



Dialog Semiconductor Q2 2019 Results

30 JULY 2019

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Forward Looking Statement

This document contains “forward-looking statements” that reflect management’s current views with respect to future events. The words “anticipate,” “believe,” “estimate”, “expect,” “intend,” “may,” “plan,” “project” and “should” and similar expressions identify forward-looking statements. Examples include statements regarding financial metrics, operational matters, and closing conditions and regulatory approvals required under the new contract with Apple. Forward-looking statements are subject to risks and uncertainties, including, but not limited to: an economic downturn in the semiconductor and telecommunications markets; changes in currency exchange rates and interest rates, the timing of customer orders and manufacturing lead times, insufficient, excess or obsolete inventory, the impact of competing products and their pricing, political risks in the countries in which we operate or sale and supply constraints. If any of these or other risks and uncertainties occur (some of which are described under the heading “Risks and their management” in Dialog Semiconductor’s most recent Annual Report) or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. We do not intend or assume any obligation to update any forward-looking statement which speaks only as of the date on which it is made, however, any subsequent statement will supersede any previous statement.

Agenda

- Business Review
- Financial Review
- Q&A

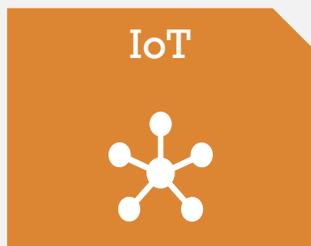


A New Organisation Supporting Our Growth Strategy

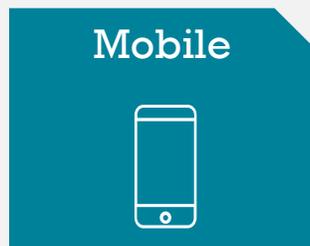


Growth Vectors by End Market

Building on IoT and Mobile Strength



- Increasing number of connected devices: BLE, low-power Wi-Fi
- Consumers demand for better audio experience: Wireless and USB Audio
- Complementary offering with CMICs



- Growth opportunities with our largest customer on a range of mixed-signal products outside main PMIC license
- Increasing adoption of CMICs in camera modules
- Rapid charge products

Leveraging Technology in Automotive and C&S



- Technologies supporting infotainment systems and ADAS
- Increased adoption of technologies such as Power Management, BLE, CMICs, display backlight drivers



- Custom power management for gaming applications and SSDs
- Increasing adoption of CMICs and audio in notebooks

Organic Business Transformation with Further Inorganic Opportunities

✓ Reduced customer concentration and a more balanced end-market exposure

- Strong focus on IoT, automotive, and computing & storage

2018

70%¹

2022

35% to 40%

✓ Growing business (excluding licensed products)

- Growth vectors offset ~2/3 of the revenue impact from the license agreement

+20% YoY²

Mid-teens %
2018-2022 CAGR

Growing mixed-signal business at largest customer and expansion in other end markets

✓ High returns and cash flow generation – sustainable underlying operating margin

19.5%

18%-23%

¹ Revenue from Apple recognised in Custom Mixed Signal as a percentage of total Group revenue.

² Based on twelve months 2017 revenue for Silego Technology Inc. of \$84.3 million.

Well-Positioned to Create Shareholder Value Over the Long-Term

- ✓ Building on a strong foundation of mixed-signal and power-efficient IC expertise
- ✓ Sharpening focus on fast-growing segments of IoT, Mobile, Automotive and Computing & Storage markets
- ✓ Apple agreement positions Dialog for robust earnings and cash generation with visibility through 2022
- ✓ Significant financial flexibility to pursue growth strategy and commitment to disciplined capital allocation



Agenda

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- Financial Review
- Q&A



At a Glance – Q2 2019

Underlying revenue
+14% YoY

\$336m

(Q2 2018: \$296m)

Underlying gross margin
+140bps YoY

49.7%

(Q2 2018: 48.3%)

Underlying OPEX %
-500bps YoY

29.2%

(Q2 2018: 34.2%)

Underlying EBIT %
+10.2 percentage points YoY

24.4%

(Q2 2018: 14.2%)

Underlying diluted EPS
+91% YoY

86 cents

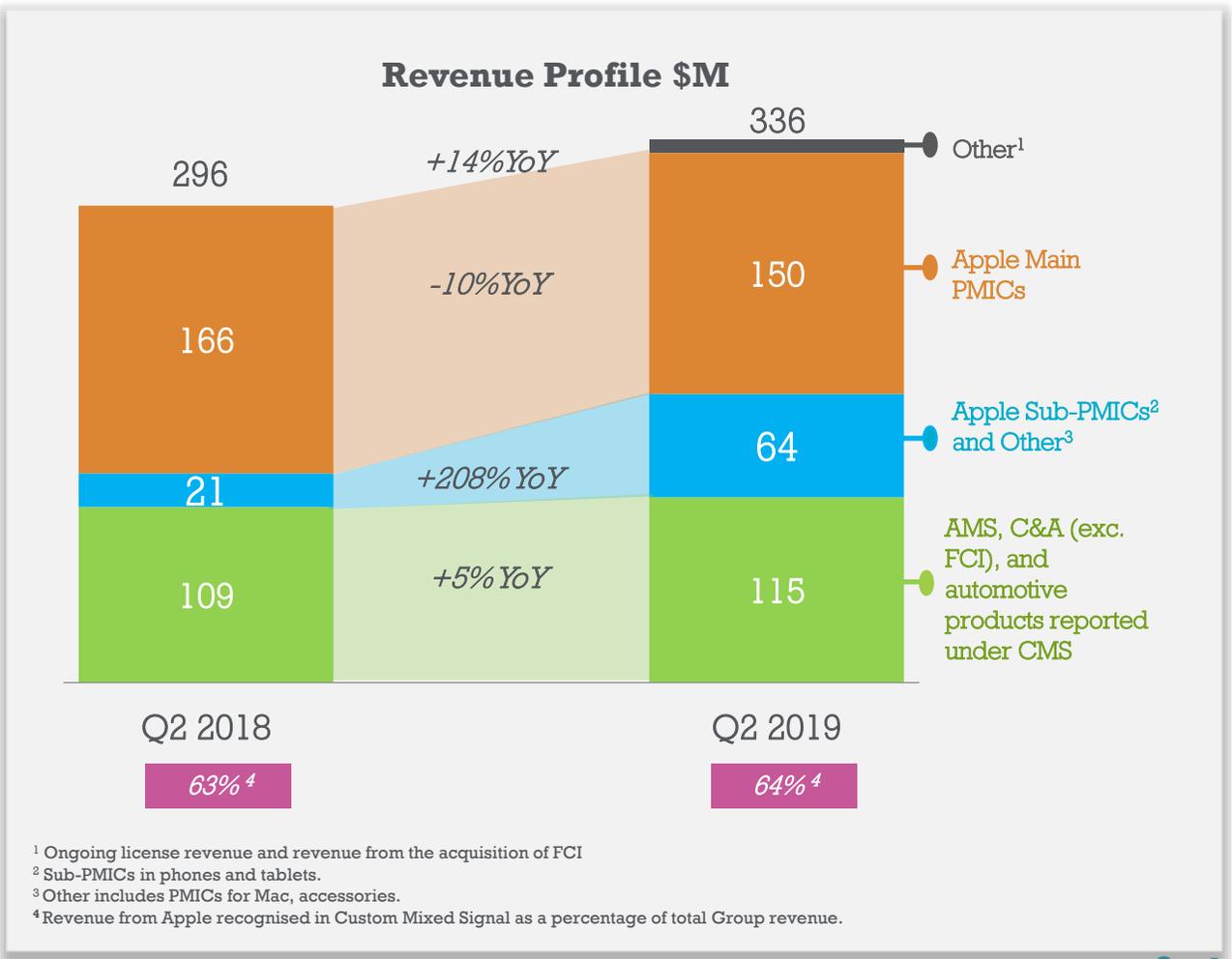
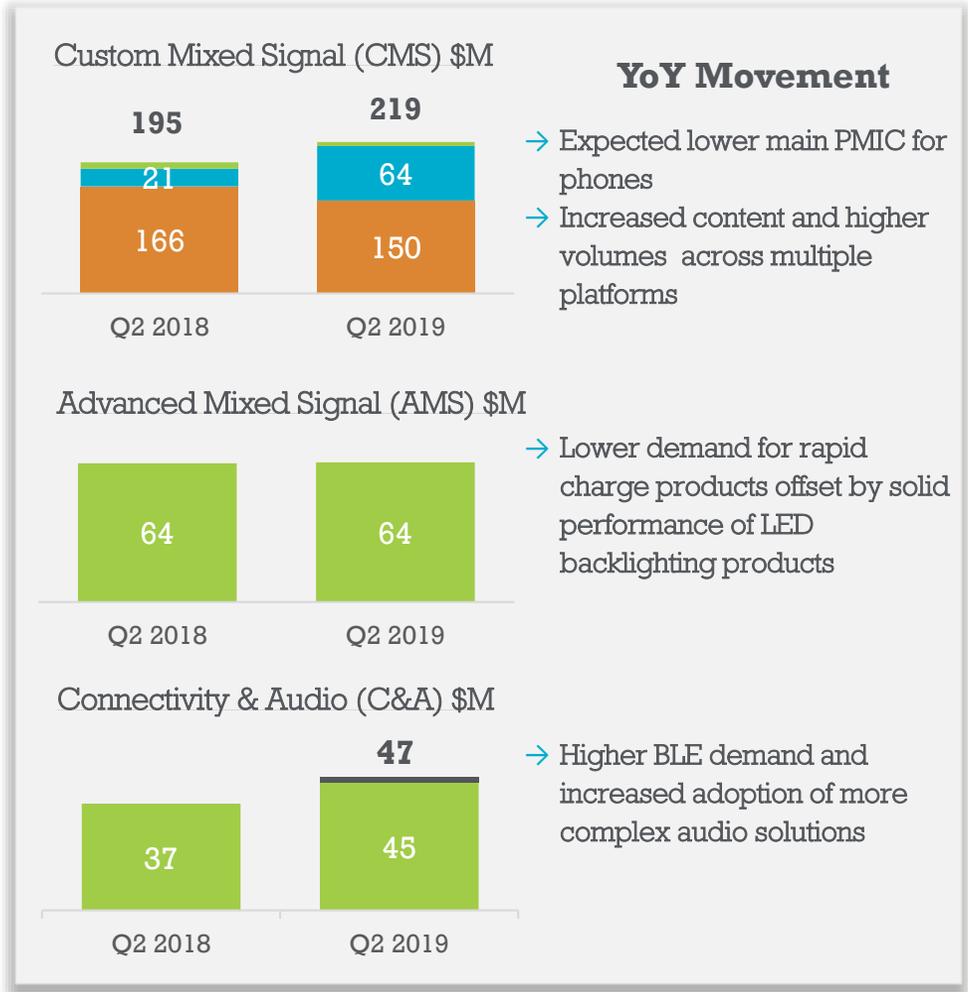
(Q2 2018: 45 cents)

Free cash flow and margin
+695% YoY

\$290m 60.2%

(Q2 2018: \$37m 12.4%)

Q2 2019 Underlying Revenue Above The High-End of The Guidance Range



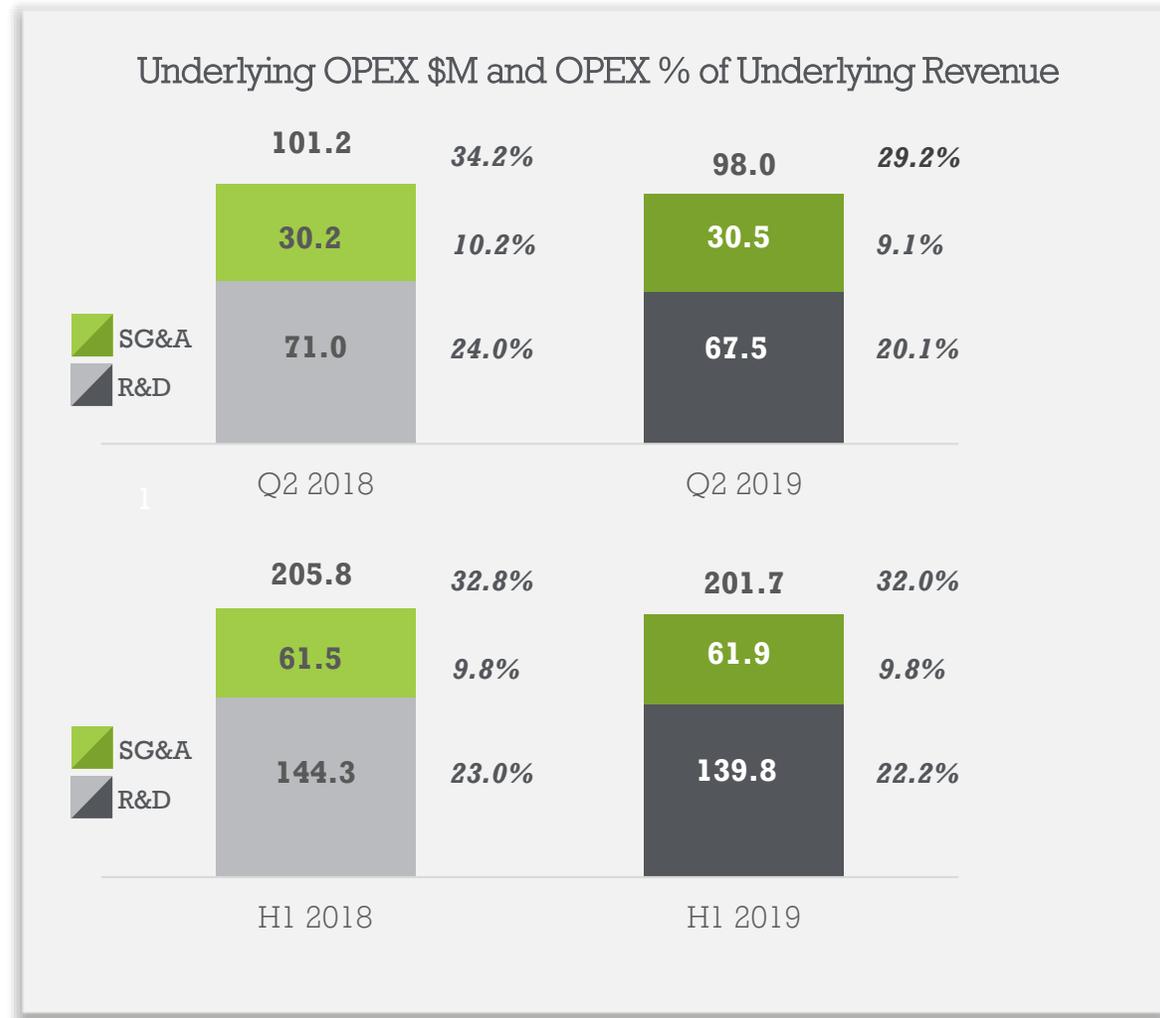
Underlying Gross Margin Improvement

- Q2 2019 underlying gross margin at 49.7%, 140 bps higher than Q2 2018
 - Year-on-year increase due to product mix and lower manufacturing costs
 - Positive contribution from ongoing license revenue (Q2 2019: \$6 million)
- H1 2019 underlying gross margin at 49.6%, 190 bps higher than H1 2018
 - Year-on-year increase mainly due to product mix and lower manufacturing costs



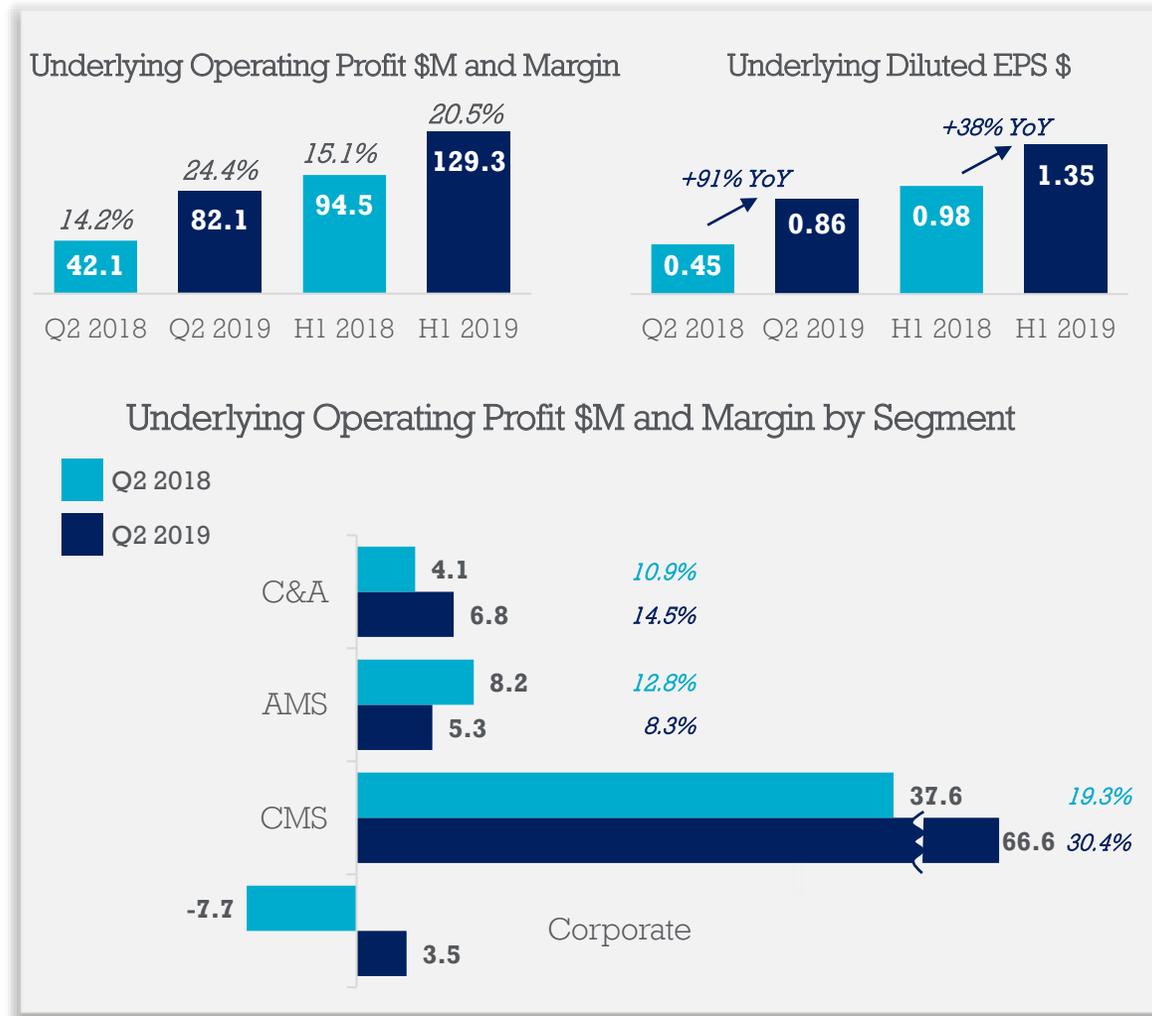
Lower Year-on-Year OPEX

- Q2 2019 underlying OPEX decreased by 3% year-on-year
- Q2 2019 underlying R&D expenses 5% below Q2 2018
 - Approximately \$9 million savings from the transfer of over 300 employees to Apple
- Q2 2019 underlying SG&A expenses 1% above Q2 2018
 - First time consolidation of FCI into the group
- H1 2019 underlying OPEX decreased by 2% year-on-year
 - Underlying R&D decreased 3% year-on-year
 - Underlying SG&A increased 1% year-on-year



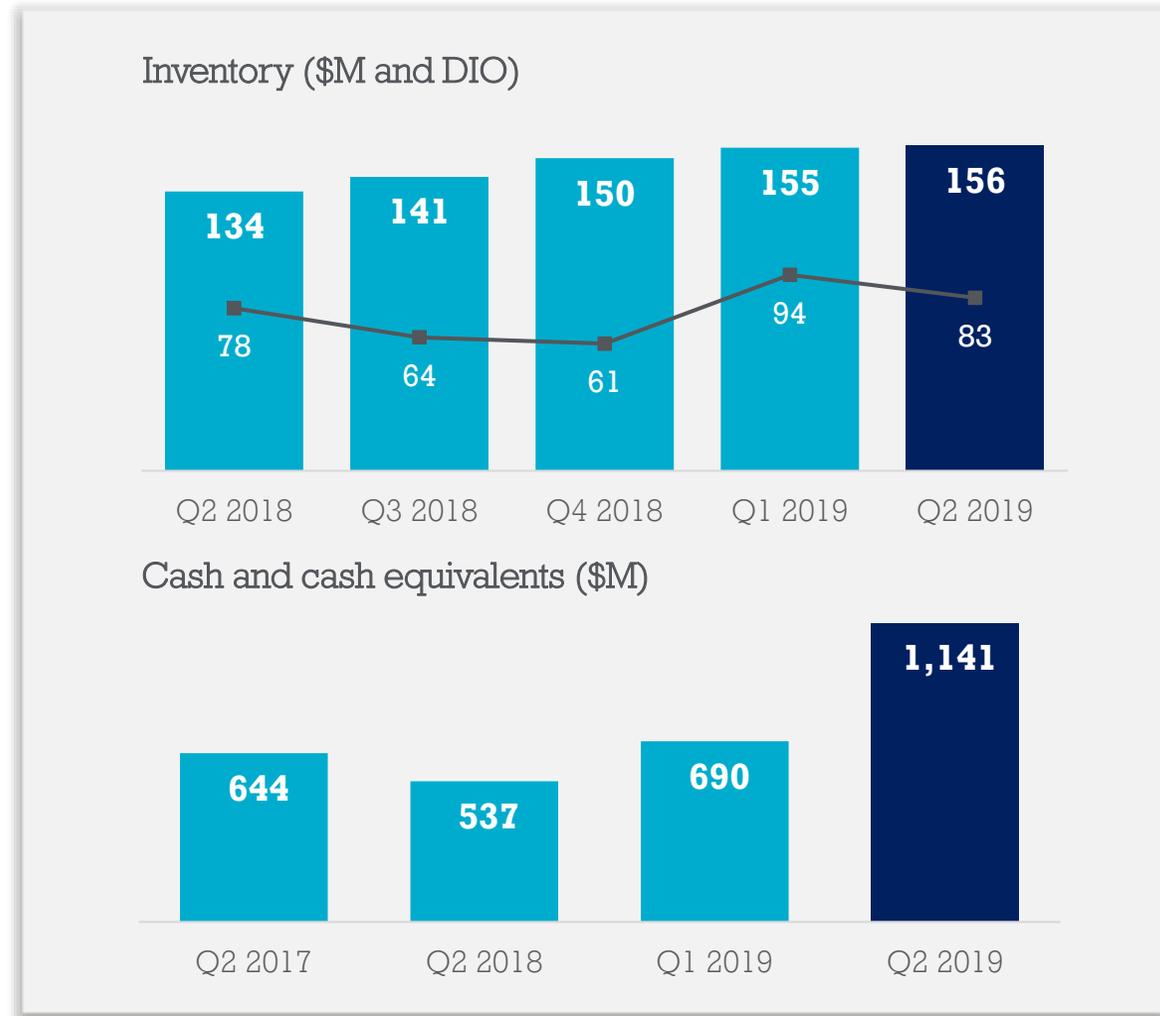
Increased Profitability and Operating Margin

- Q2 2019 underlying operating margin over 10 percentage points higher than Q2 2018
 - Higher revenue and gross margin
 - Lower OPEX
 - \$12.5 million income from engineering contracts
- Corporate costs reduction of approximately 2/3 year-on-year
 - \$6 million ongoing license revenue
- Q2 2019 underlying effective tax rate 50bps below Q2 2018 at 20.5% (Q2 2018: 21.0%)
- Q2 2019 underlying diluted EPS up 91% year-on-year



Strong Balance Sheet and Cashflow Generation

- Inventory value in line with Q1 2019, including ~\$4 million from FCI
- Q2 2019 cash flow from operating activities of \$300 million (Q2 2018:\$56 million)
- Q2 2019 free cash flow at \$290 million (Q2 2018: \$37 million)
- Key items driving the increase in cash and cash equivalents:
 - \$600 million inflow from closing of Apple agreement
 - \$45 million outflow from closing of FCI acquisition
 - US\$112 million outflow from the settlement of the 2018 share buyback programme
- On 5 June we launched a new tranche of the share buyback between €125m and €150 million



Appendix



At a Glance – H1 2019

Underlying revenue
+1% YoY

\$631m

(H1 2018: \$628m)

Underlying gross margin
+190bps YoY

49.6%

(H1 2018: 47.7%)

Underlying OPEX %
-80bps YoY

32.0%

(H1 2018: 32.8%)

Underlying EBIT %
+540bps YoY

20.5%

(H1 2018: 15.1%)

Underlying diluted EPS
+38% YoY

135 cents

(H1 2018: 98 cents)

Free cash flow and margin
+365% YoY

\$318m 41.0%

(H1 2018: \$68m 10.9%)

Accounting of Apple License Agreement – Q2 2019

	License revenue	Transfer of assets	Transfer of employees	NRE	Transaction costs
<input type="checkbox"/> IFRS	One-off \$146m	One-off gain \$16m			\$7.6m
<hr/>					
<input type="checkbox"/> Underlying ¹	Ongoing \$6m		OPEX ² reduction of ~\$9m		One-off \$12.5m

¹ Items included in underlying measures are also included in IFRS measures.

² Annualised OPEX savings of approximately \$35 million

Underlying Reconciliation

For the three months ended 28 June 2019

US\$000	IFRS basis	Licence and asset transfers to Apple	Share-based compensation and related payroll taxes	Accounting for business combinations	Integration costs	Corporate transaction costs	Strategic investments	Underlying basis
Revenue	481,968	(145,750)	–	–	–	–	–	336,218
Gross profit	311,758	(145,750)	672	403	–	–	–	167,083
SG&A expenses	(48,176)	–	5,253	4,711	111	7,611	–	(30,490)
R&D expenses	(75,556)	–	5,576	2,460	–	–	–	(67,520)
Other operating income	28,936	(15,898)	–	–	–	–	–	13,038
Operating profit	216,962	(161,648)	11,501	7,574	111	7,611	–	82,111
Net finance income	1,076	–	–	–	–	–	634	1,710
Profit before income taxes	218,038	(161,648)	11,501	7,574	111	7,611	634	83,821
Income tax expense	(47,934)	33,907	(2,171)	(894)	(29)	96	(121)	(17,146)
Net income	170,104	(127,741)	9,330	6,680	82	7,707	513	66,675

Underlying Reconciliation

For the three months ended 29 June 2018

US\$000	IFRS basis	Share-based compensation and related payroll taxes	Accounting for business combinations	Integration costs	Corporate transaction costs	Effective interest	Strategic investments	Underlying basis
Revenue	295,664	–	–	–	–	–	–	295,664
Gross profit	141,856	506	406	–	–	–	–	142,768
SG&A expenses	(38,378)	3,284	3,682	474	773	–	–	(30,165)
R&D expenses	(78,273)	4,956	2,288	–	–	–	–	(71,029)
Other operating income	1,022	–	(522)	–	–	–	–	500
Operating profit	26,227	8,746	5,854	474	773	–	–	42,074
Net finance income	1,897	–	460	–	–	17	720	3,094
Profit before income taxes	28,124	8,746	6,314	474	773	17	720	45,168
Income tax expense	(9,691)	1,197	(784)	(100)	(83)	(3)	(27)	(9,491)
Profit after income taxes	18,433	9,943	5,530	374	690	14	693	35,677
Share of loss of associate	(377)	–	–	–	–	–	–	(377)
Net income	18,056	9,943	5,530	374	690	14	693	35,300

Underlying Reconciliation

For the six months ended 28 June 2019

US\$000	IFRS basis	Licence and asset transfers to Apple	Share-based compensation and related payroll taxes	Accounting for business combinations	Integration costs	Corporate transaction costs	Strategic investments	Underlying basis
Revenue	776,854	(145,750)	–	–	–	–	–	631,104
Gross profit	457,236	(145,750)	1,340	403	–	–	–	313,229
SG&A expenses	(92,395)	–	10,432	9,234	196	10,659	–	(61,874)
R&D expenses	(156,189)	–	11,615	4,728	–	–	–	(139,846)
Other operating income	33,651	(15,898)	–	–	–	–	–	17,753
Operating profit	242,303	(161,648)	23,387	14,365	196	10,659	–	129,262
Net finance income	2,035	–	–	315	–	–	366	2,716
Profit before income taxes	244,338	(161,648)	23,387	14,680	196	10,659	366	131,978
Income tax expense	(55,876)	33,907	(3,024)	(1,668)	(37)	(256)	(70)	(27,024)
Net income	188,462	(127,741)	20,363	13,012	159	10,403	296	104,954

Underlying Reconciliation

For the six months ended 29 June 2018

US\$000	IFRS basis	Share-based compensation and related payroll taxes	Accounting for business combinations	Integration costs	Corporate transaction costs	Effective interest	Strategic investments	Underlying basis
Revenue	627,819	–	–	–	–	–	–	627,819
Gross profit	295,624	1,148	2,794	13	–	–	–	299,579
SG&A expenses	(78,493)	7,922	7,353	922	773	–	–	(61,523)
R&D expenses	(159,178)	10,024	4,601	228	–	–	–	(144,325)
Other operating income	1,157	–	(364)	–	–	–	–	793
Operating profit	59,110	19,094	14,384	1,163	773	–	–	94,524
Net finance (expense)/income	(2,541)	–	1,171	–	–	50	4,256	2,936
Profit before income taxes	56,569	19,094	15,555	1,163	773	50	4,256	97,460
Income tax expense	(20,328)	1,958	(1,986)	(245)	(83)	(9)	206	(20,487)
Profit after income taxes	36,241	21,052	13,569	918	690	41	4,462	76,973
Share of loss of associate	(749)	–	–	–	–	–	–	(749)
Net income	35,492	21,052	13,569	918	690	41	4,462	76,224

Business Segment Breakdown

Underlying \$M	Revenue			Operating profit/(loss)			Operating margin	
	Q2 2019	Q2 2018	Change	Q2 2019	Q2 2018	Change	Q2 2019	Q2 2018
Custom Mixed Signal	219.3	194.5	+13%	66.6	37.6	+77%	30.4%	19.3%
Advanced Mixed Signal	64.0	63.7	+1%	5.3	8.2	-35%	8.3%	12.8%
Connectivity & Audio	46.9	37.5	+25%	6.8	4.1	+67%	14.5%	10.9%
Total segments	330.2	295.7	+12%	78.7	49.8	+58%	23.8%	16.8%
Corporate activities	6.0	-	-	3.5	(7.7)			-
Total Group	336.2	295.7	+14%	82.1	42.1	+95%	24.4%	14.2%

Underlying \$M	Revenue			Operating profit/(loss)			Operating margin	
	H1 2019	H1 2018	Change	H1 2019	H1 2018	Change	H1 2019	H1 2018
Custom Mixed Signal	430.9	439.9	-2%	111.5	98.1	+14%	25.9%	22.3%
Advanced Mixed Signal	114.9	117.6	-2%	6.3	11.2	-44%	5.5%	9.5%
Connectivity & Audio	79.3	70.3	+13%	11.8	3.4	+241%	14.9%	4.9%
Total segments	625.1	627.8	-0.4%	129.6	112.7	+15%	20.7%	18.0%
Corporate activities	6.0	-	-	(0.3)	(18.2)			-
Total Group	631.1	627.8	+1%	129.3	94.5	+37%	20.5%	15.1%

Condensed Consolidated Statement of Income

	Note	Second quarter		First half	
		Three months ended 28 June 2019 US\$000 (Unaudited)	Three months ended 29 June 2018 US\$000 (Unaudited)	Six months ended 28 June 2019 US\$000 (Unaudited)	Six months ended 29 June 2018 US\$000 (Unaudited)
Revenue	2, 3	481,968	295,664	776,854	627,819
Cost of sales		(170,210)	(153,808)	(319,618)	(332,195)
Gross profit		311,758	141,856	457,236	295,624
Selling and marketing expenses		(22,283)	(20,695)	(43,493)	(42,307)
General and administrative expenses		(25,893)	(17,683)	(48,902)	(36,186)
Research and development expenses		(75,556)	(78,273)	(156,189)	(159,178)
Other operating income	4	28,936	1,022	33,651	1,157
Operating profit	3	216,962	26,227	242,303	59,110
Interest income		6,547	2,299	10,461	3,911
Interest expense		(3,087)	(698)	(4,577)	(1,658)
Other finance (expense)/income		(2,384)	296	(3,849)	(4,794)
Profit before income taxes		218,038	28,124	244,338	56,569
Income tax expense		(47,934)	(9,691)	(55,876)	(20,328)
Profit after income taxes		170,104	18,433	188,462	36,241
Share of loss of associate		-	(377)	-	(749)
Net income		170,104	18,056	188,462	35,492
Earnings per share (US\$)	5				
Basic		2.33	0.24	2.56	0.48
Diluted		2.20	0.23	2.42	0.46
Weighted average number of shares (in thousands)	5				
Basic		73,039	73,874	73,494	73,791
Diluted		77,277	77,941	77,957	77,970

Consolidated Balance Sheet – Total Assets

	Note	As at 28 June 2019 US\$000 (Unaudited)	As at 31 December 2018* US\$000 (Audited)
Assets			
Cash and cash equivalents	8	1,141,185	677,848
Trade and other receivables		124,896	114,514
Other current financial assets		1,430	202
Inventories	9	156,084	149,736
Income tax receivables		1,500	2,146
Other current assets		24,175	18,306
		1,449,270	962,752
Assets classified as held for sale	13	–	11,295
Total current assets		1,449,270	974,047
Goodwill	10	453,549	439,508
Other intangible assets	10	238,582	217,445
Property, plant and equipment – owned	11	56,376	66,359
Property, plant and equipment – leased	11	56,623	–
Other investments	12	7,924	11,538
Other non-current financial assets		2,167	1,807
Other non-current assets		463	398
Deferred tax assets		7,114	6,034
Total non-current assets		822,798	743,089
Total assets		2,272,068	1,717,136

* Extracted from the Company's audited consolidated financial statements for the year ended 31 December 2018.

Consolidated Balance Sheet – Total Liabilities and Equity

	Note	As at 28 June 2019 US\$000 (Unaudited)	As at 31 December 2018* US\$000 (Audited)
Liabilities and equity			
Trade and other payables		96,323	122,140
Lease liabilities		11,931	–
Other current financial liabilities		368,304	196,890
Provisions		4,822	5,253
Income taxes payable		36,461	8,193
Other current liabilities		80,390	58,237
		598,231	390,713
Liabilities directly associated with assets held for sale	13	–	3,167
Total current liabilities		598,231	393,880
Lease liabilities		46,291	–
Other non-current financial liabilities		96,822	841
Provisions		2,933	3,078
Deferred tax liabilities		14,204	7,958
Other non-current liabilities		107,828	8,872
Total non-current liabilities		268,078	20,749
Ordinary shares		14,204	14,204
Share premium account		403,660	403,660
Retained earnings		1,143,452	930,576
Other reserves	16	(133,137)	(23,419)
Dialog shares held by employee benefit trusts		(22,420)	(22,514)
Total equity		1,405,759	1,302,507
Total liabilities and equity		2,272,068	1,717,136

* Extracted from the Company's audited consolidated financial statements for the year ended 31 December 2018.

Dialog Semiconductor Plc Q2 2019 Results, 30 July 2019.

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Consolidated Cash Flow Statement

	Second quarter		First half		
	Three months ended 28 June 2019 US\$000 (Unaudited)	Three months ended 29 June 2018 US\$000 (Unaudited)	Six months ended 28 June 2019 US\$000 (Unaudited)	Six months ended 29 June 2018 US\$000 (Unaudited)	
	Note				
Cash flows from operating activities					
Net income		170,104	18,056	188,462	35,492
Non-cash items within net income:					
– Depreciation of property, plant and equipment		10,317	8,043	20,483	15,936
– Amortisation of intangible assets		12,637	12,239	24,353	24,025
– Addition to inventory reserve, net		4,232	1,265	7,450	2,168
– Share-based compensation expense		9,983	9,449	21,503	20,618
– Deferred licence revenue		(5,980)	–	(5,980)	–
– Other non-cash items		(4,923)	(50)	(3,564)	3,796
Effective IP licence fee received	6	136,400	–	136,400	–
Gain on transfer of design centre businesses	6	(15,898)	–	(15,898)	–
Interest income, net		(3,460)	(1,601)	(5,884)	(2,253)
Income tax expense		47,934	9,691	55,876	20,328
Cash generated from operations before changes in working capital		361,346	57,092	423,201	120,110
Changes in working capital:					
– (Increase)/decrease in trade and other receivables		(53,469)	(8,959)	(8,509)	3,220
– (Increase)/decrease in inventories		(1,051)	2,658	(9,846)	32,695
– Decrease/(increase) in prepaid expenses		788	(341)	(1,506)	(5,754)
– Increase/(decrease) in trade and other payables		2,894	3,639	(29,727)	(22,888)
– Decrease in provisions		(546)	(38)	(1,157)	(759)
– Change in other assets and liabilities		(3,591)	(932)	(11,610)	(6,521)
Cash generated from operations		306,371	53,119	360,846	120,103
Interest paid		(901)	(132)	(1,996)	(281)
Interest received		5,515	1,945	9,274	3,102
Income taxes (paid)/received		(10,856)	706	(26,423)	(17,637)
Cash inflow from operating activities		300,129	55,638	341,701	105,287

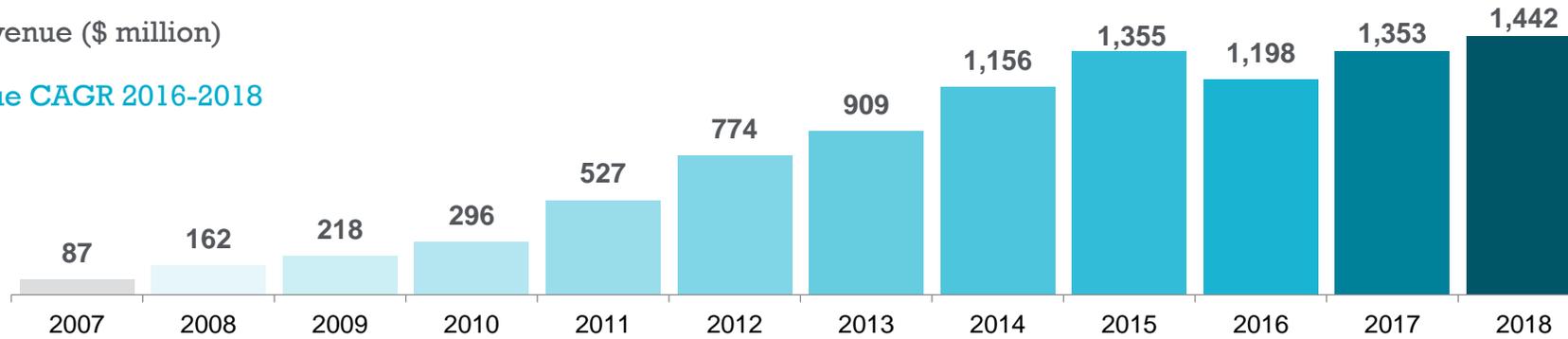
Consolidated Cash Flow Statement – Continued

	Second quarter		First half		
	Three months ended 28 June 2019 US\$000 (Unaudited)	Three months ended 29 June 2018 US\$000 (Unaudited)	Six months ended 28 June 2019 US\$000 (Unaudited)	Six months ended 29 June 2018 US\$000 (Unaudited)	
	Note				
Cash flows from investing activities					
Purchase of property, plant and equipment		(2,024)	(7,729)	(6,985)	(16,783)
Purchase of intangible assets		(1,063)	(1,462)	(2,187)	(3,238)
Payments for capitalised development costs		(4,014)	(9,100)	(8,571)	(15,219)
Purchase of FCI, net of acquired cash	7	(44,322)	–	(44,322)	–
Payment of consideration for Silego	7	(457)	(607)	(18,032)	(11,611)
Proceeds from transfer of design centres, net of cash disposed	6	27,814	–	27,814	–
Increase in other long-term assets		–	(57)	–	(83)
Cash outflow from investing activities		(24,066)	(18,955)	(52,283)	(46,934)
Cash flows from financing activities					
Receipt of prepayment from Apple	6	288,584	–	288,584	–
Capital element of lease payments		(2,759)	(832)	(5,681)	(1,650)
Sale of shares by employee benefit trusts		1,199	207	2,482	1,486
Purchase of own shares into treasury		(112,095)	–	(112,095)	–
Cash inflow/(outflow) from financing activities		174,929	(625)	173,290	(164)
Net cash inflow during the period		450,992	36,058	462,708	58,189
Cash and cash equivalents at beginning of period		689,532	501,189	677,848	479,295
Currency translation differences		661	226	629	(11)
Cash and cash equivalents at end of period	8	1,141,185	537,473	1,141,185	537,473

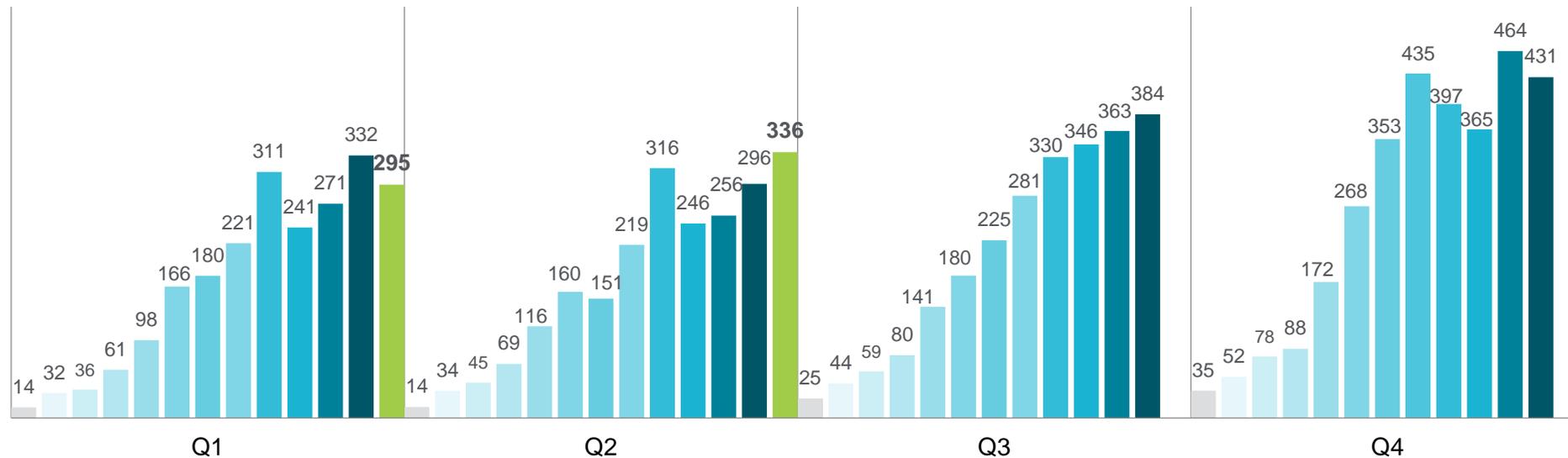
Revenue – Historical Data

Full year revenue (\$ million)

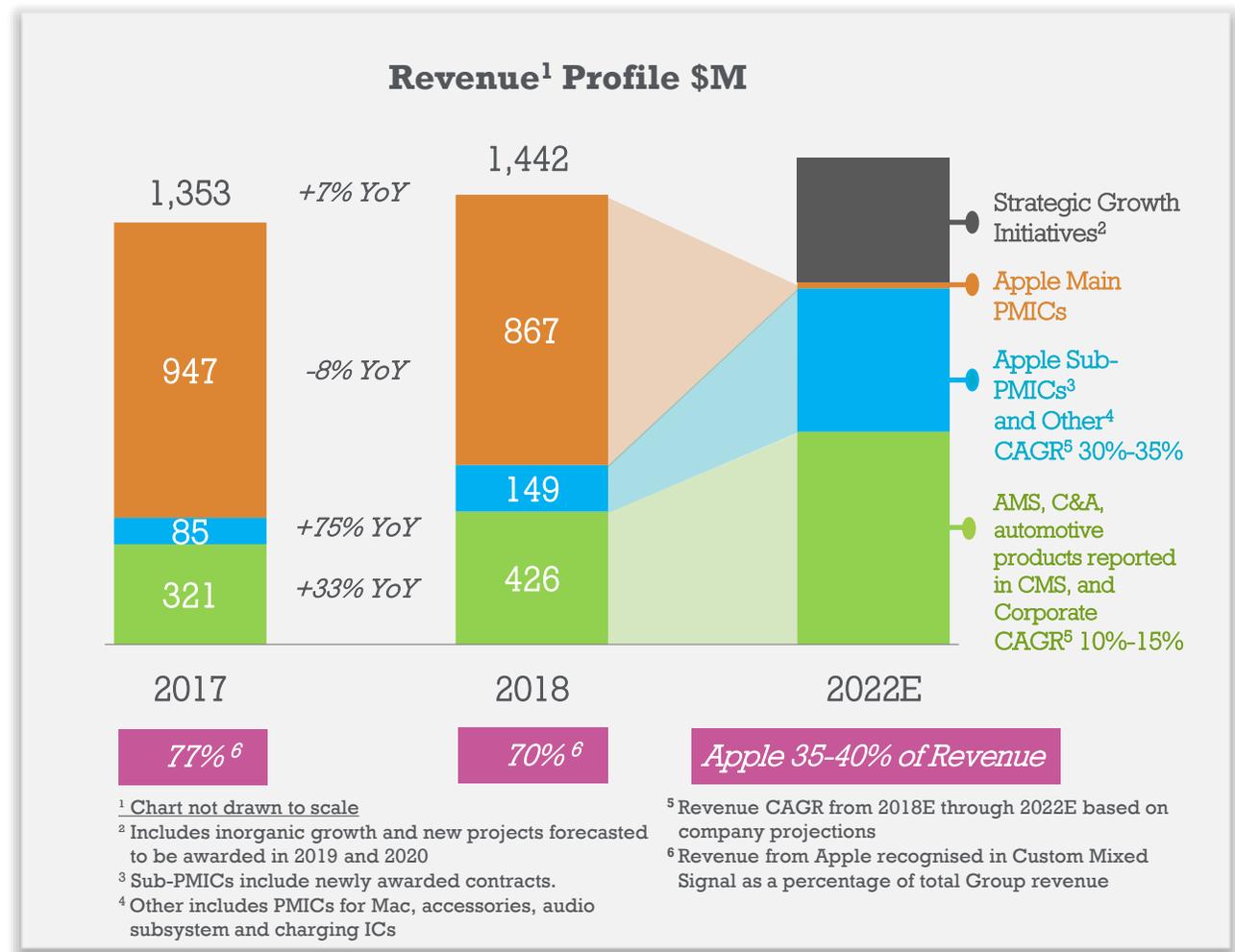
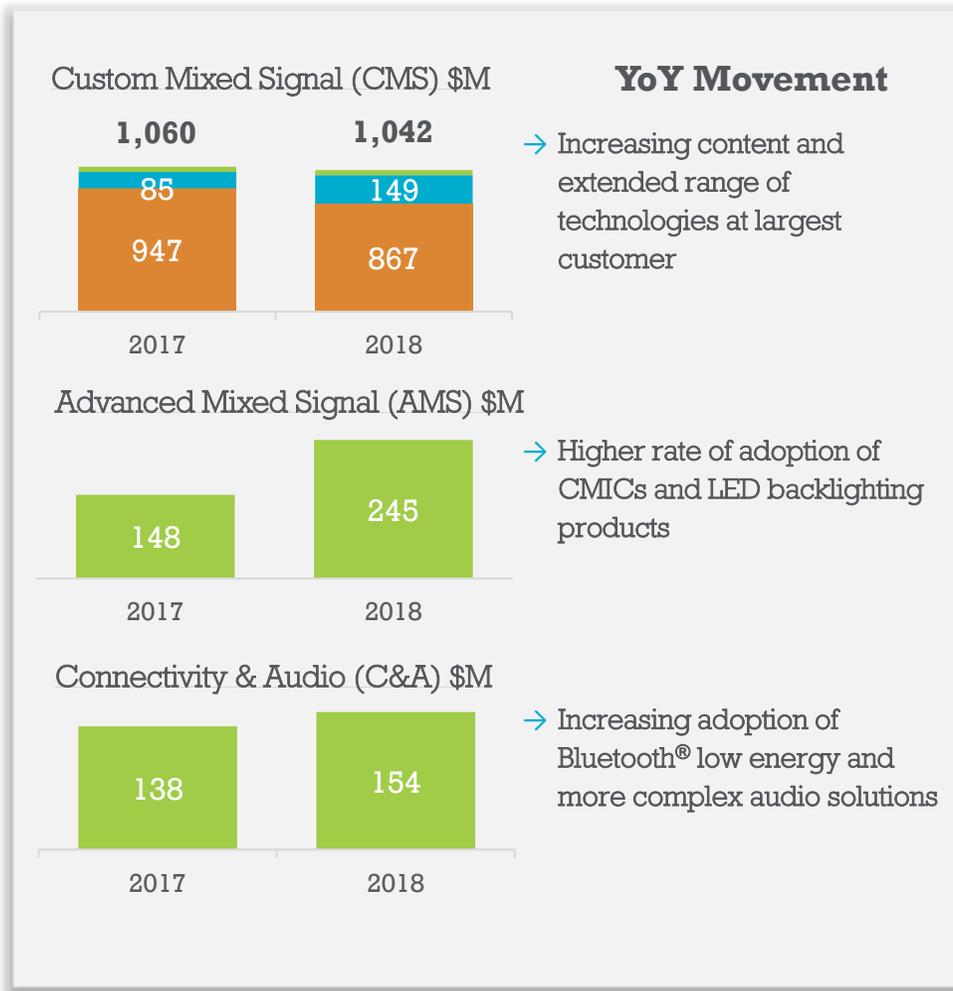
10% Revenue CAGR 2016-2018



Quarterly underlying revenue (\$ million)



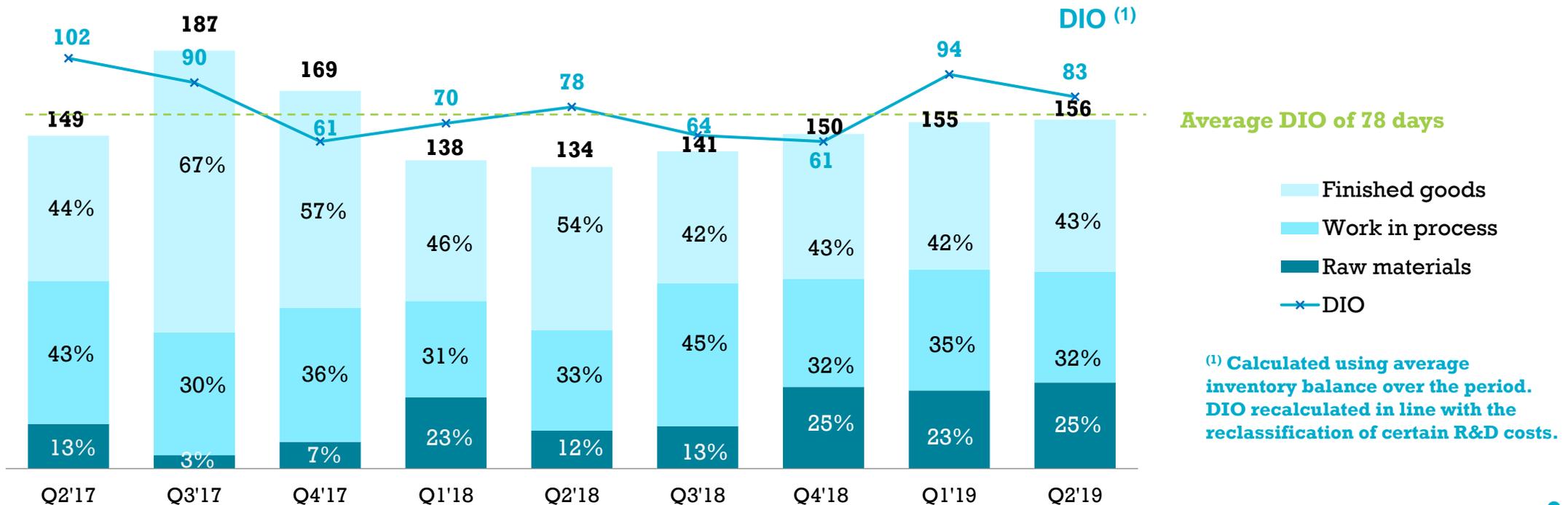
Full Year Revenue by Business Segment



Effective Inventory Management

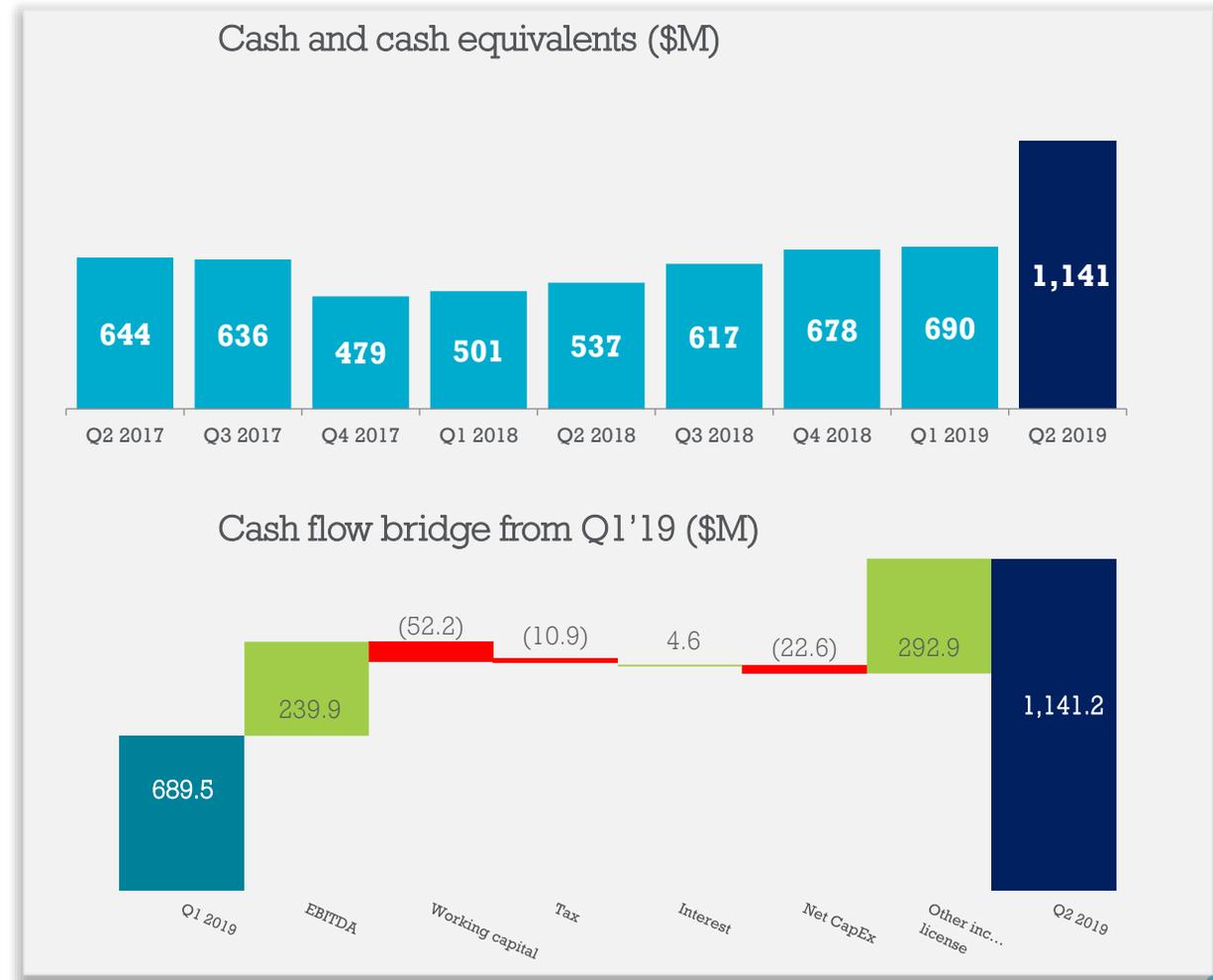
- At the end of Q2 2019 inventory value was broadly in line with Q1 2019 and DIO decreased by 11 days
- In Q3 2019, we expect inventory value to increase from Q2 2019 due to seasonality and days of inventory to be below Q2 2019

Inventory (\$ million) and Days Inventory Outstanding (# days)



Strong Cash Flow Generation

- \$1.1 billion cash and cash equivalents balance at 28 June 2019
- Q2 2019 cash flow from operating activities of \$300 million (Q2 2018:\$56 million)
- Q2 2019 free cash flow at \$290 million (Q2 2018: \$37 million)
- \$600 million inflow from closing of Apple agreement
- \$45 million outflow from closing of FCI acquisition
- Returning cash to shareholders:
 - €100 million (US\$112 million) returned to shareholders in Q2 2019
 - New share buyback tranche launched under the 2019 Programme up to €150 million



Investor Information

Analyst coverage

Alphavalue	Hugo Paternoster
Bank of America Merrill Lynch	Adithya Metuku
Bankhaus Lampe	Dr. Karsten Iltgen
Barclays Capital	Andrew Gardiner
Bloomberg	Woo Jin Ho
Bryan, Garnier & Co	Frédéric Yoboué
Credit Suisse	Achal Sultania
Deutsche Bank	Rob Sanders
DZ Bank	Harald Schnitzer
Exane BNP Paribas	David O'Connor
Hauck & Aufhauser	Robin Brass
JP Morgan Cazenove	Sandeep Deshpande
Kepler Cheuvreux	Sebastien Sztabowicz
MainFirst Bank AG	Juergen Wagner
ODDO BHF	Stephane Houré
RBC	Mitch Steves

Financial Calendar

06 November 2019 – Q3 Earnings Call

Key Events

London roadshow
30 July -31 July 2019
dbAccess European TMT Conference
6 September 2019, London
dbAccess Global TMT Conference
11 September 2019, Las Vegas
Baader Investment Conference
25 September 2019, Munich
Morgan Stanley European TMT Conference
13-15 November 2019, Barcelona

Contacts

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