



## Synaptics Reports First Quarter Results

SANTA CLARA, Calif., Oct 19, 2006 /PRNewswire-FirstCall via COMTEX News Network/ -- Synaptics (Nasdaq: SYNA), a leading developer of interface solutions for mobile computing, communications, and entertainment devices, today reported financial results for the first fiscal quarter ended September 30, 2006. The Company's GAAP results reflect the expensing of non-cash share-based compensation for all periods presented.

Net revenue for the first quarter of fiscal 2007 was \$54.8 million, an increase of approximately 6% over \$51.7 million for the first quarter of fiscal 2006. Net income for the first quarter of fiscal 2007 was \$4.1 million, or \$0.15 per diluted share, compared with net income of \$5.5 million, or \$0.20 per diluted share, for the first quarter of fiscal 2006. Net income excluding share-based compensation for the first quarter of fiscal 2007 was \$6.4 million, or \$0.23 per diluted share, compared with net income excluding share-based compensation of \$8.1 million, or \$0.29 per diluted share, for the first quarter of fiscal 2006.

"Revenue for the fiscal first quarter grew nearly 25% sequentially and was at the high end of our guidance range," stated Francis Lee, President and Chief Executive Officer of Synaptics. "Our strong top line growth reflects general seasonality in our target markets and, in particular, strong demand within our core PC market based on the ramp of new designs integrating our multi-media oriented products. As anticipated, our product mix during the quarter resulted in lower gross margin, although still within our target range. We expect to see continued momentum into the holiday season and are anticipating record revenue in the December quarter."

Russ Knittel, Synaptics' Chief Financial Officer, added, "Based on our current visibility, which includes a 53% increase in our backlog to \$43.9 million, we now expect sequential revenue growth in the fourteen week December quarter of 25% to 35%. This outlook is predicated on continued strong seasonal trends, with increased demand from both PC and non-PC applications. We expect revenue in the March quarter to approach September quarter levels, largely dependent on December quarter sell through and consumer demand relative to seasonal trends in the first calendar quarter. Finally, we are raising our outlook for fiscal 2007 revenue growth to a range of 25% to 30% over the prior year."

### Earnings Call Information

The Synaptics first quarter teleconference and webcast is scheduled to begin at 2:00 p.m., Pacific Time, on Thursday, October 19, 2006, during which the Company will provide forward-looking information. To participate on the live call, analysts and investors should dial 800-240-6709 at least ten minutes prior to the call. Synaptics will also offer a live and archived webcast of the conference call, accessible from the "Investor Relations" section of the Company's Web site at [www.synaptics.com](http://www.synaptics.com).

### About Synaptics Incorporated

Synaptics is a leading developer of interface solutions for the mobile computing, communications, and entertainment industries. The company creates interface solutions for a variety of devices including notebook PCs, PC peripherals, digital music players, and mobile phones. The TouchPad(TM), Synaptics' flagship product, is integrated into more than 50 percent of today's notebook computers. Consumer electronics and computing manufacturers use Synaptics' solutions to enrich the interaction between humans and intelligent devices through improved usability, functionality, and industrial design. The company is headquartered in Santa Clara, California. [www.synaptics.com](http://www.synaptics.com).

### Use of Non-GAAP Financial Information

In evaluating our business, our management considers and uses net income excluding share-based compensation and net income per share excluding share-based compensation as a supplemental measure of operating performance. Net income excluding share-based compensation is not a measurement of our financial performance under GAAP and should not be considered as an alternative to net income. We present net income excluding share-based compensation because we consider it an important supplemental measure of our performance. We believe this measure facilitates operating performance comparisons from period to period by eliminating potential differences in net income caused by the existence and timing of non-cash compensation charges. Net income excluding share-based compensation has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for our GAAP net income. The principal limitations of this measure are that it does not reflect our actual expenses and may thus have the effect of inflating our net income and net income per share. We address these limitations by relying primarily on our GAAP net income and using net income excluding share-based compensation only supplementally.

### Forward-Looking Statements

This press release contains "forward-looking" statements about Synaptics, as that term is defined under the federal securities laws. Synaptics intends such forward-looking statements to be subject to the safe harbor created by those laws. Such forward-looking statements include, but are not limited to, statements regarding Synaptics' anticipated revenue and revenue growth rates for the remainder of fiscal 2007, its beliefs regarding the markets it serves, its assessment of market demands and trends in target markets, and its assessment of consumer demands for various applications. Synaptics cautions that these statements are qualified by important factors that could cause actual results to differ materially from those reflected by the forward-looking statements contained herein. Such factors include, but are not limited to, (a) demand for Synaptics' products in the PC and portable digital entertainment markets, (b) market demand for OEMs' products using Synaptics' solutions, (c) changing market demand trends in the markets it serves, and consumer demand, and (d) other risks as identified from time to time in Synaptics' SEC reports, including Quarterly Reports on Form 10-Q and the Annual Report on Form 10-K for the fiscal year ended June 30, 2006. All forward-looking statements are based on information available to Synaptics on the date hereof, and Synaptics assumes no obligation to update such statements.

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SYNAPTICS INCORPORATED  
CONSOLIDATED BALANCE SHEETS  
(In thousands, except share data)  
(Unaudited)

	September 30, 2006	June 30, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$51,796	\$38,724
Short term investments	193,867	206,452
Total cash, cash equivalents, and short-term investments	245,663	245,176
Receivables, net of allowances of \$222 and \$189, respectively	41,813	34,034
Inventories	9,017	10,010
Prepaid expenses and other current assets	3,732	3,407
Total current assets	300,225	292,627
Property and equipment, net	16,099	16,038
Goodwill	1,927	1,927
Other assets	20,365	20,829
Total assets	\$338,616	\$331,421
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$16,152	\$16,542
Accrued compensation	3,864	4,842
Income taxes payable	10,969	8,078
Other accrued liabilities	7,447	5,377
Note payable to a related party	1,500	-
Total current liabilities	39,932	34,839
Note payable to a related party	-	1,500
Convertible senior subordinated notes	125,000	125,000
Other liabilities	2,071	3,040
Commitments and contingencies		

Stockholders' equity:		
Preferred stock;		
\$.001 par value; 10,000,000		
shares authorized;		
no shares issued and		
outstanding		
	-	-
Common stock;		
\$.001 par value; 60,000,000		
shares authorized; 27,575,943		
and 27,462,125 shares		
issued, respectively		
	28	27
Additional paid in capital	139,013	134,217
Less: 2,521,100 and 2,306,100		
treasury shares,		
respectively, at cost	(44,611)	(39,999)
Deferred stock compensation	-	-
Retained earnings	77,388	73,261
Accumulated other comprehensive		
loss	(205)	(464)
Total stockholders' equity	171,613	167,042
Total liabilities and stockholders'		
equity	\$338,616	\$331,421

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

	Three Months Ended	
	September 30,	
	2006	2005
Net revenue	\$54,815	\$51,725
Cost of revenue (1)	32,420	28,053
Gross margin	22,395	23,672
Operating expenses		
Research and development (1)	9,188	8,289
Selling, general, and		
administrative (1)	7,801	6,728
Total operating expenses	16,989	15,017
Operating income	5,406	8,655
Interest income	2,539	1,551
Interest expense	(487)	(484)
Income before income taxes	7,458	9,722
Provision for income taxes (2)	3,331	4,210
Net income	\$4,127	\$5,512
Net income per share:		
Basic	\$0.16	\$0.22
Diluted	\$0.15	\$0.20
Shares used in computing net income		
per share:		
Basic	25,134	24,769
Diluted	29,253	29,036

(1) Includes share-based compensation

charges of:

Cost of revenue	\$147	\$192
Research and development	1,035	1,292
Selling, general, and administrative	1,919	1,826
	\$3,101	\$3,310

(2) Includes tax benefit for share-based compensation charges of:

	\$781	\$690
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Non-GAAP net income per share

Basic	\$0.26	\$0.33
Diluted	\$0.23	\$0.29

SYNAPTICS INCORPORATED

Computation of Basic and Diluted Net Income Per Share  
(in thousands, except per share data)  
(Unaudited)

	Three Months Ended September 30,	
	2006	2005
Numerator:		
Basic net income	\$4,127	\$5,512
Interest expense and amortization of debt issuance costs on convertible notes (net of tax)	266	266
Diluted net income	\$4,393	\$5,778
Denominator:		
Shares, basic	25,134	24,769
Effect of dilutive share-based awards	1,645	1,793
Effect of convertible notes	2,474	2,474
Shares, diluted	29,253	29,036
Net income per share:		
Basic	\$0.16	\$0.22
Diluted	\$0.15	\$0.20

Computation of non-GAAP basic and  
diluted net income per share  
(unaudited):

Numerator:		
Reported net income	\$4,127	\$5,512
Non-GAAP adjustments:		
Share-based compensation, net of tax	2,320	2,620
Non-GAAP basic net income	6,447	8,132

Interest expense and amortization of debt issuance costs on convertible notes, net of tax	266	266
Non-GAAP diluted net income	\$6,713	\$8,398
Denominator:		
Shares, basic	25,134	24,769
Effect of dilutive share-based awards	1,780	1,960
Effect of convertible notes	2,474	2,474
Shares, diluted	29,388	29,203
Non-GAAP net income per share:		
Basic	\$0.26	\$0.33
Diluted	\$0.23	\$0.29

SOURCE Synaptics Incorporated

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