



## Synaptics Reports Fourth Quarter Fiscal 2023 Results

Date

Aug 03, 2023

### Q4'23 Financial Results and Recent Business Highlights

- Revenue of \$227.3 million
- GAAP gross margin of 44.5 percent
- Non-GAAP gross margin of 55.7 percent
- GAAP loss per share of \$0.59
- Non-GAAP diluted earnings per share of \$0.49

SAN JOSE, Calif., Aug. 03, 2023 (GLOBE NEWSWIRE) -- Synaptics Incorporated (Nasdaq: [SYNA](#)), today reported financial results for its fourth quarter and full year of fiscal 2023 ended June 24, 2023.

Net revenue for the fourth quarter of fiscal 2023 was \$227.3 million. GAAP net loss for the fourth quarter of fiscal 2023 was \$23.4 million, or a loss of \$0.59 per basic share. Non-GAAP net income for the fourth quarter of fiscal 2023 was \$19.5 million, or \$0.49 per diluted share.

For the full year fiscal 2023, net revenue was \$1.36 billion. Synaptics' products continue to garner strong gross margin with GAAP gross margin for fiscal 2023 of 52.8 percent compared to 54.2 percent in the prior year; and non-GAAP gross margin of 60.1 percent compared to 60.0 percent in the prior year. GAAP net income for the recently completed fiscal year was \$73.6 million or \$1.83 per diluted share. Non-GAAP net income for the recently completed fiscal year was \$326.4 million or \$8.12 per diluted share.

"After a strong start to our fiscal 2023, the last three quarters were impacted by excess customer inventories. We believe our business bottomed out this quarter and we will begin a climb upward in early calendar 2024. Earlier this week, we announced a key strategic deal with Broadcom, one that will be a cornerstone for our IoT business as we return to growth. We believe our roadmaps and design wins position us well for the years to come," said Michael Hurlston, Synaptics' President and CEO.

### Business Outlook

Dean Butler, Chief Financial Officer of Synaptics, added, "As we enter the September quarter, we see continued stabilization of our demand signals and good momentum in reducing channel inventory. With shorter than normal lead times and inventory levels not quite at equilibrium, we expect the coming quarter's revenue to be relatively flat to our June results. The company's balance sheet is in great shape, affording us the flexibility to invest in the business while continuing our recent buyback program."

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

	GAAP	Non-GAAP Adjustment	Non-GAAP
Revenue	\$215M to \$245M	N/A	N/A
Gross Margin*	43.5 percent to 47.5 percent	\$18M	52.0 percent to 55.0 percent
Operating Expense**	\$139M to \$147M	\$42M to \$47M	\$97M to \$100M

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

\*\*Projected Non-GAAP operating expense excludes \$29.0 million to \$31.0 million of share-based compensation, \$7.0 million to \$10.0 million restructuring costs, and \$6.0 million of intangible asset amortization.

### Earnings Call and Supplementary Materials

The Synaptics fourth quarter 2023 teleconference and webcast is scheduled to begin at 2:00 p.m. PT (5:00 p.m. ET), on Thursday, August 3, 2023, during which the company will provide forward-looking information.

Speakers:

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

To participate on the live call, analysts and investors should pre-register at [Synaptics Q4 FY2023 Earnings Call Registration](#) (<https://register.vevent.com/register/Bl5a3eff8ce0da44579b5f35232b748089>). Supplementary slides, a copy of the prepared remarks, and a live and archived webcast of the conference call will be accessible from the "Investor Relations" section of the company's Website at <https://investor.synaptics.com/>.

### About Synaptics Incorporated:

Synaptics (Nasdaq: [SYNA](#)) is changing the way humans engage with connected devices and data, engineering exceptional experiences throughout the home, at work, in the car and on the go. Synaptics is the partner of choice for the world's most innovative intelligent system providers who are

integrating multiple experiential technologies into platforms that make our digital lives more productive, insightful, secure and enjoyable. These customers are combining Synaptics' differentiated technologies in touch, display and biometrics with a new generation of advanced connectivity and AI-enhanced video, vision, audio, speech and security processing. Follow Synaptics on [LinkedIn](#), [Twitter](#) and [Facebook](#), or visit [synaptics.com](http://synaptics.com).

#### **Use of Non-GAAP Financial Information**

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

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

#### *Acquisition related costs*

Acquisition related costs primarily consist of:

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

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

#### *Share-based compensation*

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

#### *Amortization of prepaid development costs*

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

#### *Restructuring costs*

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

#### *Gain on sale and leaseback transaction*

Gain on sale and leaseback transaction, includes the gain on the sale of our San Jose headquarters buildings and land. Excluding the gain on sale and leaseback transaction from our Non-GAAP measures provides investors with a basis to compare the company's principal operating performance against the performance of other companies without the variability created by infrequent transactions that are not considered to be part of our core business.

#### *Gain on supplier settlement*

Gain on supplier settlement, represents a settlement with a supplier to resolve a business matter. Excluding gain on supplier settlement from our Non-GAAP measures provides investors with a basis to compare the company's principal operating performance against the performance of other companies without the variability created by infrequent transactions that are not considered to be part of our core business.

#### *Other non-cash items*

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

#### *Loss on extinguishment of debt*

Loss on extinguishment of debt represents a non-cash item based on the difference in the carrying value of the debt and the fair value of the debt when extinguished. Loss on extinguishment of debt is excluded from Non-GAAP results as it is non-cash. Excluding loss on extinguishment of debt from Non-GAAP measures provides investors with a basis to compare Synaptics against the performance of other companies without the variability associated with loss on extinguishment of debt.

#### *Equity investment gain or loss*

Equity investment gain represents a gain on the sale of an equity investment in a minority owned company. Equity investment loss represents an adjustment in the book value of an equity investment in a minority owned company. The equity investment loss is a non-cash item. The company excludes equity investment gain or loss from its internal operating forecasts and models when evaluating its ongoing business performance. The company believes that Non-GAAP measures reflecting adjustments for equity investment gain or loss provide investors with a basis to compare the company's principal operating performance against the performance of other companies without the variability created by equity investment gain or loss.

#### *Vendor settlement accruals*

Vendor settlement accruals represent our estimated cost of settling vendor claims that are unusual or infrequent. As a result, the company will exclude vendor settlement accruals from its internal operating forecasts and models when evaluating its ongoing business performance. The company believes that non-GAAP measures reflecting an adjustment for vendor settlement accruals provide investors with a basis to compare the company's principal operating performance against the performance of other companies without the variability created by unusual or infrequent vendor settlement accruals designed to address non-recurring or non-routine costs.

#### *Non-GAAP tax adjustments*

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

#### **Forward-Looking Statements**

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

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SYNAPTICS INCORPORATED  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In millions)  
(Unaudited)

	June 2023	June 2022
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 924.7	\$ 824.0
Short-term investments	9.6	52.0

Accounts receivable, net	163.9	322.1
Inventories, net	137.2	169.7
Prepaid expenses and other current assets	36.6	35.6
Total current assets	1,272.0	1,403.4
Property and equipment at cost, net	66.4	62.9
Goodwill	816.4	806.6
Purchased intangibles, net	298.5	390.0
Non-current other assets	158.1	195.2
	<u>\$ 2,611.4</u>	<u>\$ 2,858.1</u>

#### LIABILITIES AND STOCKHOLDERS' EQUITY

##### Current Liabilities:

Accounts payable	\$ 45.8	\$ 141.8
Accrued compensation	45.9	90.6
Income taxes payable	54.0	79.7
Other accrued liabilities	108.4	145.3
Current portion of debt	6.0	6.0
Total current liabilities	260.1	463.4
Long-term debt	972.0	975.7
Other long-term liabilities	135.9	152.6
Total liabilities	1,368.0	1,591.7

##### Stockholders' Equity:

Common stock and additional paid-in capital	1,009.3	924.2
Treasury stock	(878.0)	(694.5)
Accumulated other comprehensive income	—	(1.8)
Retained earnings	1,112.1	1,038.5
Total stockholders' equity	1,243.4	1,266.4
	<u>\$ 2,611.4</u>	<u>\$ 2,858.1</u>

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

	Three Months Ended		Year Ended	
	June 2023	June 2022	June 2023	June 2022
Net revenue	\$ 227.3	\$ 476.4	\$ 1,355.1	\$ 1,739.7
Acquisition related costs (1)	24.5	23.7	95.0	97.0
Cost of revenue	101.6	186.6	544.2	699.6
Gross margin	101.2	266.1	715.9	943.1
Operating expenses:				
Research and development	84.5	94.1	351.2	367.3
Selling, general, and administrative	46.2	38.3	175.0	168.4
Acquired intangibles amortization (2)	8.5	9.1	35.4	38.7
Restructuring costs (3)	—	0.5	—	18.3
Total operating expenses	139.2	142.0	561.6	592.7
Operating income	(38.0)	124.1	154.3	350.4
Interest and other expense, net	(6.3)	(8.9)	(28.3)	(29.0)
Gain on sale and leaseback transaction	—	—	—	5.4
Gain on supplier commitment	—	—	—	1.8
Loss on redemption of convertible notes	—	—	—	(8.1)
Income before provision for income taxes and equity investment gain	(44.3)	115.2	126.0	320.5
Provision for income taxes	(20.9)	32.3	52.4	64.6
Equity investment gain	—	—	—	1.6
Net income (loss)	<u>\$ (23.4)</u>	<u>\$ 82.9</u>	<u>\$ 73.6</u>	<u>\$ 257.5</u>
Net income (loss) per share:				
Basic	<u>\$ (0.59)</u>	<u>\$ 2.09</u>	<u>\$ 1.86</u>	<u>\$ 6.60</u>
Diluted	<u>\$ (0.59)</u>	<u>\$ 2.04</u>	<u>\$ 1.83</u>	<u>\$ 6.33</u>

Shares used in computing net income per share:

Basic	39.4	39.6	39.6	39.0
Diluted	39.8	40.6	40.2	40.7

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

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

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

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

	Three Months Ended		Year Ended	
	June 2023	June 2022	June 2023	June 2022
GAAP gross margin	\$ 101.2	\$ 266.1	\$ 715.9	\$ 943.1
Acquisition related costs	24.5	23.7	95.0	97.0
Share-based compensation	1.0	1.0	4.0	4.2
Non-GAAP gross margin	<u>\$ 126.7</u>	<u>\$ 290.8</u>	<u>\$ 814.9</u>	<u>\$ 1,044.3</u>
GAAP gross margin - percentage of revenue	44.5%	55.9%	52.8%	54.2%
Acquisition related costs - percentage of revenue	10.8%	4.9%	7.0%	5.6%
Share-based compensation - percentage of revenue	0.4%	0.2%	0.3%	0.2%
Non-GAAP gross margin - percentage of revenue	<u>55.7%</u>	<u>61.0%</u>	<u>60.1%</u>	<u>60.0%</u>
GAAP research and development expense	\$ 84.5	\$ 94.1	\$ 351.2	\$ 367.3
Share-based compensation	(13.2)	(12.3)	(52.7)	(69.7)
Amortization prepaid development costs	—	(2.5)	(5.8)	(10.0)
Non-GAAP research and development expense	<u>\$ 71.3</u>	<u>\$ 79.3</u>	<u>\$ 292.7</u>	<u>\$ 287.6</u>
GAAP selling, general, and administrative expense	\$ 46.2	\$ 38.3	\$ 175.0	\$ 168.4
Share-based compensation	(16.0)	(13.4)	(65.9)	(59.1)
Vendor settlement accrual	(4.0)	—	(4.0)	—
Acquisition/divestiture related costs	—	—	(1.8)	(4.5)
Non-GAAP selling, general, and administrative expense	<u>\$ 26.2</u>	<u>\$ 24.9</u>	<u>\$ 103.3</u>	<u>\$ 104.8</u>
GAAP operating income (loss)	\$ (38.0)	\$ 124.1	\$ 154.3	\$ 350.4
Acquisition and integration related costs	33.0	32.8	132.2	140.2
Share-based compensation	30.2	26.7	122.6	133.0
Vendor settlement accrual	4.0	—	4.0	—
Restructuring costs	—	0.5	—	18.3
Amortization prepaid development costs	—	2.5	5.8	10.0
Non-GAAP operating income	<u>\$ 29.2</u>	<u>\$ 186.6</u>	<u>\$ 418.9</u>	<u>\$ 651.9</u>
GAAP net income (loss)	\$ (23.4)	\$ 82.9	\$ 73.6	\$ 257.5
Acquisition and integration related costs	33.0	32.8	132.2	140.2
Share-based compensation	30.2	26.7	122.6	133.0
Restructuring costs	—	0.5	—	18.3
Amortization prepaid development costs	—	2.5	5.8	10.0
Vendor settlement accrual	4.0	—	4.0	—
Gain on supplier settlement	—	—	—	(1.8)
Other non-cash items	0.6	0.7	2.6	3.5
Gain on sale and leaseback transaction	—	—	—	(5.4)
Loss on extinguishment of debt	—	—	—	8.1
Equity investment gain	—	—	—	(1.6)
Non-GAAP tax adjustments	(24.9)	10.9	(14.4)	(10.6)
Non-GAAP net income	<u>\$ 19.5</u>	<u>\$ 157.0</u>	<u>\$ 326.4</u>	<u>\$ 551.2</u>
GAAP net income (loss) per share - diluted	\$ (0.59)	\$ 2.04	\$ 1.83	\$ 6.33
Acquisition/divestiture and integration related costs	0.84	0.81	3.29	3.44
Share-based compensation	0.77	0.66	3.05	3.27
Restructuring costs	—	0.01	—	0.45

Amortization prepaid development costs	—	0.06	0.14	0.24
Vendor settlement accrual	0.10	—	0.10	—
Gain on supplier settlement	—	—	—	(0.04)
Other non-cash items	0.02	0.02	0.06	0.09
Gain on sale and leaseback transaction	—	—	—	(0.13)
Loss on extinguishment of debt	—	—	—	0.20
Equity investment gain	—	—	—	(0.04)
Non-GAAP tax adjustments	(0.64)	0.27	(0.35)	(0.27)
Share adjustment	(0.01)	—	—	—
Non-GAAP net income per share - diluted	<u>\$ 0.49</u>	<u>\$ 3.87</u>	<u>\$ 8.12</u>	<u>\$ 13.54</u>

SYNAPTICS INCORPORATED  
CONDENSED CONSOLIDATED CASH FLOWS

(In millions)

(Unaudited)

	Year Ended	
	June 2023	June 2022
Net income	\$ 73.6	\$ 257.5
Non-cash operating items	290.6	224.1
Changes in working capital	(32.7)	(18.9)
Provided by operating activities	<u>331.5</u>	<u>462.7</u>
Acquisition and investments	(15.5)	(501.1)
Advance payment on intangible assets	—	(30.0)
Net proceeds from sale of property and equity investment	—	60.9
Net proceeds from maturities and sales of short-term investments and other	44.6	18.6
Purchase of property and equipment and other	(35.1)	(31.1)
Used in investing activities	<u>(6.0)</u>	<u>(482.7)</u>
Proceeds from debt, net of issuance costs	—	588.8
Repurchases of common stock	(183.4)	—
Payment for redemption of convertible	—	(505.6)
Equity compensation, net	(36.9)	(52.1)
Payment of debt obligations	(6.0)	(3.0)
Refundable deposit received from (paid to) vendor, net	5.0	(13.8)
Provided by (used in) financing activities	<u>(221.3)</u>	<u>14.3</u>
Effect of exchange rate changes on cash and cash equivalents	(3.5)	(6.6)
Net change in cash and cash equivalents	100.7	(12.3)
Cash and cash equivalents at beginning of period	824.0	836.3
Cash and cash equivalents at end of period	<u>\$ 924.7</u>	<u>\$ 824.0</u>