



Dialog Semiconductor Q3 2020 Results

5 NOVEMBER 2020

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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, and operational matters. Forward-looking statements are subject to risks and uncertainties, including, but not limited to: the global effects of the COVID-19 pandemic generally and on the semiconductor markets and supply chain specifically; 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

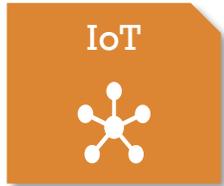
- Business Review
- Financial Review
- Q&A



Adesto – Integrating to Unlock Value

- Integration activities proceeding ahead of plan
- On track to deliver \$20 million cost synergies
- Combined product portfolio creates multiple cross-selling opportunities:
 - Memory + BLE + low power Wi-Fi
 - Adesto ASICs + Creative Chips
- Licensing of CBRAM technology to GLOBALFOUNDRIES for 22FDX platform, targeting IoT and AI
- Create a new industrial business well positioned to capitalise on the Industrial IoT opportunity

Organic Expansion of our Product Portfolio

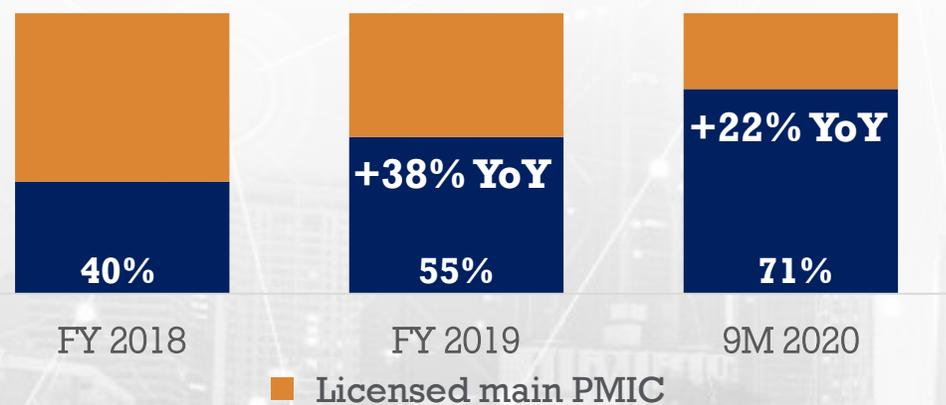


- Audio Codecs with active noise cancellation
- TINY™ BLE SoC connecting the next billion IoT devices
- First Combo low-power Wi-Fi and BLE
- New low-power Wi-Fi Soc
- Next generation Battery Management ICs
- New family of Buck converters for ARM based multicore applications
- Strategic partnership with Flex Logic, for mixed-signal eFPGAs
- CMIC device with low dropout (LDO) regulator performance

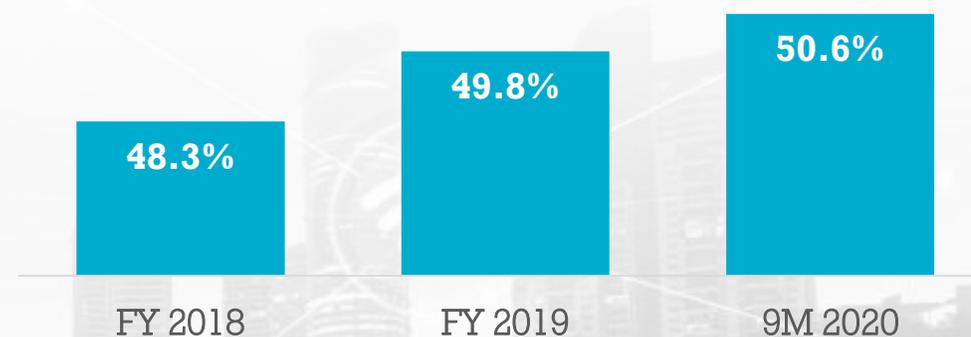
- Expanding collaboration in automotive PMIC with Renesas and Telechips
- Automotive PMIC high current DC-DC (Buck) converters
- Automotive grade CMICs
- Next generation IO-Link ICs for Industrial IoT
- DC-DC converter solutions with TDK
- High voltage GreenPAK IC for motor drive applications

Executing our Growth Strategy Through the Transformation Period

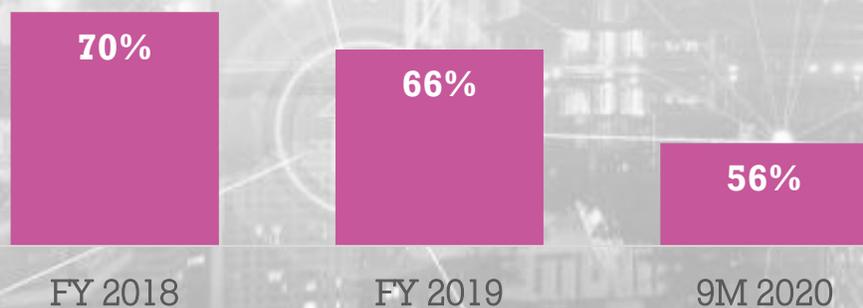
Revenue mix and growth



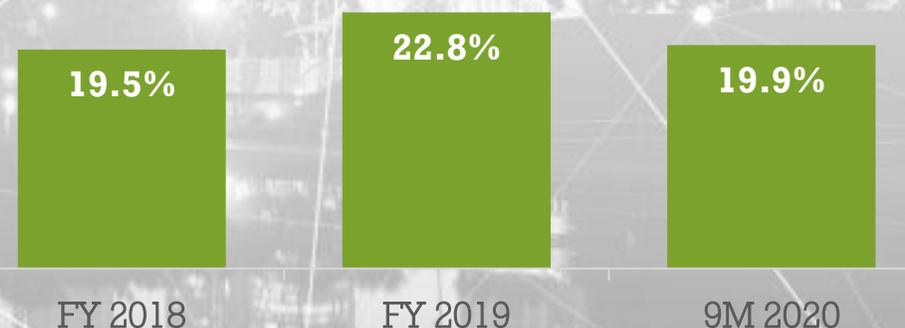
Increased underlying gross margin



Lower customer concentration¹



Resilient underlying operating margin



¹Revenue from our largest customer recognised in Custom Mixed Signal as a percentage of Group revenue.

Building a Diverse Mixed-Signal Business

- ✓ Successfully navigating evolving lockdown restrictions
- ✓ Customer engagements continue according to plan with visibility to a healthy pipeline of customer opportunities in 2022 and beyond.
- ✓ Executing our growth strategy and building a diverse mixed-signal business
- ✓ Strong balance sheet and liquidity to generate long-term value for our shareholders

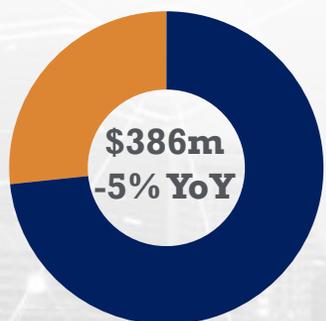
Agenda

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At a Glance – Q3 2020

Revenue



■ Excluding licensed main PMIC

Underlying operating margin

23.7%
-170bps YoY

Cash and cash equivalents balance



Underlying gross margin

50.7%
+120bps YoY

Underlying diluted EPS

\$1.00
-12% YoY

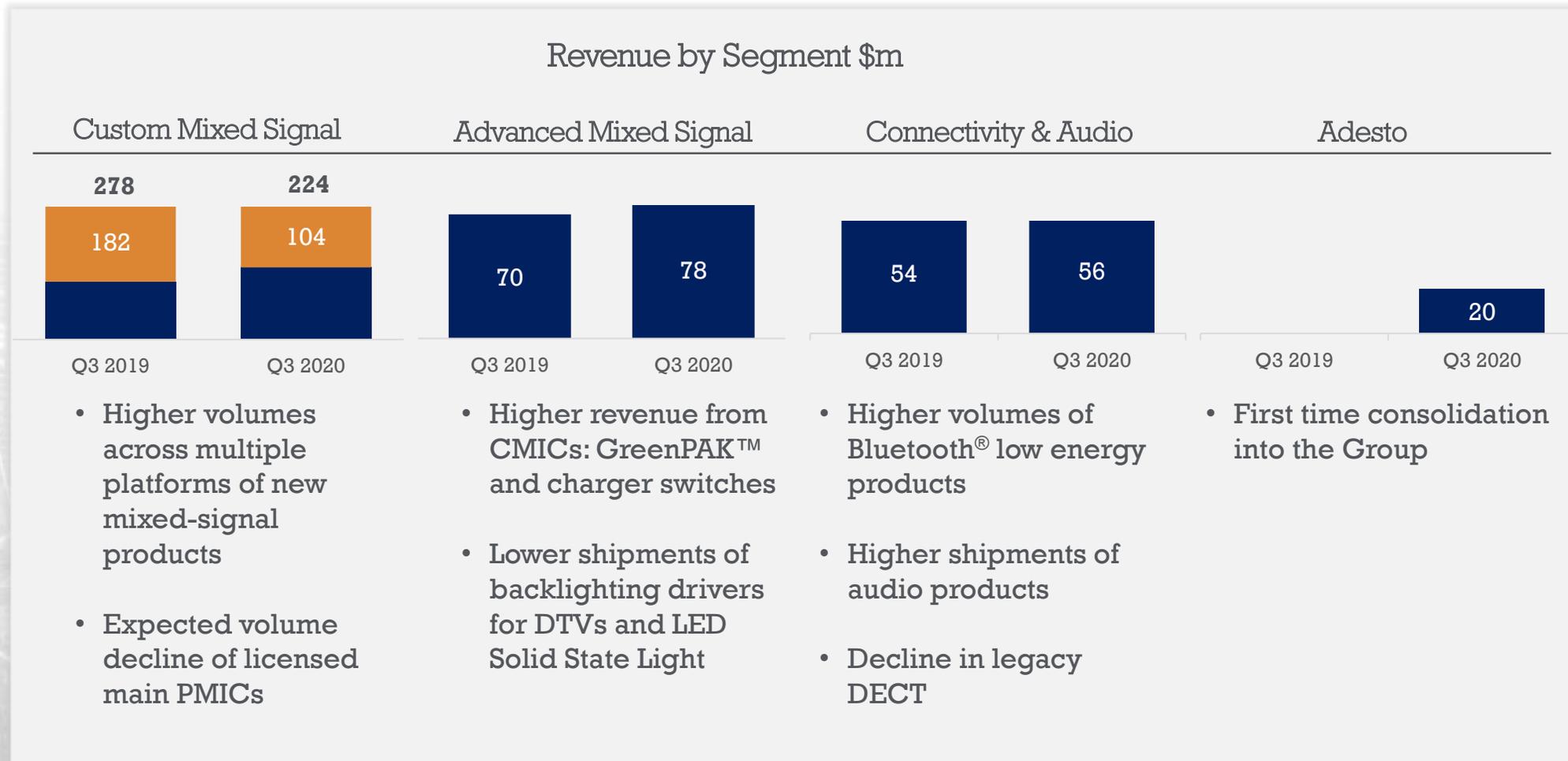
Cash flow from operating activities

\$27m
-72% YoY

Q3 2020 Revenue Up 24% YoY Excluding Licensed Main PMIC



- Excluding licensed main PMIC



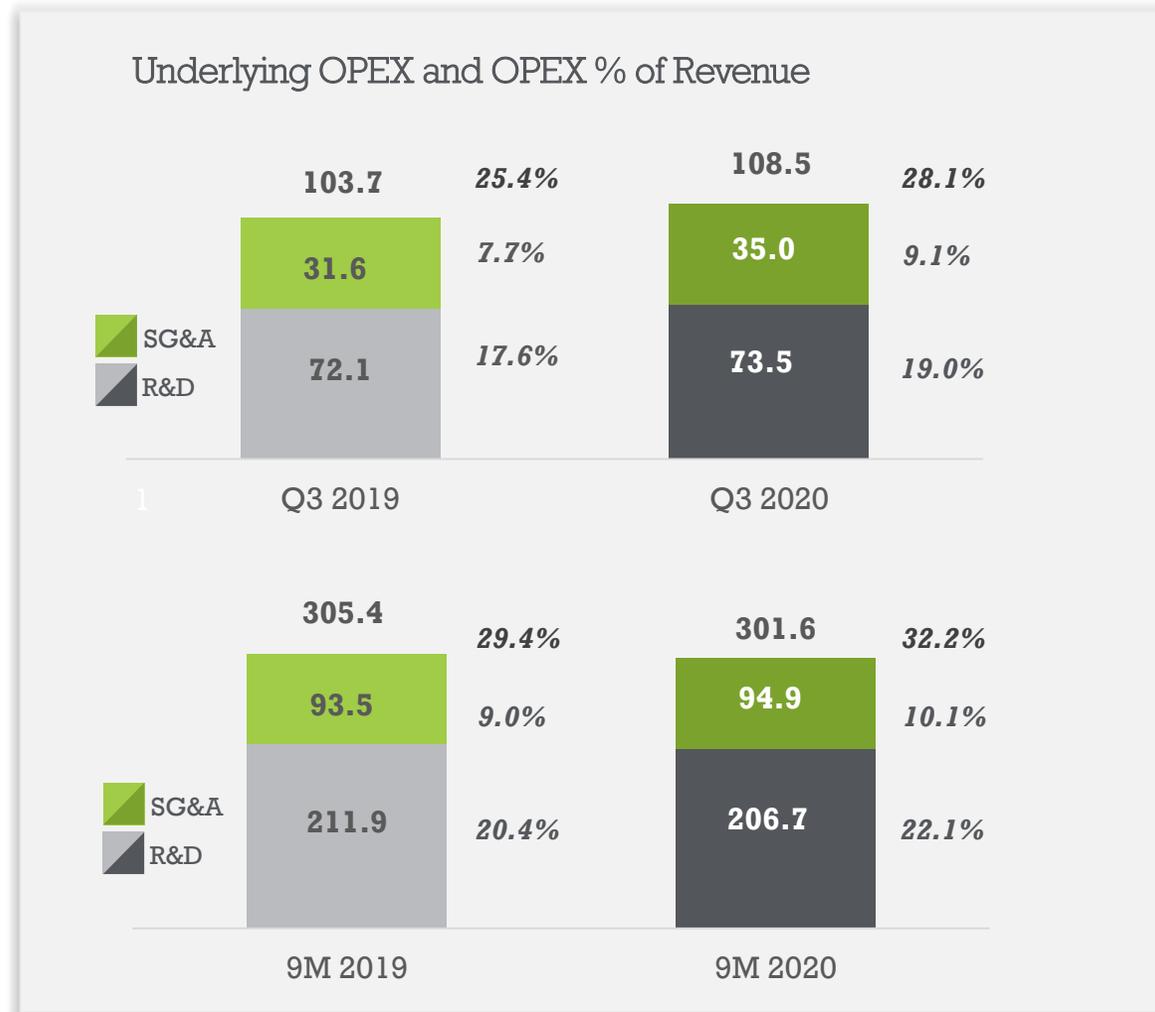
Increased Underlying Gross Margin

- Focus on gross margin expansion
- Q3 2020 underlying gross margin at 50.7%, 120bps higher than Q3 2019
 - Revenue mix
 - Ongoing savings in manufacturing and overhead costs
- Fabless business model provides the operational and financial flexibility to successfully navigate economic uncertainty



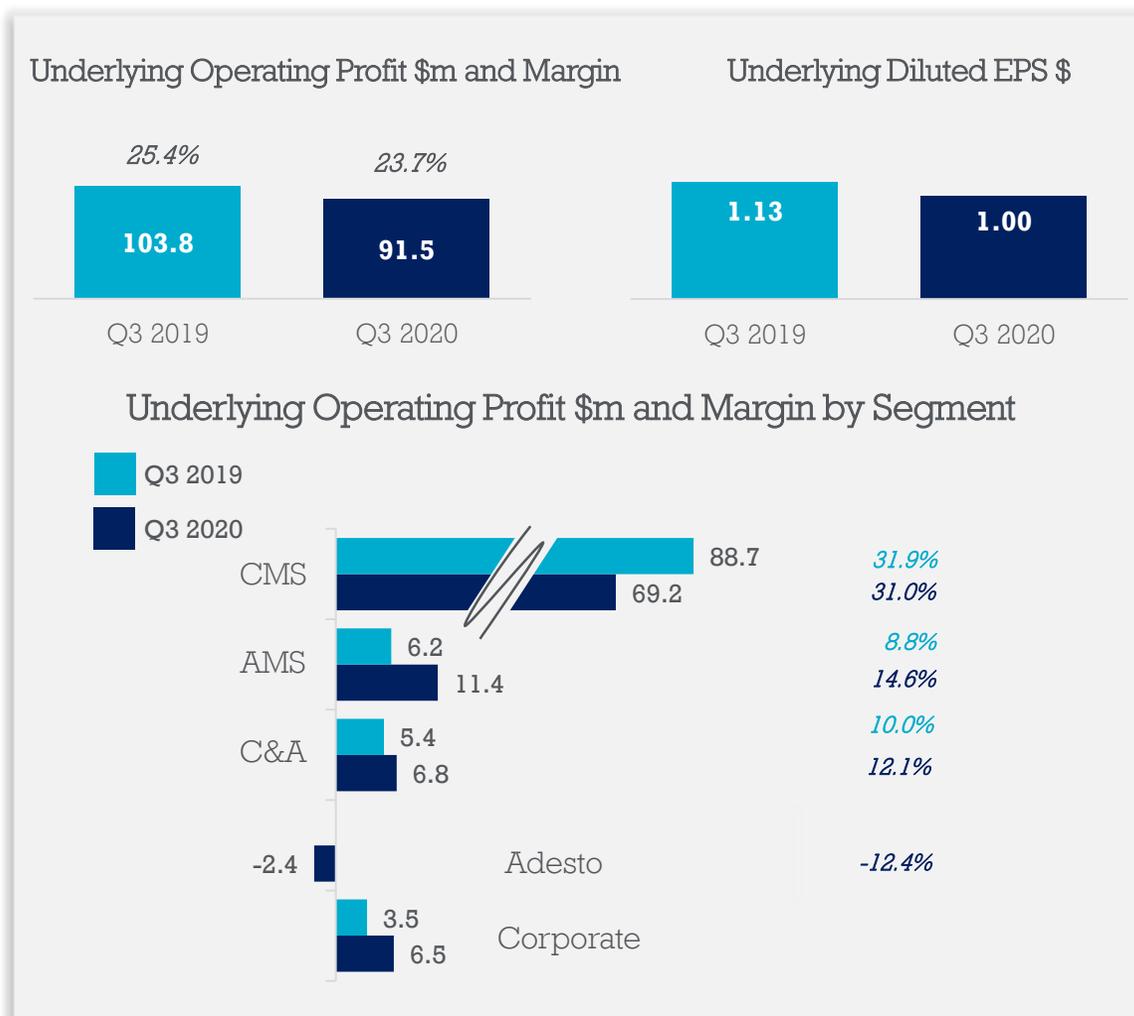
Disciplined Approach to OPEX Management

- Year-on-year underlying OPEX savings in Q3 2020 and 9M 2020
- Additional OPEX from the acquisitions of Adesto and Creative Chips **offset by 8% savings in R&D and SG&A:**
 - Underlying R&D expenses 2% above Q3 2019:
 - Underlying SG&A expenses 11% above Q3 2019
- 9M 2020 underlying OPEX 1% lower year-on-year
 - Excluding Adesto and Creative Chips OPEX was down 7%



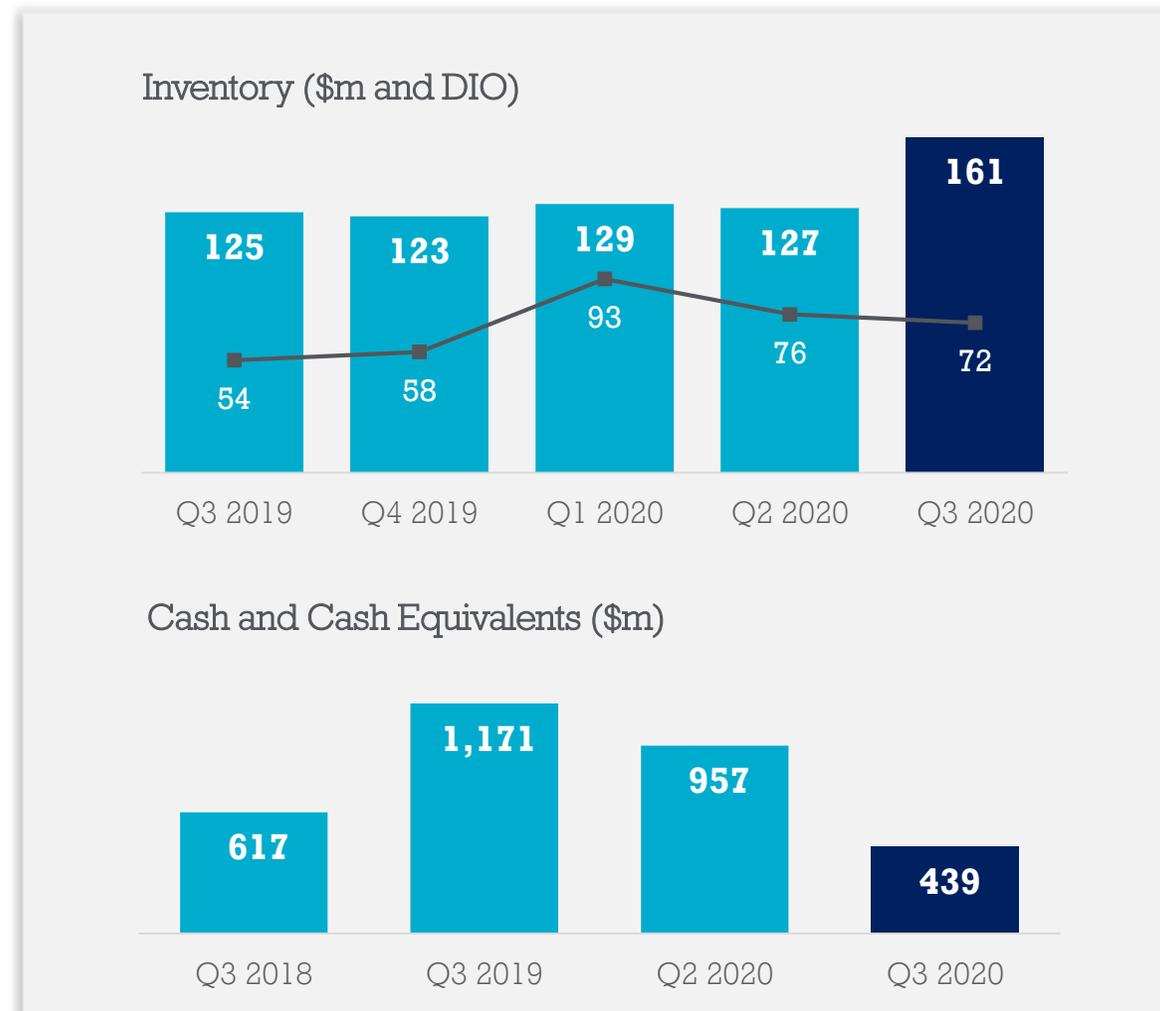
Operating Margin in Line with Long Term Financial Plan

- Q3 2020 underlying operating profit 12% below Q3 2019:
 - Lower revenue
 - Increased gross margin
 - Acquisitions of Adesto and Creative Chips
 - Cost savings
- Year-on year increase in AMS and C&A operating profit
- Q3 2020 underlying effective tax rate 80bps below Q3 2019 at 19.7% (Q3 2019: 20.5%)
- Underlying diluted EPS 12% below Q3 2019



Strong Balance Sheet and Additional Liquidity

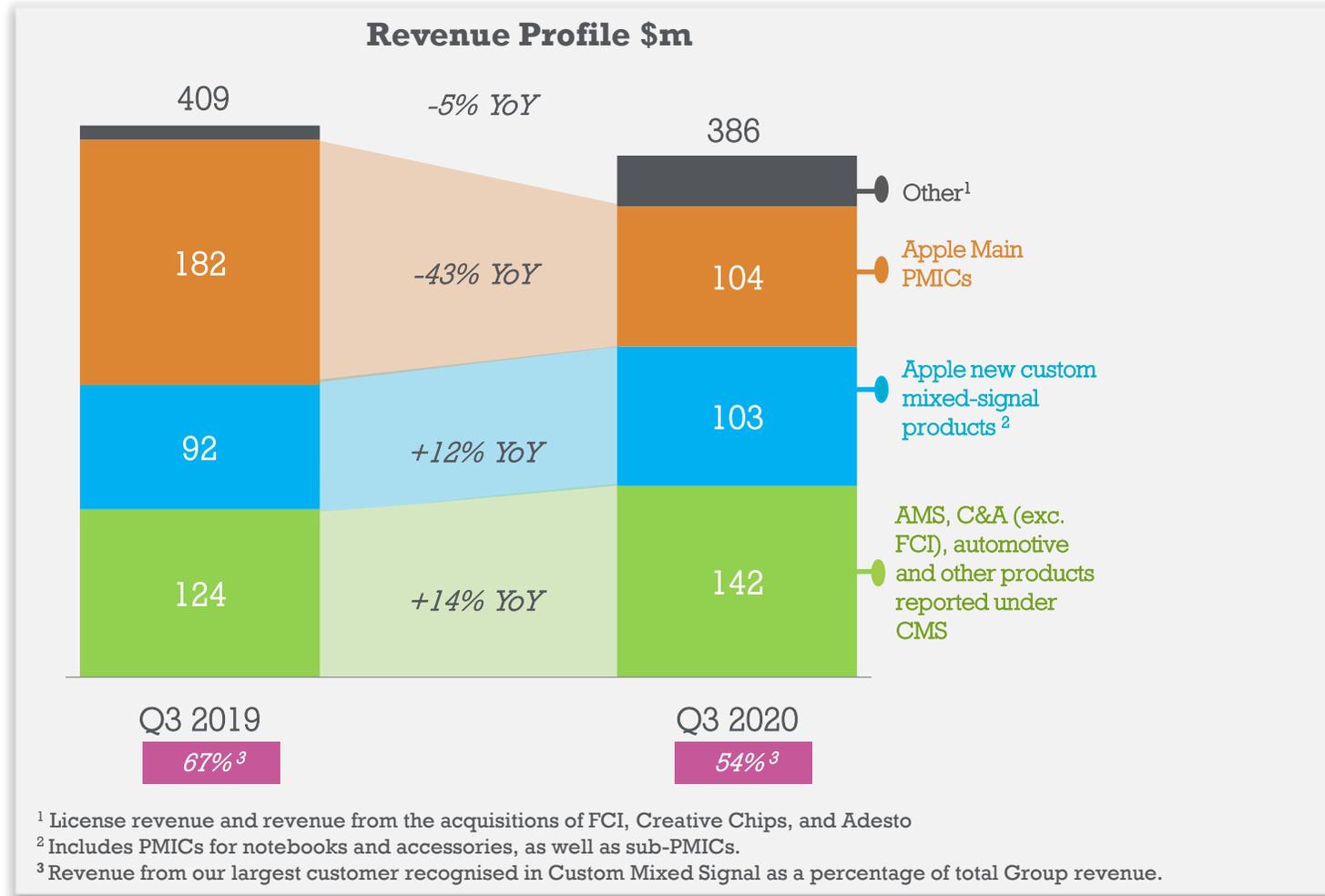
- Change in inventory driven by Adesto consolidation
- Key items driving the QoQ movement in cash and cash equivalents
 - \$498 million Acquisition of Adesto
 - \$30 million share buyback
- Completed the second tranche of the 2019 Share Buyback programme for an amount of €70 million:
 - 2,036,705 shares purchased
 - Average price €34.37



Appendix



Q3 2020 Revenue Profile



Underlying Reconciliation

For the three months ended 25 September 2020

US\$000	IFRS basis	Share-based compensation and related expenses	Accounting for business combinations	Integration costs	Impairment of goodwill	Cost reduction initiatives	Strategic investments	Underlying basis
Revenue	386,415	–	–	–	–	–	–	386,415
Gross profit	186,461	1,206	8,357	–	–	–	–	196,024
SG&A expenses	(67,415)	7,270	18,233	4,648	–	2,247	–	(35,017)
R&D expenses	(85,068)	7,388	4,194	–	–	–	–	(73,486)
Other operating (loss)/income	(40,935)	–	–	–	44,900	–	–	3,965
Operating (loss)/profit	(6,957)	15,864	30,784	4,648	44,900	2,247	–	91,486
Net finance expense	(2,066)	–	–	–	–	–	(37)	(2,103)
Loss before income taxes	(9,023)	15,864	30,784	4,648	44,900	2,247	(37)	89,383
Income tax expense	(10,337)	(2,399)	(3,549)	(941)	–	(389)	7	(17,608)
Net (loss)/income	(19,360)	13,465	27,235	3,707	44,900	1,858	(30)	71,775

Underlying Reconciliation

For the three months ended 27 September 2019

US\$000	IFRS basis	Share-based compensation and related expenses	Accounting for business combinations	Integration costs	Corporate transaction costs	Strategic investments	Underlying basis
Revenue	408,803	–	–	–	–	–	408,803
Gross profit	201,158	696	483	–	–	–	202,337
SG&A expenses	(43,611)	6,141	5,343	306	235	–	(31,586)
R&D expenses	(78,846)	3,881	2,877	–	–	–	(72,088)
Other operating income	5,156	–	–	–	–	–	5,156
Operating profit	83,857	10,718	8,703	306	235	–	103,819
Net finance income	2,778	–	–	–	–	(121)	2,657
Profit before income taxes	86,635	10,718	8,703	306	235	(121)	106,476
Income tax expense	(18,439)	(2,204)	(1,127)	(58)	(3)	24	(21,807)
Net income	68,196	8,514	7,576	248	232	(97)	84,669

Underlying Reconciliation

For the nine months ended 25 September 2020

US\$000 unless stated otherwise	IFRS basis	Share-based compensation and related expenses	Accounting for business combinations	Integration costs	Impairment of goodwill	Cost-reduction initiatives	Strategic investments	Underlying basis
Revenue	937,195	-	-	-	-	-	-	937,195
Cost of sales	(475,132)	2,594	9,332	-	-	-	-	(463,206)
Gross profit	462,063	2,594	9,332	-	-	-	-	473,989
<i>Gross margin %</i>	49.3%							50.6%
SG&A expenses	(152,809)	18,612	31,838	5,228	-	2,247	-	(94,884)
R&D expenses	(234,730)	18,891	9,168	-	-	-	-	(206,671)
Other operating (expense)/income	(23,511)	-	(6,938)	-	44,900	-	-	14,451
Operating profit	51,013	40,097	43,400	5,228	44,900	2,247	-	186,885
<i>Operating margin %</i>	5.4%							19.9%
Net finance expense	(104)	-	272	-	-	-	(777)	(609)
Profit before income taxes	50,909	40,097	43,672	5,228	44,900	2,247	(777)	186,276
Income tax expense	(24,223)	(4,918)	(6,256)	(1,049)	-	(389)	148	(36,687)
Net income	26,686	35,179	37,416	4,179	44,900	1,858	(629)	149,589

Underlying Reconciliation

For the nine months ended 27 September 2019

US\$000 unless stated otherwise	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	1,185,657	(145,750)	–	–	–	–	–	1,039,907
Cost of sales	(527,263)	–	2,036	886	–	–	–	(524,341)
Gross profit	658,394	(145,750)	2,036	886	–	–	–	515,566
<i>Gross margin %</i>	55.5%							49.6%
SG&A expenses	(136,006)	–	16,573	14,577	502	10,894	–	(93,460)
R&D expenses	(235,035)	–	15,496	7,605	–	–	–	(211,934)
Other operating income	38,807	(15,898)	–	–	–	–	–	22,909
Operating profit	326,160	(161,648)	34,105	23,068	502	10,894	–	233,081
<i>Operating margin %</i>	27.5%							22.4%
Net finance income	4,813	–	–	315	–	–	245	5,373
Profit before income taxes	330,973	(161,648)	34,105	23,383	502	10,894	245	238,454
Income tax expense	(74,315)	33,907	(5,228)	(2,795)	(95)	(259)	(46)	(48,831)
Net income	256,658	(127,741)	28,877	20,588	407	10,635	199	189,623

Business Segment Breakdown

Underlying	Revenue			Operating profit/(loss)			Operating margin	
	\$M	Q3 2020	Q3 2019	Change	Q3 2020	Q3 2019	Change	Q3 2020
Custom Mixed Signal	223.6	278.2	-20%	69.2	88.7	-22%	31.0%	31.9%
Advanced Mixed Signal	78.2	70.0	+12%	11.4	6.2	+84%	14.6%	8.8%
Connectivity & Audio	56.0	54.3	+3%	6.8	5.4	+25%	12.1%	10.0%
Adesto	19.7	-	nm	(2.4)	-	nm	-12.4%	-
Total segments	377.5	402.5	-6%	85.0	100.3	-15%	22.5%	24.9%
Corporate and other activities	8.9	6.3	+43%	6.5	3.5	+87%	72.8%	55.7%
Total Group	386.4	408.8	-5%	91.5	103.8	-12%	23.7%	25.4%

Underlying	Revenue			Operating profit/(loss)			Operating margin	
	\$M	9M 2020	9M 2019	Change	9M 2020	9M 2019	Change	9M 2020
Custom Mixed Signal	563.2	709.1	-21%	147.6	200.2	-26%	26.2%	28.2%
Advanced Mixed Signal	192.8	185.0	+4%	16.9	12.5	+35%	8.8%	6.8%
Connectivity & Audio	134.6	133.6	+1%	5.3	17.3	-69%	3.9%	12.9%
Adesto	19.7	-	nm	(2.4)	-	nm	-12.2%	-
Total segments	910.3	1,027.7	-11%	167.4	230.0	-27%	18.4%	22.4%
Corporate and other activities	26.8	12.2	nm	19.5	3.1	nm	72.8%	25.4%
Total Group	937.1	1,039.9	-10%	186.9	233.1	-20%	19.9%	22.4%

Sequential Improvement in Revenue and Operating Profit

Underlying	Revenue			Operating profit/(loss)			Operating margin	
	\$M	Q3 2020	Q2 2020	Change	Q3 2020	Q2 2020	Change	Q3 2020
Custom Mixed Signal	223.6	186.4	+20%	69.2	48.3	+43%	31.0%	25.9%
Advanced Mixed Signal	78.2	63.1	+24%	11.4	5.4	109%	14.6%	8.7%
Connectivity & Audio	56.0	43.9	+28%	6.8	1.8	278%	12.1%	4.1%
Adesto	19.7	-	-	(2.4)	-	-	-12.4%	-
Total segments	377.5	293.4	+29%	85.0	55.5	+53%	22.5%	18.9%
Corporate and other activities	8.9	8.9	0%	6.5	6.9	-5%	72.8%	76.7%
Total Group	386.4	302.3	+28%	91.5	62.4	+47%	23.7%	20.6%

Condensed Consolidated Statement of Income

	Note	Third quarter		First nine months	
		Three months ended 25 September 2020 US\$000 (Unaudited)	Three months ended 27 September 2019 US\$000 (Unaudited)	Nine months ended 25 September 2020 US\$000 (Unaudited)	Nine months ended 27 September 2019 US\$000 (Unaudited)
Revenue	2, 14	386,415	408,803	937,195	1,185,657
Cost of sales		(199,954)	(207,645)	(475,132)	(527,263)
Gross profit		186,461	201,158	462,063	658,394
Selling and marketing expenses		(31,218)	(23,835)	(76,496)	(67,328)
General and administrative expenses		(36,197)	(19,776)	(76,313)	(68,678)
Research and development expenses		(85,068)	(78,846)	(234,730)	(235,035)
Other operating (expense)/income	3	(40,935)	5,156	(23,511)	38,807
Operating (loss)/profit	14	(6,957)	83,857	51,013	326,160
Interest income		365	6,428	5,854	16,889
Interest expense		(1,629)	(3,510)	(6,509)	(8,087)
Other finance (expense)/income		(802)	(140)	551	(3,989)
(Loss)/profit before income taxes		(9,023)	86,635	50,909	330,973
Income tax expense		(10,337)	(18,439)	(24,223)	(74,315)
Net (loss)/income		(19,360)	68,196	26,686	256,658
(Loss)/earnings per share (US\$)					
	4				
Basic		(0.29)	0.96	0.39	3.53
Diluted		(0.27)	0.91	0.37	3.33
Weighted average number of ordinary shares (in thousands)					
	4				
Basic		67,817	70,780	68,290	72,605
Diluted		72,043	74,777	72,335	77,043

* Extracted from the Company's audited consolidated financial statements for the year ended 31 December 2019.

Consolidated Balance Sheet – Total Assets

	Note	As at 25 September 2020 US\$000 (Unaudited)	As at 31 December 2019* US\$000 (Audited)
Assets			
Cash and cash equivalents	6	439,086	1,024,544
Trade and other receivables		143,948	134,079
Other current financial assets		5,513	1,056
Inventories	7	160,711	122,624
Income tax receivables		5,396	1,052
Other current assets		27,150	22,532
Total current assets		781,804	1,305,887
Goodwill	8	756,407	482,134
Other intangible assets	8	398,313	272,068
Property, plant and equipment – owned	9	62,250	61,138
Property, plant and equipment – leased	9	40,146	41,423
Investments		5,861	3,110
Other non-current financial assets		2,176	2,202
Other non-current assets		2,819	780
Deferred tax assets		12,768	8,242
Total non-current assets		1,280,740	871,097
Total assets		2,062,544	2,176,984

* Extracted from the Company's audited consolidated financial statements for the year ended 31 December 2019.

Consolidated Balance Sheet – Total Liabilities and Equity

	Note	As at 25 September 2020 US\$000 (Unaudited)	As at 31 December 2019* US\$000 (Audited)
Liabilities and equity			
Trade and other payables		133,473	104,620
Lease liabilities		10,725	8,972
Other current financial liabilities		105,183	124,373
Provisions		9,156	4,162
Income taxes payable		2,115	18,491
Other current liabilities		108,459	112,804
Total current liabilities		369,111	373,422
Lease liabilities		31,753	34,072
Other non-current financial liabilities		37,934	80,963
Provisions		3,364	3,102
Net defined benefit liability		2,066	1,727
Deferred tax liabilities		15,971	23,070
Other non-current liabilities		58,874	88,044
Total non-current liabilities		149,962	230,978
Ordinary shares		14,253	14,204
Share premium account		403,660	403,660
Retained earnings		1,322,513	1,451,582
Other reserves	12	(190,059)	(274,729)
Dialog shares held by employee benefit trusts		(6,896)	(22,133)
Total equity		1,543,471	1,572,584
Total liabilities and equity		2,062,544	2,176,984

* Extracted from the Company's audited consolidated financial statements for the year ended 31 December 2019.

Consolidated Cash Flow Statement

	Third quarter		First nine months	
	Three months ended 25 September 2020 US\$000 Note	Three months ended 27 September 2019 US\$000 (Unaudited)	Nine months ended 25 September 2020 US\$000 (Unaudited)	Nine months ended 27 September 2019 US\$000 (Unaudited)
Cash flow from operating activities				
Net (loss)/ income	(19,360)	68,196	26,686	256,658
Non-cash items within net (loss)/income:				
– Depreciation of property, plant and equipment	9,650	10,189	26,249	30,672
– Amortisation of intangible assets	17,363	13,774	43,638	38,127
– Impairment of goodwill	44,900	–	44,900	–
– (Decrease)/increase in inventory reserve, net	(991)	2,073	2,232	9,523
– Share-based compensation expense	15,790	9,435	39,031	30,938
– Deferred licence revenue	(8,927)	(6,252)	(26,780)	(12,232)
– Other non-cash items	422	3,766	(8,795)	202
Effective IP licence fee received	–	–	–	136,400
Gain on transfer of design centre businesses	–	–	–	(15,898)
Interest expense/(income), net	1,264	(2,918)	655	(8,802)
Income tax expense	10,337	18,439	24,223	74,315
Cash generated from operations before changes in working capital	70,448	116,702	172,039	539,903
Changes in working capital:				
– Increase in trade and other receivables	(43,894)	(58,157)	(86,633)	(66,666)
– Decrease/(increase) in inventories	4,623	28,748	(3,461)	18,902
– Increase in prepaid expenses	(110)	(444)	(5,381)	(1,950)
– (Decrease)/increase in trade and other payables	(9,891)	19,913	(14,697)	(9,814)
– Increase/(decrease) in provisions	4,323	123	4,157	(1,034)
– Change in other assets and liabilities	8,509	5,307	(8,407)	(6,303)
Cash generated from operations	34,008	112,192	57,617	473,038
Interest paid	(876)	(1,082)	(3,217)	(3,078)
Interest received	577	6,831	7,551	16,105
Income taxes paid	(6,375)	(20,625)	(50,555)	(47,048)
Cash inflow from operating activities	27,334	97,316	11,396	439,017

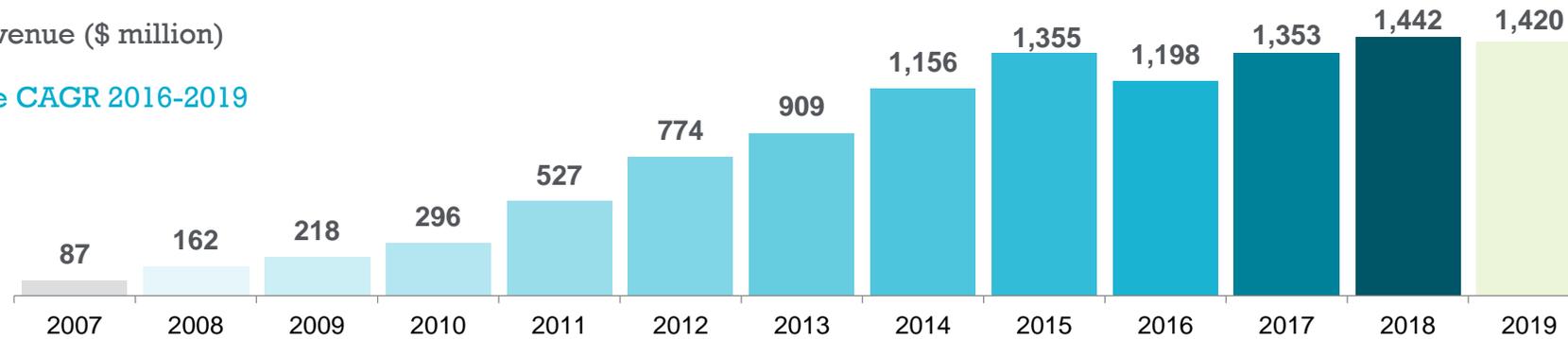
Consolidated Cash Flow Statement – Continued

	Third quarter		First nine months	
	Three months ended 25 September 2020 US\$000 (Unaudited)	Three months ended 27 September 2019 US\$000 (Unaudited)	Nine months ended 25 September 2020 US\$000 (Unaudited)	Nine months ended 27 September 2019 US\$000 (Unaudited)
Cash flows from investing activities				
Purchase of property, plant and equipment	(8,994)	(3,157)	(14,820)	(10,142)
Purchase of intangible assets	(2,038)	(1,770)	(5,140)	(3,957)
Payments for capitalised development costs	(1,850)	(2,618)	(7,704)	(11,189)
Purchase of businesses, net of acquired cash	5 (406,807)	(684)	(407,585)	(63,038)
Proceeds from transfer of design centres, net of cash disposed	-	-	-	27,814
Cash outflow from investing activities	(419,689)	(8,229)	(435,249)	(60,512)
Cash flows from financing activities				
Receipt of prepayment from Apple	-	-	-	288,583
Cash settlement of prepayment from Apple	-	(20,345)	(12,917)	(20,345)
Purchase of own shares into treasury	(29,527)	(36,838)	(47,852)	(148,933)
Settlement of currency hedges on share buyback obligation	(184)	-	(267)	-
Settlement of Adesto convertible notes	5 (98,207)	-	(98,207)	-
Proceeds from Adesto capped calls	5 6,093	-	6,093	-
Capital element of lease payments	(2,699)	(2,981)	(6,966)	(8,662)
Repayment of bank loans	(196)	-	(527)	-
Sale of shares by employee benefit trusts	45	719	101	3,201
Cash (outflow)/inflow from financing activities	(124,675)	(59,445)	(160,542)	113,844
Net cash (outflow)/inflow during the period	(517,030)	29,642	(584,395)	492,349
Cash and cash equivalents at beginning of period	957,064	1,141,185	1,024,544	677,848
Currency translation differences	(948)	61	(1,063)	691
Cash and cash equivalents at end of period	6 439,086	1,170,888	439,086	1,170,888

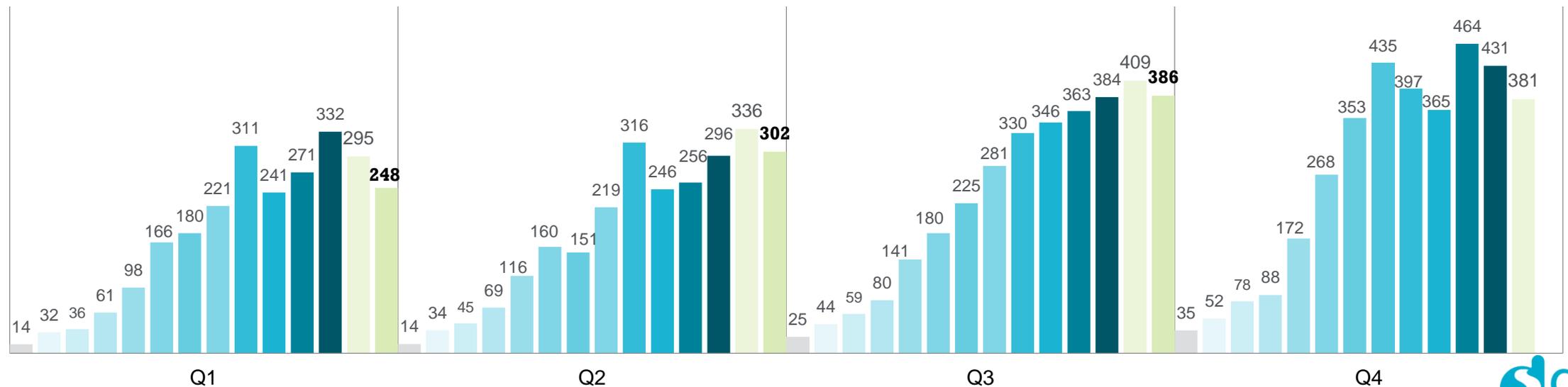
Underlying Revenue – Historical Data

Full year revenue (\$ million)

6% Revenue CAGR 2016-2019



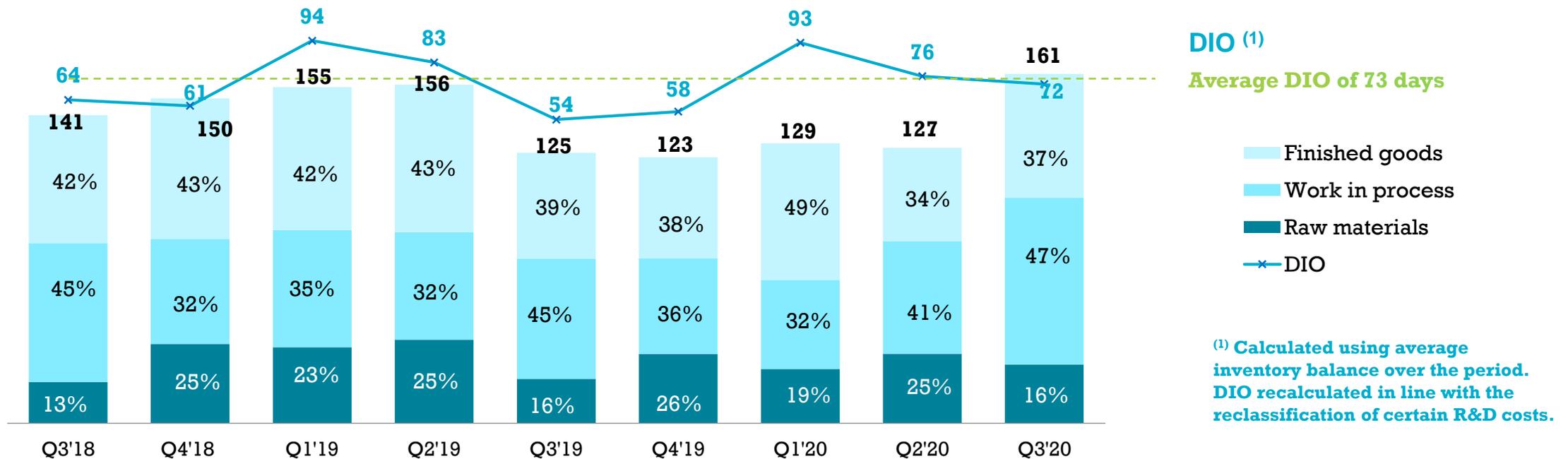
Quarterly revenue (\$ million)



Effective Inventory Management

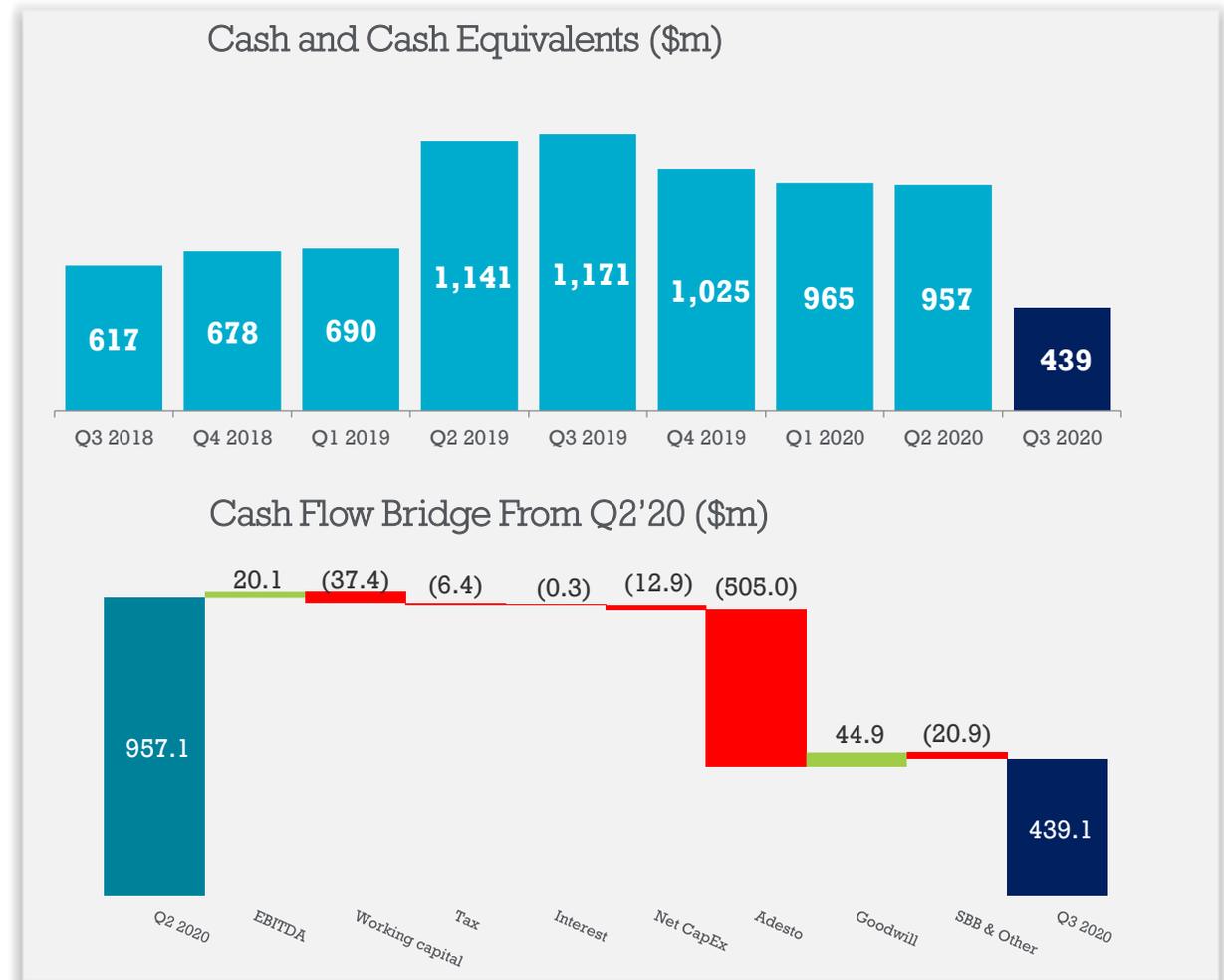
- At the end of Q3 2020 inventory value was 26% above the previous quarter – Consolidation of Adesto
- In Q4 2020, we expect inventory value and days of inventory to increase slightly

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



Strong Cash Flow Generation

- \$439 million cash and cash equivalents balance as at 27 September 2020
- Q3 2020 cash flow from operating activities of \$27 million (Q3 2019: \$97 million)
 - Lower revenue
 - Working capital
 - Partially offset by lower taxes paid



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
Cowen	Matthew Ramsay
Credit Suisse	Achal Sultania
Deutsche Bank	Rob Sanders
DZ Bank	Harald Schnitzer
Exane BNP Paribas	David O'Connor
Hauck & Aufhauser	Christian Sandherr
JP Morgan Cazenove	Sandeep Deshpande
Kepler Cheuvreux	Sebastien Sztabowicz
MainFirst Bank AG	Juergen Wagner
ODDO BHF	Stephane Hour
RBC	Mitch Steves
UBS	Francois-Xavier Bouvignies

Financial Calendar

March 2021 – Q4 and FY 2020 Earnings Call

Key Events

Virtual NDR London, Edinburgh - UBS
5-6 November
Virtual NDR Europe - Hauck & Aufhauser
12 November 2020
Morgan Stanley EMEA TMT Virtual Conference
18-19 November 2020
CS Global TMT Virtual Conference
30 November -1 December 2020
Needham Growth Virtual Conference
12-13 January 2021
Oddo BHF Virtual Forum
13 January 2021

Contacts

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