

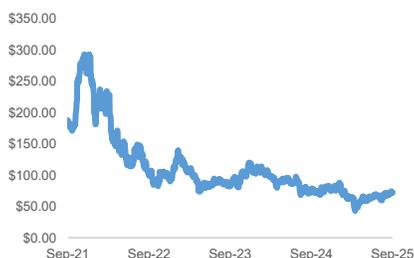
Synaptics Incorporated (NASDAQ: SYNA)

Date: 09/30/2025
Industry: Semiconductor
Analyst: Tony Nguyen
Email: tonyng22@bu.edu

Recommendation: **BUY**
Current price: \$68.45
Target price (1Y): **\$95.64**
% Change **+39.7%**

Market Cap \$2.669B
Shares O/S 40M
52-week Range \$41.80-\$89.91
Beta 1.63
Avg Volume 405K

5Y Price Performance



Executive Summary

We initiate coverage on Synaptics, Inc. (SYNA) with a BUY recommendation and a 12-month price target of \$96.64, representing a potential upside of 39.7% from the current market price. Our investment thesis is predicated on the market's significant underappreciation of Synaptics' successful strategic transformation from a legacy component supplier for cyclical end-markets into a diversified, high-margin platform provider for the secular growth markets of the Internet of Things (IoT) and AI at the Edge.

Business Overview

Synaptics Incorporated develops, markets, and sells specialized chips, or semiconductor products, that enable intuitive and intelligent interactions for devices worldwide. The company's diverse product portfolio is built on a foundation of processing (Astra AI solutions), wireless connectivity (Veros for Wi-Fi, Bluetooth, etc.), sensing (touch and display), and biometrics (Natural ID). These solutions are deployed across three primary markets: the high-growth Core IoT segment (for smart home and industrial systems), Enterprise and Automotive (for PCs, video bridges, and in-car displays), and the Mobile market (for high-end Android phones). Synaptics acts as a strategic partner and supplier to many global Original Equipment Manufacturers (OEMs), selling its products through direct sales teams, distributors, and value-added resellers.

The company's overarching strategy is a focused transition to become a pure play Core IoT and Edge AI leader. This strategic pivot has been actively supported by acquisitions, notably the \$200 million investment to acquire certain assets from Broadcom in fiscal year 2025, which significantly enhanced their Core IoT wireless capabilities. New CEO Rahul Patel has reinforced a disciplined approach to capital allocation, prioritizing organic investment in the Core IoT product roadmap while remaining open to future targeted inorganic opportunities that can accelerate their growth in the edge computing space.

Product Portfolio

Synaptics' competitive advantage is built upon three integrated technology pillars that form the foundation of its product offerings. This integrated approach represents a fundamental shift in the company's business model. Rather than supplying single-function components that compete primarily on price, Synaptics now delivers cohesive platforms that combine processing, connectivity, and sensing. For OEMs, this platform approach reduces internal R&D burdens, simplifies supply chains, and accelerates time-to-market.

Processing (Astra™)

The Astra™ platform is the cornerstone of Synaptics' "AI at the Edge" strategy. Unlike traditional general-purpose processors, Astra is an AI-native System-on-Chip (SoC) family engineered from the ground up for the specific demands of real-time edge intelligence. It is optimized to handle advanced vision, audio, and sensor processing workloads with high performance and efficiency directly on the device, reducing latency and reliance on the cloud. A significant validation of this strategy is the company's partnership with Google Research to co-develop the AI accelerators for the next generation of Astra processors, signaling deep technological credibility and a strong competitive moat.

Connectivity (Veros™)

The Veros™ family of highly integrated wireless integrated circuits (ICs) provides the essential connectivity for modern IoT devices. The portfolio is designed for speed, efficiency, and broad interoperability across complex wireless ecosystems. Synaptics has demonstrated a forward-looking strategy to build a comprehensive and best-in-class wireless portfolio through key strategic moves. This includes a high-performance Wi-Fi 7 agreement with Broadcom, the extension of its roadmap into new markets such as AR/VR and consumer audio, and the strategic acquisition of Packetcraft to accelerate its Bluetooth Low Energy (BLE) capabilities.

Sensing (Touch, Display, Biometrics)

This segment represents Synaptics' heritage and continues to be a source of significant innovation, cash flow, and deep-rooted customer relationships. The company remains a leader in capacitive touch sensing, display drivers, and biometric solutions that are integral to the user experience in smartphones, PCs, automotive infotainment systems, and smart home devices. This established business provides a stable revenue foundation that funds investment in the higher-growth Processing and Connectivity segments.

Management Team and Board of Directors

Rahul Patel (President and Chief Executive Officer): Joined in June 2025. Prior to Synaptics, he spent a decade at Qualcomm, most recently serving as Group General Manager, Connectivity, Broadband & Networking Group. Before Qualcomm, he held various leadership positions at Broadcom Corporation, including Senior Vice President and General Manager, Wireless Connectivity Group. This background provides expertise directly relevant to the company's new focus on integrated wireless and Edge AI solutions.

Ken Rizvi (Senior Vice President and Chief Financial Officer): Mr. Rizvi has served as the CFO since joining the company. He was previously the Senior Vice President and Chief Financial Officer for SMART Global Holdings, Inc.

Vikram Gupta (Senior Vice President and General Manager, IoT Processors and Chief Product Officer): Joined in January 2023. He previously served as Senior Vice President and General Manager of IoT Compute and Wireless Business Lines for Infineon Technologies, where he led integration efforts for a multi-site business following the acquisition of Cypress Semiconductor. Earlier in his career, Mr. Gupta was a co-founder of Zeevo, a developer of SOC solutions for Bluetooth, which was later purchased by Broadcom.

Investment Thesis

1. **SYNA is delivering explosive growth in core IoT:** The standout driver in Synaptics' business is its Core IoT segment, which delivered ~53% revenue growth year-over-year in FY 2025 and ~55% growth in Q4 FY 2025 alone. This helped push total company revenue up 12% YoY to around \$1.45 billion for the fiscal year. With Core IoT now representing a rising share of total sales, this segment is increasingly the centerpiece of Synaptics' growth thesis. If Core IoT maintains a high-double-digit trajectory, it could offset stagnation in legacy segments like PC touch controllers and provide the bulk of incremental revenue growth going forward.
2. **SYNA is expanding its market through strategic partnerships:** Synaptics is expanding its market through key partnerships. Its collaboration with Google integrates Synaptics' Astra AI-Native platform with Google's ML-Core, accelerating multimodal edge AI. An agreement with Broadcom provides access to Wi-Fi 7/8, Bluetooth, UWB, and GPS/GNSS, expanding its reach in consumer electronics, automotive, and industrial IoT. These deals tap into billions in potential market growth, with Wi-Fi 7 projected as a multi-billion-dollar market by 2028

and rising UWB adoption in premium devices.

3. **SYNA is maintaining margin resilience while strengthening its balance sheet:** On a non-GAAP basis, Synaptics maintained gross margins of ~53–54% across FY 2025. Operating leverage improved as well, with non-GAAP operating margins above 25% in the most recent quarter. The company also executed on balance sheet optimization, reducing gross debt by ~\$134 million and repurchasing ~\$128 million worth of shares in FY 2025. These moves strengthened financial flexibility while returning capital to shareholders. GAAP profitability still lags (FY 2025 GAAP net loss was \$47.8 million), but non-GAAP EPS turned positive at \$1.93 in Q4 FY 2025, reflecting the underlying earning power of its operations.

4. **SYNA is benefiting from demand stabilization and backlog recovery:** Synaptics saw significant improvements in Q4 FY 2025 order activity, backlog, and channel inventories. This is reflected in the Q1 FY 2026 revenue guidance of \$380–\$420 million, a ~13% YoY growth. Stable backlog and healthier inventories reduce risks like double-ordering and pricing pressure, providing smoother revenue visibility for FY 2026.

5. **SYNA is expanding its TAM by leading in edge AI and connectivity:** Synaptics is leveraging its Astra AI-Native platform (2024) and new Broadcom wireless licensing to target the growing edge AI and advanced wireless markets. This strategy expands their addressable market beyond traditional mobile/PC inputs. With edge AI chips projected to reach \$60–70 billion by 2030 (20–25% CAGR), Synaptics aims for significant long-term growth by capturing a share of this market with their low-power, multimodal edge solutions.

Risks

While the investment thesis is compelling, it is subject to several key risks that must be monitored.

Competitive Pressures: The semiconductor industry is characterized by intense competition. Synaptics faces formidable rivals with greater scale and financial resources, such as Qualcomm, NXP, and STMicroelectronics. These competitors could leverage their scale to invest more heavily in R&D or compete more aggressively on price, particularly in strategic growth areas like automotive and industrial IoT, potentially compressing Synaptics' margins and market share.

Execution Risk: The company's future success is contingent upon continued flawless execution of its IoT-focused strategy. Any delays in the product roadmap for the Astra™ or Veros™ platforms, a failure to secure key design wins with major OEMs, or challenges in integrating new technologies could undermine the growth narrative and negatively impact investor sentiment.

Industry Cyclical & Macroeconomic Headwinds: The semiconductor industry is inherently cyclical and susceptible to supply chain disruptions and inventory corrections. Furthermore, a significant global economic downturn could reduce consumer and enterprise spending on end-products like automobiles, smart home devices, and PCs, which would directly impact demand for Synaptics' components and challenge the 9% revenue growth forecast.

Customer Concentration: As a component supplier to major OEMs, Synaptics is exposed to customer concentration risk. The loss of, or a significant reduction in orders from, a single key customer in any of its end-markets could have a material adverse effect on its revenue and profitability.

Technological Obsolescence: The pace of technological change in the semiconductor industry is relentless. Synaptics must continuously invest in R&D to maintain its leadership in areas like wireless standards (e.g., Wi-Fi 7), AI processing, and sensor technology. A failure to anticipate or adapt to new technological standards or a competitor's breakthrough innovation could render its products obsolete and lead to a rapid erosion of its market position.

Valuation

We determined a fair value for Synaptics' equity by applying EV/EBITDA multiples, which were based on a peer analysis shown in Table 1.

Table 1: Comparable Analysis

Name	Market Cap (B)	1Yr Sales GR	EV / EBITDA Forward
Cirrus Logic, Inc.	\$6.2	6.0%	14.0
Himax Technologies	\$1.5	-4.1%	17.3
Qorvo, Inc.	\$8.5	-1.3%	19.3
NXP	\$56.5	-4.5%	16.0
Rambus Inc.	\$11.0	19.6%	35.0
Average	\$16.7	3.1%	19.6
Median	\$8.5	-1.3%	16.1
Synaptics	\$2.7	12.0%	15.0

Table 2 details our price target calculation using a forward EV/EBITDA multiple. We forecast the company will achieve \$260 million in EBITDA by year-end 2028. Applying a 16.0x target multiple results in an enterprise value of \$4,153 million. After adjusting for the company's net cash position, the implied 3-year equity value is \$4,422 million, or \$114.26 per share. To find its present value, we discounted this price to September 2026 using a 9.3% cost of equity, resulting in a final price target of \$95.64. This suggests a 39.7% upside from the current share price of \$68.45.

Table 2: EV/EBITDA Analysis

EV/EBITDA Analysis	2028E
EBITDA:	260
Target Multiple	16.0x
EV	\$4,153
(-) Net Debt	-\$268
Equity Value	\$4,422
Shares Out.	38.7
3-Year Price Target	\$114.26
Discounted back to Sep 2026	\$95.64
Current price	\$68.45
% Change	39.7%

Summary of Financials

	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Revenue	\$1,740	\$1,355	\$959	\$1,074	\$1,172	\$1,264	\$1,374	\$1,504	\$1,654
<i>Growth</i>		-22.1%	-29.2%	12.0%	9.1%	7.8%	8.8%	9.4%	10.0%
Gross Profit	\$943	\$716	\$440	\$480	\$541	\$602	\$675	\$760	\$860
<i>Margin</i>	54.2%	52.8%	45.8%	44.7%	46.2%	47.6%	49.1%	50.5%	52.0%
SG&A	\$168	\$175	\$161	\$180	\$181	\$178	\$175	\$171	\$165
<i>Margin</i>	9.7%	12.9%	16.8%	16.8%	15.4%	14.1%	12.7%	11.4%	10.0%
EBITDA	\$516	\$312	\$34	\$80	\$169	\$210	\$260	\$318	\$387
<i>Margin</i>	29.7%	23.0%	3.6%	7.4%	14.4%	16.6%	18.9%	21.1%	23.4%
D&A	\$148	\$158	\$109	\$143	\$148	\$152	\$156	\$160	\$165
<i>Margin</i>	8.5%	11.6%	11.4%	13.3%	12.7%	12.0%	11.3%	10.7%	10.0%
Operating Income	\$369	\$154	-\$75	-\$63	\$21	\$59	\$104	\$158	\$222
<i>Margin</i>	21.2%	11.4%	-7.8%	-5.9%	1.8%	4.6%	7.6%	10.5%	13.4%
Interest Expense	-\$30	-\$56	-\$65	-\$40	-\$52	-\$56	-\$60	-\$66	-\$73
EBT	\$321	\$126	-\$125	-\$114	-\$10	\$23	\$64	\$112	\$169
Tax	\$65	\$52	-\$250	-\$66	-\$3	\$6	\$16	\$28	\$42
Net Income	\$258	\$74	\$126	-\$48	-\$8	\$18	\$48	\$84	\$127
Sh. Out.	40.7	40.2	39.7	39.3	39.1	38.9	38.7	38.5	38.3
EPS	\$6.30	\$1.83	\$3.16	-\$1.22	-\$0.20	\$0.45	\$1.24	\$2.18	\$3.31
FCF	\$463	\$332	\$136	\$142	\$263	\$291	\$345	\$408	\$475
Net Leverage	0.3x	0.2x	2.8x	5.6x	1.4x	0.0x	-1.1x	-2.0x	-2.7x