



## Adeia Announces First Quarter 2023 Financial Results

May 8, 2023

***New deal wins drive strong financial performance***

***Paid down \$94 million of debt since separation***

SAN JOSE, Calif., May 08, 2023 (GLOBE NEWSWIRE) -- Adeia Inc. (Nasdaq: ADEA) (the "Company" or "Adeia") today announced financial results for the first quarter ended March 31, 2023.

"The results of the first quarter demonstrate the strength of our business model, continued deal momentum and progress on our long-term growth strategy. During the quarter we signed eight deals, including two significant semiconductor agreements with Kioxia and Western Digital that further validate the significance of our hybrid bonding intellectual property portfolio. In addition to our deal flow, our ability to generate strong cash flows enabled us to pay down \$94 million of debt since the separation of our product business," said Paul E. Davis, chief executive officer of Adeia. "Looking forward to the rest of the year, we remain confident in our ability to continue to renew license agreements and sign new deals, grow our patent portfolios through ongoing investment in our innovation engine, and execute our capital allocation strategy."

### First Quarter Financial Highlights

- Revenue was \$117.3 million, an increase of 14% from \$103.3 million in the prior quarter
- GAAP diluted earnings per share (EPS) of \$0.26 and non-GAAP diluted EPS of \$0.48
- Net income was \$29.0 million and adjusted EBITDA was \$85.8 million
- Cash flows from operations were \$63.4 million
- Paid down \$83.6 million of debt

### Business Highlights

- Both Kioxia and Western Digital signed long-term agreements to license Adeia's semiconductor patent portfolio, including our hybrid bonding patents
- Verizon signed a multi-year extension of its license to Adeia's media patent portfolio
- Altice signed an early renewal extending its license which supports its Optimum services, including its cable TV and over-the-top (OTT) streaming services
- Signed three Pay-TV renewals with customers in South Korea and Japan

### Capital Allocation

During the quarter, the Company made \$83.6 million in principal payments towards its term loan, bringing the outstanding balance to \$665.6 million as of March 31, 2023.

On March 29, 2023, the Company distributed \$5.3 million to stockholders of record on March 15, 2023, for a quarterly cash dividend of \$0.05 per share of common stock.

On May 4, 2023, the Board of Directors declared a dividend of \$0.05 per share of common stock, payable on June 20, 2023, to stockholders of record on May 30, 2023.

### Financial Outlook

The Company is reiterating its prior full-year 2023 outlook:

Category (in millions, except for tax rate)	2023	2023
	GAAP Outlook	Non-GAAP Outlook
Revenue	\$385.0 - 415.0	\$385.0 - 415.0
Operating expenses <sup>(1)</sup>	\$253.0 - 267.0	\$135.0 - 145.0
Interest expense	\$64.0 - 67.0	\$64.0 - 67.0
Other income	\$2.5 - 3.0	\$2.5 - 3.0
Tax rate	23% - 25%	23%
Net income <sup>(2)</sup>	\$52.5 - 64.0	\$145.0 - 159.0
Adjusted EBITDA <sup>(2)</sup>	N/A	\$252.3 - 272.3
Cash from operations	\$185.0 - 215.0	\$185.0 - 215.0
Diluted shares outstanding	116.0	116.0

<sup>(1)</sup> See tables for reconciliation of GAAP to Non-GAAP operating expenses

<sup>(2)</sup> See tables for reconciliation of GAAP net income to (i) non-GAAP net income and (ii) adjusted earnings before interest expense, income taxes, depreciation and amortization (adjusted EBITDA)

## Conference Call Information

The Company will hold its first quarter 2023 earnings conference call at 2:00 PM Pacific Time (5:00 PM Eastern Time) on Monday, May 8, 2023. To access the call in the U.S., please dial +1 877-451-6152, and for international callers, dial +1 201-389-0879. All participants should dial in 15 minutes prior to the start of the conference call. The Company also suggests utilizing the webcast link to access the call at [Q1 FY2023 Earnings Call Webcast](#).

## Safe Harbor Statement

This press release contains "forward-looking statements" within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on information available to the Company as of the date hereof, as well as the Company's current expectations, assumptions, estimates and projections that involve risks and uncertainties. In this context, forward-looking statements often address expected future business, financial performance and financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "could," "seek," "see," "will," "may," "would," "might," "potentially," "estimate," "continue," "expect," "target," similar expressions or the negatives of these words or other comparable terminology that convey uncertainty of future events or outcomes. All forward-looking statements by their nature address matters that involve risks and uncertainties, many of which are beyond the Company's control, and are not guarantees of future results. These and other forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed in any forward-looking statements. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements and, therefore, you should not place undue reliance on any such statements and caution must be exercised in relying on forward-looking statements. Important risk factors that may cause such a difference include, but are not limited to: the Company's ability to implement its business strategy; the Company's ability to enter into new and renewal license agreements with customers on favorable terms; the Company's ability to retain and hire key personnel; uncertainty as to the long-term value of the Company's common stock; legislative, regulatory and economic developments affecting the Company's business; general economic and market developments and conditions; the Company's ability to grow and expand its patent portfolios; changes in technology and development of competing technology in the industries in which the Company operates; the evolving legal, regulatory and tax regimes under which the Company operates; unforeseen liabilities and expenses; risks associated with the Company's indebtedness; the Company's ability to achieve the intended benefits of, and its ability to recognize the anticipated tax treatment of, the recent spin-off of its product business; unpredictability and severity of catastrophic events, including, but not limited to, acts of terrorism or outbreak of war or hostilities, including Russia's invasion of Ukraine, and natural disasters; and the extent to which the COVID-19 pandemic continues to have an adverse impact on the Company's business, results of operations, and financial condition will depend on future developments, including measures taken in response to the pandemic, which are highly uncertain and cannot be predicted. These risks, as well as other risks associated with the business, are more fully discussed in the Company's filings with the U.S. Securities and Exchange Commission ("SEC"), including the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. While the list of factors presented here is, and the list of factors presented in the Company's filings with the SEC are, considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward-looking statements.

Consequences of material differences in results as compared with those anticipated in the forward-looking statements could include, among other things, business disruption, operational problems, financial loss, legal liability to third parties and similar risks, any of which could have a material adverse effect on the Company's consolidated financial condition, results of operations, liquidity or trading price of common stock. The Company does not assume any obligation to publicly provide revisions or updates to any forward-looking statements, whether as a result of new information, future developments or otherwise, should circumstances change, except as otherwise required by securities and other applicable laws.

## About Adeia Inc.

Adeia is a leading R&D and intellectual property (IP) licensing company that accelerates the adoption of innovative technologies in the media and semiconductor industries. Adeia's fundamental innovations underpin technology solutions that are shaping and elevating the future of digital entertainment and electronics. Adeia's IP portfolios power the connected devices that touch the lives of millions of people around the world every day as they live, work and play. For more, please visit [www.adeia.com](http://www.adeia.com).

## Non-GAAP Financial Measures

In addition to disclosing financial results calculated in accordance with U.S. Generally Accepted Accounting Principles (GAAP), the Company's earnings release contains non-GAAP financial measures adjusted, where applicable, for either one-time or ongoing non-cash acquired intangibles amortization charges, costs related to actual or planned business combinations including transaction fees, integration costs, severance, facility closures, and retention bonuses, separation costs, all forms of stock-based compensation, loss on debt extinguishment, expensed debt refinancing costs, impairment of intangible assets, impact of certain foreign currency adjustments, discontinued operations and related tax effects. In addition, adjusted EBITDA adjusts for recurring charges of interest expense, income taxes, depreciation and amortization. Management believes that the non-GAAP measures used in this release provide investors with important perspectives into the Company's ongoing business and financial performance and provide a better understanding of our core operating results reflecting our normal business operations. The non-GAAP financial measures disclosed by the Company should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP. Our use of non-GAAP financial measures has certain limitations in that the non-GAAP financial measures we use may not be directly comparable to those reported by other companies. For example, the terms used in this press release, such as adjusted EBITDA, non-GAAP operating expenses, non-GAAP net income and non-GAAP diluted earnings per share (EPS) do not have a standardized meaning. Other companies may use the same or similarly named measures, but exclude different items, which may not provide investors with a comparable view of our performance in relation to other companies. We seek to compensate for the limitation of our non-GAAP presentation by providing a detailed reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures in the tables attached hereto. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures. All financial data is presented on a GAAP basis except where the Company indicates its presentation is on a non-GAAP basis.

Set forth below are reconciliations of the Company's reported and forecasted GAAP to non-GAAP financial metrics.

## Investor Contact:

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– Tables Follow –

**SOURCE: ADEIA INC.  
ADEA**

**ADEIA INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share amounts)  
(unaudited)

	<b>Three Months Ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
Revenue	\$ 117,307	\$ 138,532
Operating expenses:		
Research and development	13,011	9,650
Selling, general and administrative	22,862	33,824
Amortization expense	23,689	24,526
Litigation expense	2,622	1,078
Total operating expenses	<u>62,184</u>	<u>69,078</u>
Operating income from continuing operations	55,123	69,454
Interest expense	(15,938)	(8,429)
Other income and expense, net	1,620	337
Income from continuing operations before income taxes	<u>40,805</u>	<u>61,362</u>
Provision for income taxes	11,784	5,517
Net income from continuing operations	<u>29,021</u>	<u>55,845</u>
Net loss from discontinued operations, net of tax	<u>—</u>	<u>(31,870)</u>
Net income	<u>29,021</u>	<u>23,975</u>
Less: Net loss attributable to non-controlling interest in discontinued operations	<u>—</u>	<u>(968)</u>
Net income attributable to the Company	<u>\$ 29,021</u>	<u>\$ 24,943</u>
Income (loss) per share:		
Basic		
Continuing operations	\$ 0.27	\$ 0.54
Discontinued operations	<u>—</u>	<u>(0.30)</u>
Net income (loss)	<u>\$ 0.27</u>	<u>\$ 0.24</u>
Diluted		
Continuing operations	\$ 0.26	\$ 0.53
Discontinued operations	<u>—</u>	<u>(0.29)</u>
Net income (loss)	<u>\$ 0.26</u>	<u>\$ 0.24</u>
Weighted average number of shares used in per share calculations-basic	<u>105,585</u>	<u>103,679</u>
Weighted average number of shares used in per share calculations-diluted	<u>113,447</u>	<u>105,332</u>

**ADEIA INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)  
(unaudited)

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 82,429	\$ 114,555
Accounts receivable, net	36,933	58,480
Unbilled contracts receivable, net	77,948	73,754
Other current assets	11,493	11,924
Total current assets	<u>208,803</u>	<u>258,713</u>
Long-term unbilled contracts receivable	64,124	40,705
Property and equipment, net	4,556	4,550

Operating lease right-of-use assets	5,524	5,993
Intangible assets, net	408,787	432,476
Goodwill	313,660	313,660
Long-term income tax receivable	110,513	113,679
Other long-term assets	37,851	40,750
Total assets	<u>\$ 1,153,818</u>	<u>\$ 1,210,526</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 4,079	\$ 8,546
Accrued liabilities	29,427	31,277
Current portion of long-term debt	36,344	109,813
Deferred revenue	28,708	17,076
Total current liabilities	98,558	166,712
Deferred revenue, less current portion	9,884	10,683
Long-term debt, net	610,594	619,580
Noncurrent operating lease liabilities	4,229	4,794
Long-term income tax payable	87,917	87,302
Other long-term liabilities	20,022	20,043
Total liabilities	831,204	909,114
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock	119	117
Additional paid-in capital	635,001	636,266
Treasury stock at cost	(217,783)	(211,223)
Accumulated other comprehensive loss	(47)	(51)
Accumulated deficit	(94,676)	(123,697)
Total stockholders' equity	322,614	301,412
Total liabilities and equity	<u>\$ 1,153,818</u>	<u>\$ 1,210,526</u>

**ADEIA INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

	<b>Three Months Ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 29,021	\$ 23,975
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation of property and equipment	384	5,866
Amortization of intangible assets	23,689	39,319
Stock-based compensation expense	3,640	16,804
Deferred income tax	2,373	(911)
Loss on debt extinguishment	1,170	1,123
Other	600	861
Changes in operating assets and liabilities:		
Accounts receivable	20,951	43,698
Unbilled contracts receivable	(27,612)	(82,995)
Other assets	4,592	(8,806)
Accounts payable	(4,468)	4,024
Accrued and other liabilities	(1,821)	(7,483)
Deferred revenue	10,833	10,798
Net cash from operating activities	<u>63,352</u>	<u>46,273</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(390)	(4,289)
Purchases of intangible assets	—	(180)
Purchases of short-term investments	—	(4,490)
Proceeds from sales of investments	—	2,000
Proceeds from maturities of investments	—	10,023

Net cash from investing activities	(390)	3,064
<b>Cash flows from financing activities:</b>		
Dividends paid	(5,314)	(5,218)
Repayment of debt	(83,625)	(10,125)
Proceeds from employee stock purchase program and exercise of stock options	411	8,000
Repurchases of common stock	—	(17,260)
Repurchases of common stock for tax withholdings on equity awards	(6,560)	(11,068)
Net cash from financing activities	(95,088)	(35,671)
Effect of exchange rate changes on cash and cash equivalents	—	(692)
Net increase (decrease) in cash and cash equivalents	(32,126)	12,974
Cash and cash equivalents at beginning of period	114,555	201,121
Cash and cash equivalents at end of period	<u>\$ 82,429</u>	<u>\$ 214,095</u>

Cash flows above are presented on a consolidated basis and therefore also include \$135.0 million of cash and cash equivalents included in current assets of discontinued operations in the condensed consolidated balance sheet as of March 31, 2022.

**ADEIA INC.**  
**GAAP TO NON-GAAP RECONCILIATIONS**  
(in thousands, except per share amounts)  
(unaudited)

**Net income**

	<b>Three Months Ended</b>	
	<b>March 31, 2023</b>	
GAAP net income	\$	29,021
Adjustments to GAAP net income:		
Stock-based compensation expense:		
Research and development		594
Selling, general and administrative		3,046
Amortization expense		23,689
Separation and other related costs recorded in selling, general and administrative <sup>(1)</sup>		3,002
Total operating expenses adjustments		30,331
Other income and expense, net		(302)
Non-GAAP tax adjustment <sup>(2)</sup>		(4,508)
Non-GAAP net income	<u>\$</u>	<u>54,542</u>

**Diluted income per share**

	<b>Three Months Ended</b>	
	<b>March 31, 2023</b>	
GAAP diluted income per share	\$	0.26
Adjustments to GAAP diluted income per share:		
Stock-based compensation expense:		
Research and development		—
Selling, general and administrative		0.03
Amortization expense		0.21
Separation and other related costs recorded in selling, general and administrative <sup>(1)</sup>		0.02
Total operating expenses adjustments		0.26
Other income and expense, net		—
Non-GAAP tax adjustment <sup>(2)</sup>		(0.04)
Non-GAAP diluted income per share	<u>\$</u>	<u>0.48</u>

<sup>(1)</sup> Represents separation and related costs that were incurred subsequent to the separation on October 1, 2022 that are accounted for in continuing operations including fees for financial advisory and other professional services, and expenses incurred on a transitional basis under a contract shared with Xperi Inc.

<sup>(2)</sup> The provision for income taxes is adjusted to reflect the net direct and indirect income tax effects of the various non-GAAP pretax adjustments

**ADEIA INC.**  
**GAAP NET INCOME TO**  
**ADJUSTED EBITDA RECONCILIATION**  
(in thousands)  
(unaudited)

	<b>Three Months Ended</b>	
	<b>March 31, 2023</b>	
GAAP net income	\$	29,021
Adjustments to GAAP net income:		
Stock-based compensation expense:		
Research and development		594
Selling, general and administrative		3,046
Separation and other related costs recorded in selling, general and administrative <sup>(1)</sup>		3,002
Amortization expense		23,689
Depreciation expense		384
Interest expense		15,938
Interest income		(1,620)
Provision for income taxes		11,784
Adjusted EBITDA	\$	85,838

<sup>(1)</sup> Represents separation and related costs that were incurred subsequent to the separation on October 1, 2022 that are accounted for in continuing operations including expenses incurred on a transitional basis under a contract shared with Xperi Inc.

**ADEIA INC.**  
**RECONCILIATION FOR GUIDANCE**  
**ON OPERATING EXPENSES**  
(in millions)  
(unaudited)

	<b>Year Ended</b>	
	<b>December 31, 2023</b>	
	<b>Low</b>	<b>High</b>
GAAP operating expenses	\$ 253.0	\$ 267.0
Amortization expense	95.0	95.0
Stock-based compensation expense	14.0	16.0
Separation and related costs <sup>(1)</sup>	9.0	11.0
Total of non-GAAP adjustments	118.0	122.0
Non-GAAP operating expenses	\$ 135.0	\$ 145.0

<sup>(1)</sup> Represents separation and related costs that were incurred subsequent to the separation on October 1, 2022 that are accounted for in continuing operations including expenses incurred on a transitional basis under a contract shared with Xperi Inc.

**ADEIA INC.**  
**RECONCILIATION FOR GUIDANCE**  
**ON NET INCOME**  
(in millions)  
(unaudited)

	<b>Year Ended</b>	
	<b>December 31, 2023</b>	
	<b>Low</b>	<b>High</b>
GAAP net income	\$ 52.5	\$ 64.0
Amortization expense	95.0	95.0
Stock-based compensation expense	14.0	16.0
Separation and related costs <sup>(1)</sup>	9.0	11.0
Total of non-GAAP operating expenses	118.0	122.0
Non-GAAP tax adjustment	(25.5)	(27.0)

Non-GAAP net income \$ 145.0    \$ 159.0

(1) Represents separation and related costs that were incurred subsequent to the separation on October 1, 2022 that are accounted for in continuing operations including expenses incurred on a transitional basis under a contract shared with Xperi Inc.

**ADEIA INC.**  
**RECONCILIATION FOR GUIDANCE ON**  
**ADJUSTED EBITDA**  
**(in millions)**  
**(unaudited)**

	<b>Year Ended</b>	
	<b>December 31, 2023</b>	
	<b>Low</b>	<b>High</b>
GAAP net income	\$ 52.5	\$ 64.0
Stock-based compensation expense	14.0	16.0
Separation and related costs <sup>(1)</sup>	9.0	11.0
Amortization expense	95.0	95.0
Depreciation expense	2.3	2.3
Interest expense	64.0	67.0
Other income	(2.5)	(3.0)
Income tax expense	18.0	20.0
Total of non-GAAP adjustments	<u>199.8</u>	<u>208.3</u>
Adjusted EBITDA	<u>\$ 252.3</u>	<u>\$ 272.3</u>

(1) Represents separation and related costs that were incurred subsequent to the separation on October 1, 2022 that are accounted for in continuing operations including expenses incurred on a transitional basis under a contract shared with Xperi Inc.