payment and other obligations under the Notes, the Credit Agreement, or our other outstanding debt from time-to-time;
- risking an event of default if we fail to comply with the financial and other covenants contained in the Notes indenture or the Credit Agreement, which could result in the Senior Notes or any outstanding bank debt becoming immediately due and payable and could permit the lenders under the Credit Agreement to foreclose on the assets securing such bank debt;
- subjecting us to the risk of increased sensitivity to interest rate increases on our debt with variable interest rates, including the debt that we may incur under the Credit Agreement;
- reducing the availability of our cash flows to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Our business may not generate sufficient cash flow from operations and future borrowings may not be available to us under the Credit Agreement, the indenture governing the Senior Notes or otherwise in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs.

The covenants in the Credit Agreement and Senior Notes impose restrictions that may limit our operating and financial flexibility.

The Credit Agreement includes certain covenants that limit (subject to certain exceptions) our ability to, among other things: (i) incur or guarantee additional indebtedness; (ii) incur or suffer to exist liens securing indebtedness; (iii) make investments; (iv) consolidate, merge or transfer all or substantially all of our assets; (v) sell assets; (vi) pay dividends or other distributions on, redeem or repurchase capital stock; (vii) enter into transactions with affiliates; (viii) amend, modify, prepay or redeem subordinated indebtedness; (ix) enter into certain restrictive agreements; and (x) engage in a new line of business. In addition, the Credit Agreement contains financial covenants that (i) require the ratio of the amount of our consolidated total indebtedness to consolidated EBITDA to be less than certain maximum ratio levels, and (ii) require the ratio of the amount of our consolidated EBITDA to consolidated interest expense to be greater than a certain minimum ratio level.

If we violate these covenants and are unable to obtain waivers, our debt under the Credit Agreement would be in default and could be accelerated, and could permit, in the case of secured debt, the lenders to foreclose on our assets securing the Credit Agreement. If the indebtedness is accelerated, we may not be able to repay our debt or borrow sufficient funds to refinance it. Even if we are able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to us. If our debt is in default for any reason, our cash flows, results of operations or financial condition could be materially and adversely affected. In addition, complying with these covenants may also cause us to take actions that may make it more difficult for us to successfully execute our business strategy and compete against companies that are not subject to such restrictions.

General Risk Factors

If we fail to manage our growth effectively, our infrastructure, management, and resources could be strained, our ability to effectively manage our business could be diminished, and our operating results could suffer.

The failure to manage our planned growth effectively could strain our resources, which would impede our ability to increase revenue. We have increased the number of our solutions in the past and may plan to further expand the number and diversity of our solutions and their use in the future. Our ability to manage our planned diversification and growth effectively will require us to:

- successfully hire, train, retain, and motivate additional employees, including employees outside the U.S.;
- efficiently plan, expand, or cost-effectively reduce our facilities to meet headcount requirements;
- enhance our global operational, financial, and management infrastructure; and
- expand our development and production capacity.

In connection with the expansion and diversification of our product and customer base, we may increase our personnel and make other expenditures to meet demand for our expanding product offerings, including offerings in the Core IoT market, the Enterprise and Automotive applications market, and the Mobile product applications market. Any increase in expenses or investments in infrastructure and facilities in anticipation of future orders that do not materialize would adversely affect our profitability. Our customers also may require rapid increases in design and production services that place an excessive short-term burden on our resources and the resources of our contract manufacturers. An inability to quickly expand our development, design or production capacity or an inability of our third-party manufacturers to quickly expand development, design, or production capacity to meet this customer demand could result in a decrease to our revenue or operating results. If we cannot manage our growth effectively, our business and operating results could suffer.

We face risks associated with security breaches or cyberattacks.

We face risks associated with security breaches or cyberattacks of our computer systems or those of our third-party representatives, vendors, and service providers. Although we have implemented security procedures and controls to address these threats, our systems may still be vulnerable to data theft, computer viruses, programming errors, ransomware, and other attacks by third parties, or similar disruptive problems. If our systems, or systems owned by third parties affiliated with our company, were breached or attacked, the proprietary and confidential information of our company, our employees and our customers could be disclosed and we may be required to incur substantial costs and liabilities, including the following: liability for stolen assets or information; fines imposed on us by governmental authorities for failure to comply with privacy laws or for disclosure of any personally identifiable information as a part of such attack; costs of repairing damage to our systems; lost revenue and income resulting from any system downtime caused by such breach or attack; loss of competitive advantage if our proprietary information is obtained by competitors as a result of such breach or attack; increased costs of cyber security protection; costs of incentives we may be required to offer to our customers or business partners to retain their business; damage to our reputation; and expenses to rectify the consequences of the security breach or cyberattack. In addition, any compromise of security from a security breach or cyberattack could deter customers or business partners from entering into transactions that involve providing confidential information to us. As a result, any compromise to the security of our systems could have a material adverse effect on our business, reputation, financial condition, and operating results.

If tax laws change in the jurisdictions in which we do business or if we receive a material tax assessment in connection with an examination of our income tax returns, our consolidated financial position, results of operations and cash flows could be adversely affected.

We are subject to U.S. federal, state, and foreign income taxes in the various jurisdictions in which we do business. In addition, we are required to pay U.S. federal taxes on the operating earnings of certain of our foreign subsidiaries. Our future effective tax rates and the value of our deferred tax assets could be adversely affected by changes in tax laws in the U.S. or in the foreign jurisdictions in which we operate. In addition, we are subject to the examination of our income tax returns by the tax authorities in the jurisdictions in which we do business. The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of highly complex tax laws. Our results have in the past, and could in the future, include favorable and unfavorable adjustments to our estimated tax liabilities in the period a determination of such estimated tax liability is made or resolved, upon the filing of an amended return, upon a change in facts, circumstances, or interpretation, or upon the expiration of a statute of limitation. While we believe we have adequately provided for reasonably foreseeable outcomes in connection with the resolution of income tax uncertainties, the resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our consolidated financial position, result of operations, or cash flows.

We are subject to governmental laws, regulations and other legal obligations related to privacy and data protection.

We collect, use, and store personally identifiable information, or PII, as part of our business and operations. We are subject to federal, state, and international laws relating to the collection, use, retention, security, and transfer of PII. The legislative and regulatory framework for privacy and data protection issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. The cost of complying with and implementing these privacy-related and data governance measures could be significant as they may create additional burdensome security, business process, business record or data localization requirements. The theft, loss or misuse of PII collected, used, stored or transferred by us, our any inability, or perceived inability, to adequately address privacy and data protection concerns, even if unfounded, or our failure to comply with applicable laws, regulations, policies, industry standards, contractual obligations or other legal obligations, could result in additional cost and liability to us, including litigation, which could have an adverse effect on our business, operating results, cash flows, and financial condition.

Our charter documents and Delaware law could make it more difficult for a third-party to acquire us and discourage a takeover.

Our certificate of incorporation and the Delaware General Corporation Law contain provisions that may have the effect of making more difficult or delaying attempts by others to obtain control of our company, even when such attempts may be in the best interests of our stockholders. Our certificate of incorporation also authorizes our Board of Directors, without stockholder approval, to issue one or more series of preferred stock, which could have voting and conversion rights that adversely affect or dilute the voting power of the holders of our common stock. Delaware law also imposes conditions on certain business combination transactions with "interested stockholders." Our certificate of incorporation divides our Board of Directors into three classes, with one class to stand for election each year for a three-year term after the election. The classification of directors tends to discourage a third-party from initiating a proxy solicitation or otherwise attempting to obtain control of our company and may maintain the incumbency of our Board of Directors, as this structure generally increases the difficulty of, or may delay, replacing a majority of directors. Our certificate of incorporation authorizes our Board of Directors to fill vacancies or newly created directorships. A majority of the directors then in office may elect a successor to fill any vacancies or newly created directorships, thereby increasing the difficulty of, or delaying a third-party's efforts in, replacing a majority of directors.

The market price of our common stock has been and may continue to be volatile.

The trading price of our common stock has been and may continue to be subject to wide fluctuations in response to various factors, including the following:

- variations in our quarterly results;
- the financial guidance we may provide to the public, any changes in such guidance, or our failure to meet such guidance;
- changes in financial estimates by industry or securities analysts or our failure to meet such estimates;
- various market factors or perceived market factors, including rumors, whether or not correct, involving us, our customers, our suppliers, our competitors, or a potential acquisition of our company;
- announcements of technological innovations by us, our competitors, or our customers;
- introductions of new products or new pricing policies by us, our competitors, or our customers;
- acquisitions or strategic alliances by us, our competitors, or our customers;
- recruitment or departure of key personnel;
- the gain or loss of significant orders;
- the gain or loss of significant customers;
- market conditions in our industry, the industries of our customers, and the economy as a whole;
- short positions held by investors;
- new federal and state laws and regulations affecting our industry; and
- general financial market conditions or occurrences, including market volatility resulting from geopolitical risks, and rivalries, acts of war, terrorist attacks, cybersecurity attacks, health pandemics, financial market technological glitches and interruptions of trading activity.

In addition, stocks of technology companies have experienced extreme price and volume fluctuations that often have been unrelated or disproportionate to these companies' operating performance. Public announcements by technology companies concerning, among other things, their performance, accounting practices, or legal problems could cause the market price of our common stock to decline regardless of our actual operating performance.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

From April 2005 through April 2023, our Board of Directors cumulatively authorized the repurchase of up to $2.3 billion of our common stock under our stock repurchase program, which will expire at the end of July 2025. As of September 2023, the remaining amount authorized for the repurchase of our common stock was $893.9 million. During the three months ended September 2023, we did not repurchase any shares under our common stock repurchase program.

ITEM 5. OTHER INFORMATION

Insider Trading Arrangements

During the fiscal quarter ended September 30, 2023, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K), except as described below:

On July 20, 2023, Dean Butler, our Senior Vice President and Chief Financial Officer, terminated his 10b5-1 trading arrangement (as such term is defined in Item 408 of Regulation S-K) intended to satisfy the affirmative defense of Rule 10b5-1(c) originally adopted on August 24, 2022, for the sale of up to 14,659 shares of the Company's common stock until August 24, 2023, of which 1,443 shares remain unsold at the date his 10b5-1 arrangement was terminated.

ITEM 6. EXHIBITS

3.1	Synaptics Incorporated Amended and Restated Certificate of Incorporation (incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 26, 2023)
10.1	Synaptics Incorporated Amended and Restated 2019 Equity and Incentive Compensation Plan, effective October 24, 2023 (incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on October 26, 2023)
10.2	Third Amendment to the Second Amended and Restated Credit Agreement, dated as of July 28, 2023, by and among Synaptics Incorporated, the Revolving Credit Lenders party thereto, and Wells Fargo Bank, National Association, as Administrative Agent (incorporated by reference to the registrant's Current Report on Form 8-K as filed with the SEC on August 3, 2023)
31.1	Certification of Chief Executive Officer
31.2	Certification of Chief Financial Officer
32.1*	Section 1350 Certification of Chief Executive Officer
32.2*	Section 1350 Certification of Chief Financial Officer
101.INS Inline	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH Inline	XBRL Taxonomy Extension Schema Document
101.CAL Inline	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF Inline	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB Inline	XBRL Taxonomy Extension Label Linkbase Document
101.PRE Inline	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

* This information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SYNAPTICS INCORPORATED

Date: November 9, 2023	By:	*/s/ Michael E. Hurlston*
	Name:	Michael E. Hurlston
	Title:	President and Chief Executive Officer
Date: November 9, 2023	By:	*/s/ Dean Butler*
	Name:	Dean Butler
	Title:	Senior Vice President and Chief Financial Officer
Date: November 9, 2023	By:	*/s/ Kermit Nolan*
	Name:	Kermit Nolan
	Title:	Corporate Vice President and Chief Accounting Officer

Exhibit 31.1

Certification of Chief Executive Officer

I, Michael E. Hurlston, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Synaptics Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023

/s/ Michael E. Hurlston

Michael E. Hurlston
Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer

I, Dean Butler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Synaptics Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2023

/s/ Dean Butler

Dean Butler
Chief Financial Officer

Exhibit 32.1

Section 1350 Certification of Chief Executive Officer

In connection with the Quarterly Report on Form 10-Q of Synaptics Incorporated (the “Company”) for the quarterly period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael E. Hurlston, Chief Executive Officer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael E. Hurlston

Michael E. Hurlston
Chief Executive Officer

November 9, 2023

Exhibit 32.2

Section 1350 Certification of Chief Financial Officer

In connection with the Quarterly Report on Form 10-Q of Synaptics Incorporated (the “Company”) for the quarterly period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Dean Butler, Chief Financial Officer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dean Butler

Dean Butler

Chief Financial Officer

November 9, 2023