



Dialog Semiconductor Q4 and Full Year 2019 Results

4 MARCH 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, operational matters, and closing conditions and regulatory approvals required in relation to the announced acquisition of Adesto Technologies Corporation (“Adesto” or “Adesto Technologies”). 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
- Appendix



Growth Vectors by End Market

Consumer IoT



Mobile



Automotive



Computing



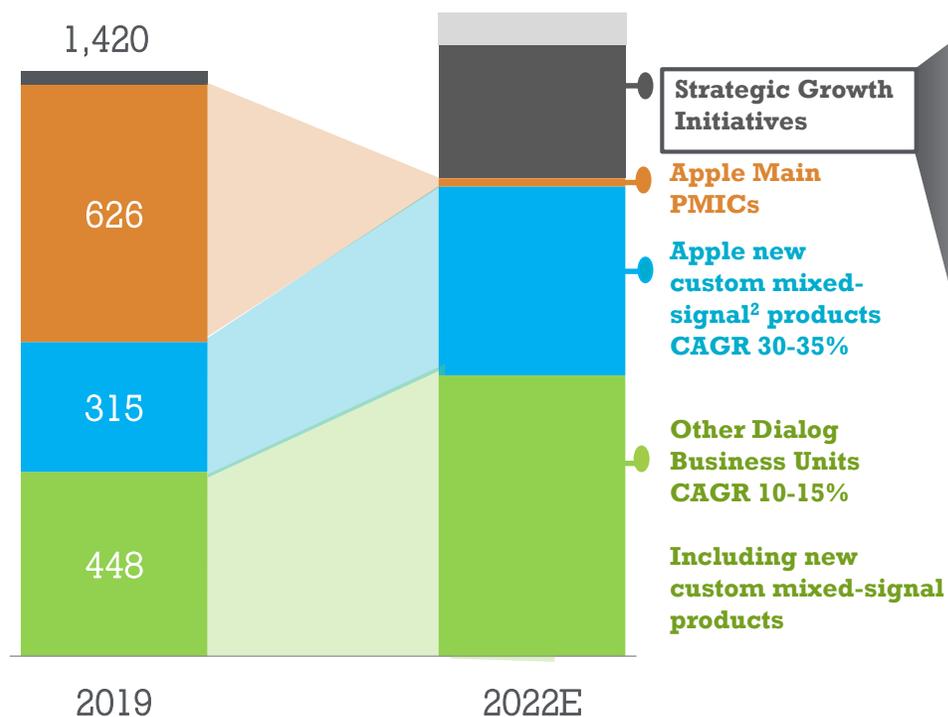
Industrial



- Increasing number of connected devices: BLE, low-power Wi-Fi
 - Consumers demand for better audio experience: Wireless and USB Audio
 - Complementary offering with CMICs
- New design awards on a range of mixed-signal products ramping in H1 2021 such as in-device charging
 - Increasing adoption of CMICs
- Over 80 customer engagements
 - Technologies supporting in-cabin functionalities and ADAS
 - Increased adoption of technologies such as Power Management, BLE, CMICs
- Custom power management for gaming applications and SSDs
 - Increasing adoption of CMICs
- Over 40 ASICs and ASSPs currently being sold or in development
 - Extensive IP library for industrial and automotive applications
 - Launched new range of IO-Link standard products

Acquisition of Adesto Technologies Accelerates our Diversification Strategy

Transition of Dialog's Long-Term Revenue Profile (\$M)¹



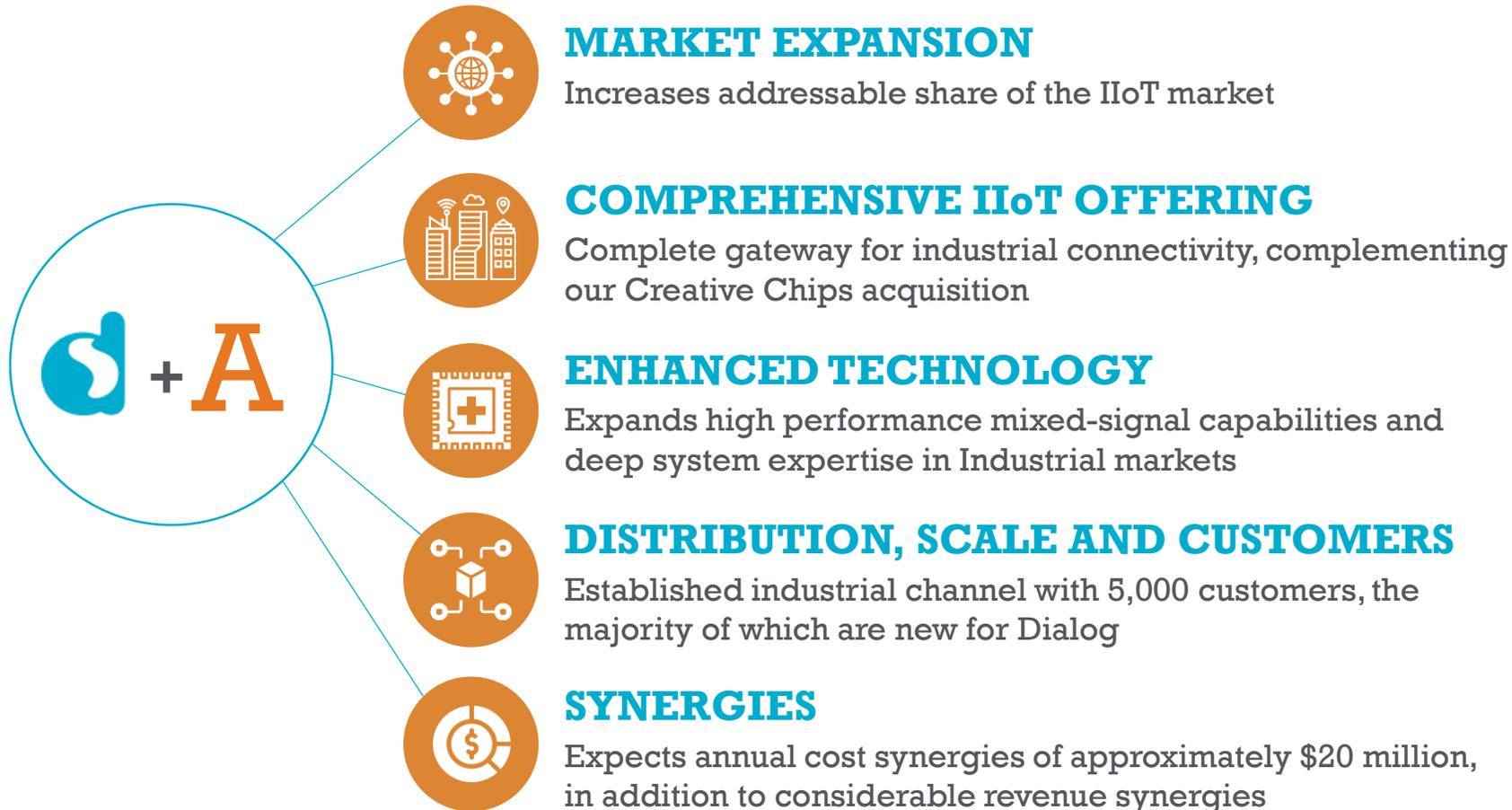
Strategic Growth Initiatives

 Adesto 2020	Broadens presence in growing industrial market, adding large customer base
 CREATIVECHIPS MICROELECTRONICS 2019	Adds IIoT custom and standard products
 FCI 2019	Extends product portfolio adding IoT Wi-Fi

¹ Chart not drawn to scale

² Includes in-device charging, audio signal chain, new display and power management.

The Power of the Combination



On Track to Meet Our Long Term Targets

Underlying	FY 2019	Long Term Targets
Revenue growth (excluding licensed business) ¹	38%	Mid-teens %
Gross Margin ²	49.8%	50% to 53%
R&D% ²	19.5%	18% to 20%
SG&A% ²	9.1%	8% to 10%
Operating Margin ²	22.8%	20% to 25%
Effective Tax Rate ²	19.8%	19% to 20%

¹ Excluding revenue from licensed main PMIC products. Revenue from these products will gradually decline to an insignificant amount by 2022.

² Total group underlying.

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, computing, automotive and industrial
- ✓ Healthy pipeline of customer design ins across all products, including over \$1bn of lifetime revenue for new custom mixed signal devices
- ✓ Significant financial flexibility to pursue growth strategy and commitment to disciplined capital allocation

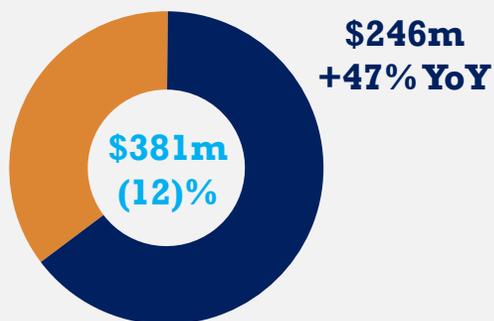
Agenda

- Business Review
- Financial Review
- Q&A



At a Glance – Q4 2019

Revenue



■ Excluding licensed main PMIC

Underlying gross margin

50.2%
+150bps YoY

Underlying OPEX%¹

26.4%
+170bps YoY

Underlying operating margin

24.0%
0bps YoY

Underlying diluted EPS

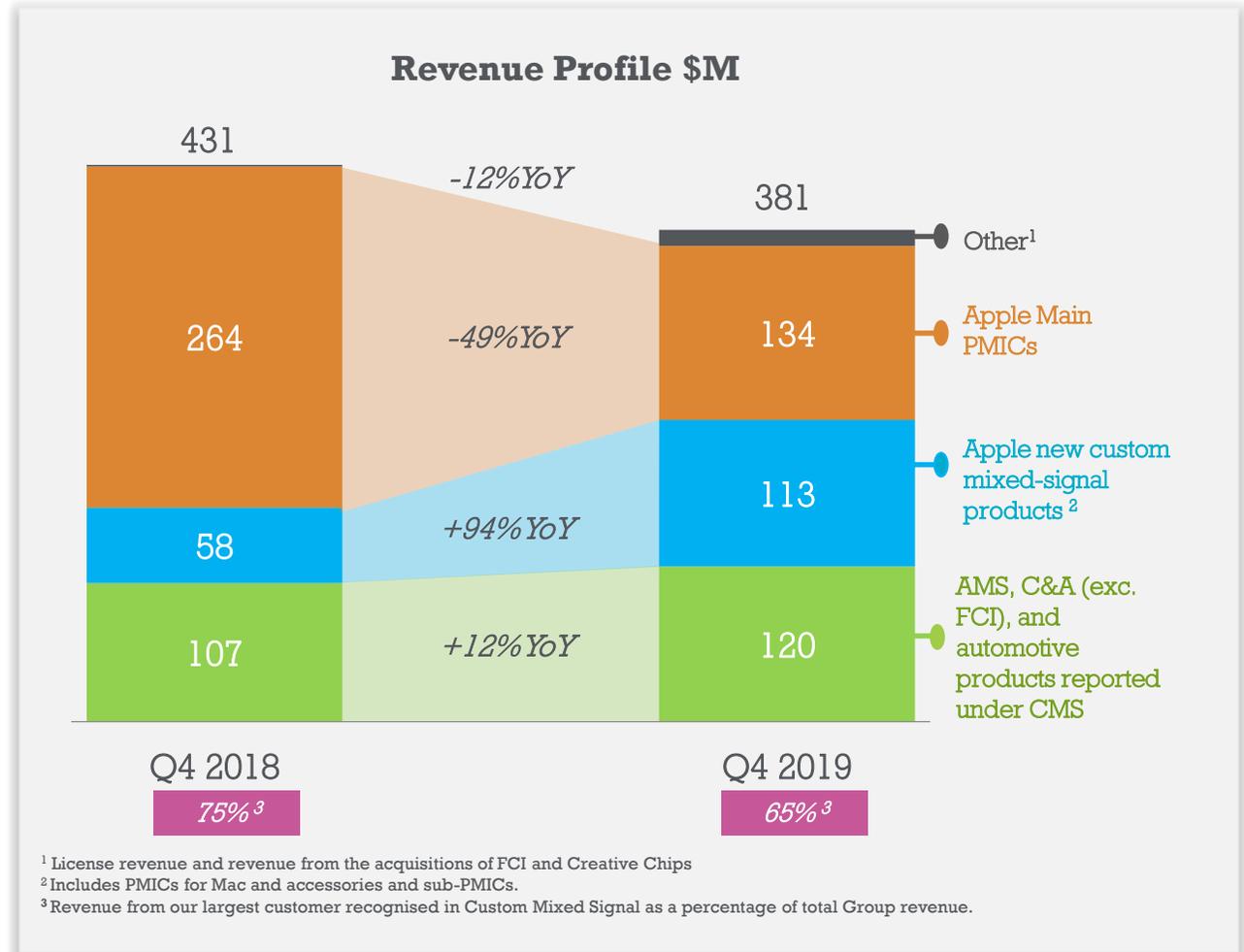
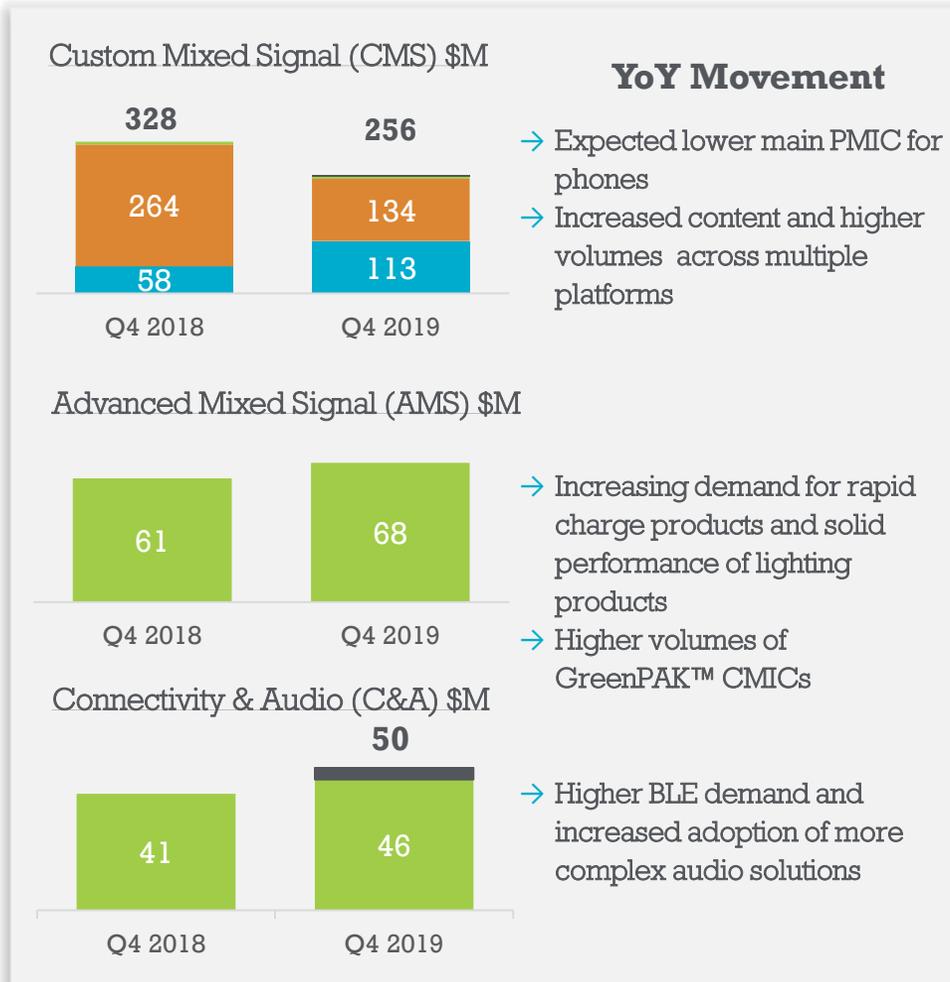
\$1.02
-4% YoY

Free cash flow and margin

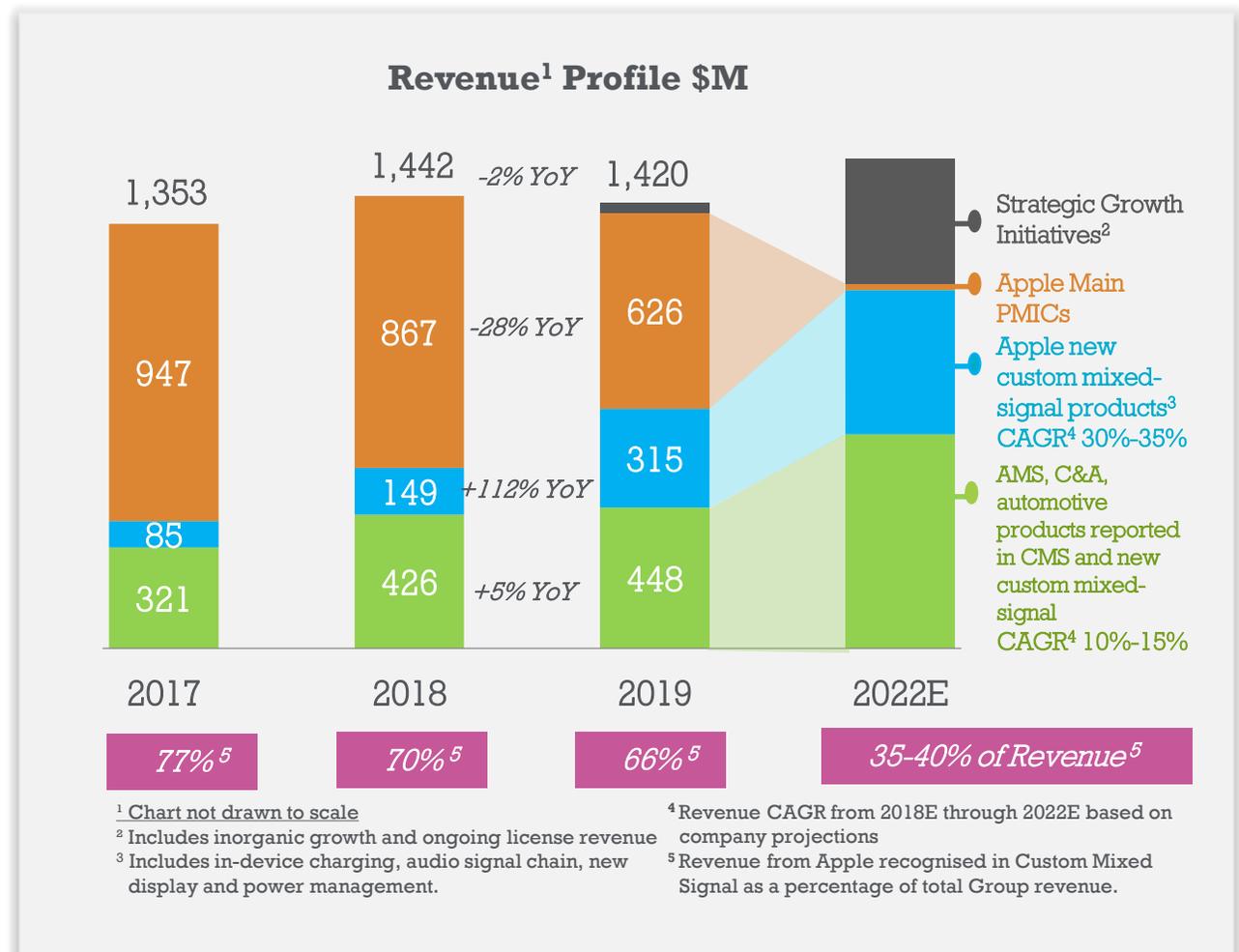
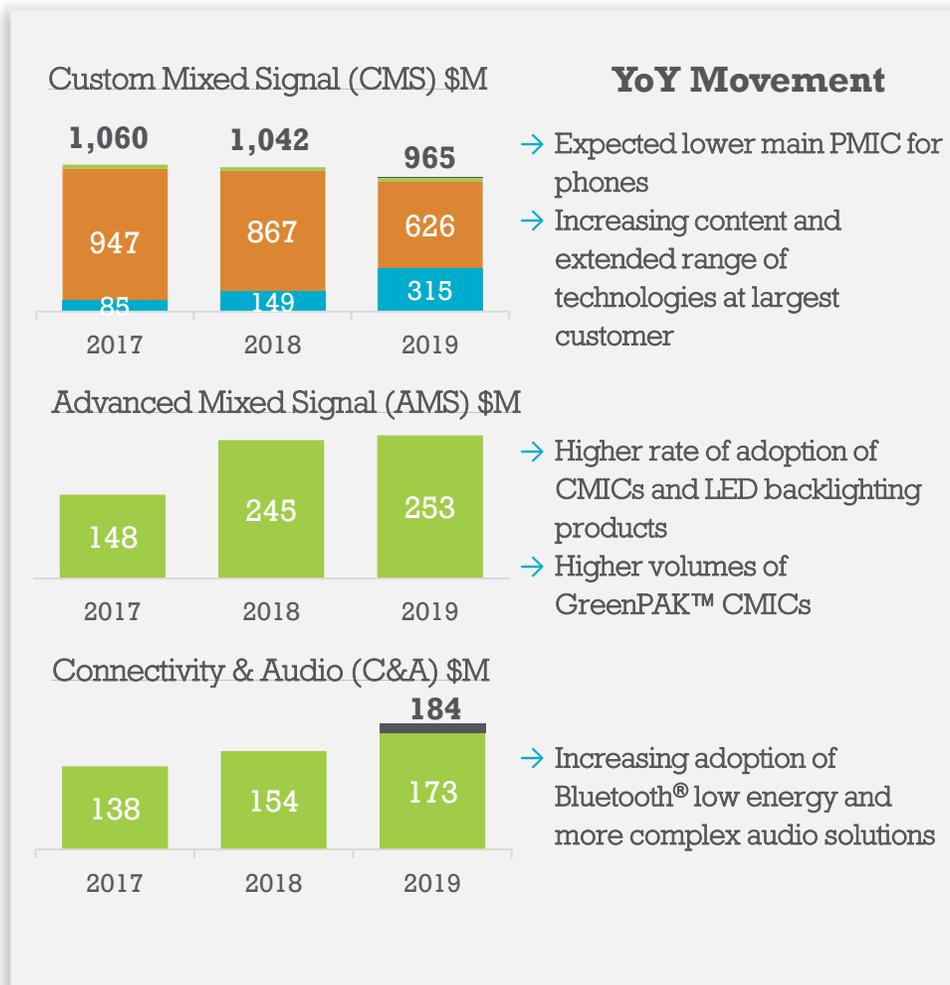
\$44m **11.7%**
-46% YoY Q4'18: 19.1%

¹ SG&A and R&D expenses as a percentage of revenue, excluding other operating income.

Q4 2019 Revenue Above the Mid-Point of The Guidance Range

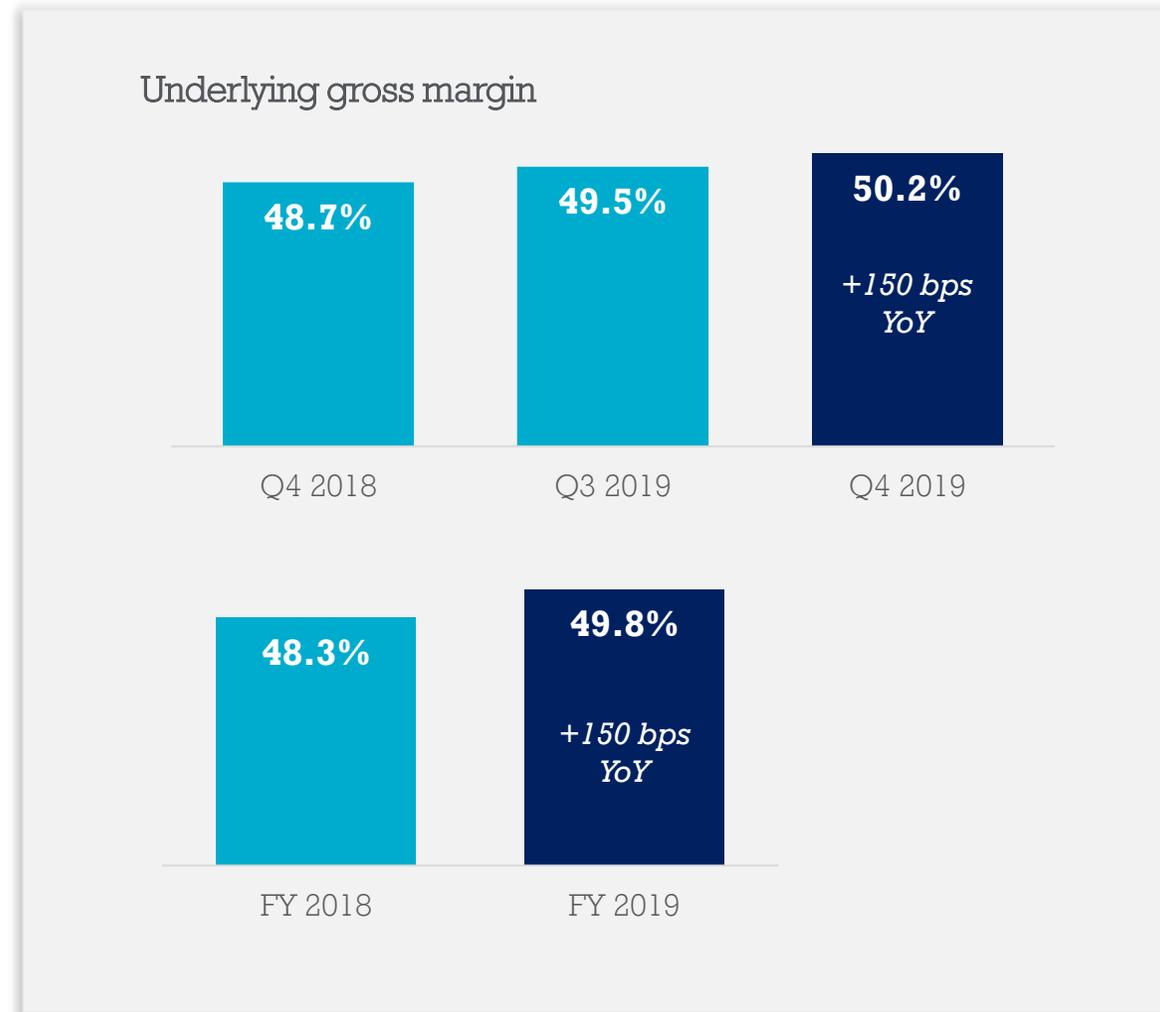


Revenue Trends Tracking our Long Term Financial Plan



Increased Underlying Gross Margin Year-on-Year

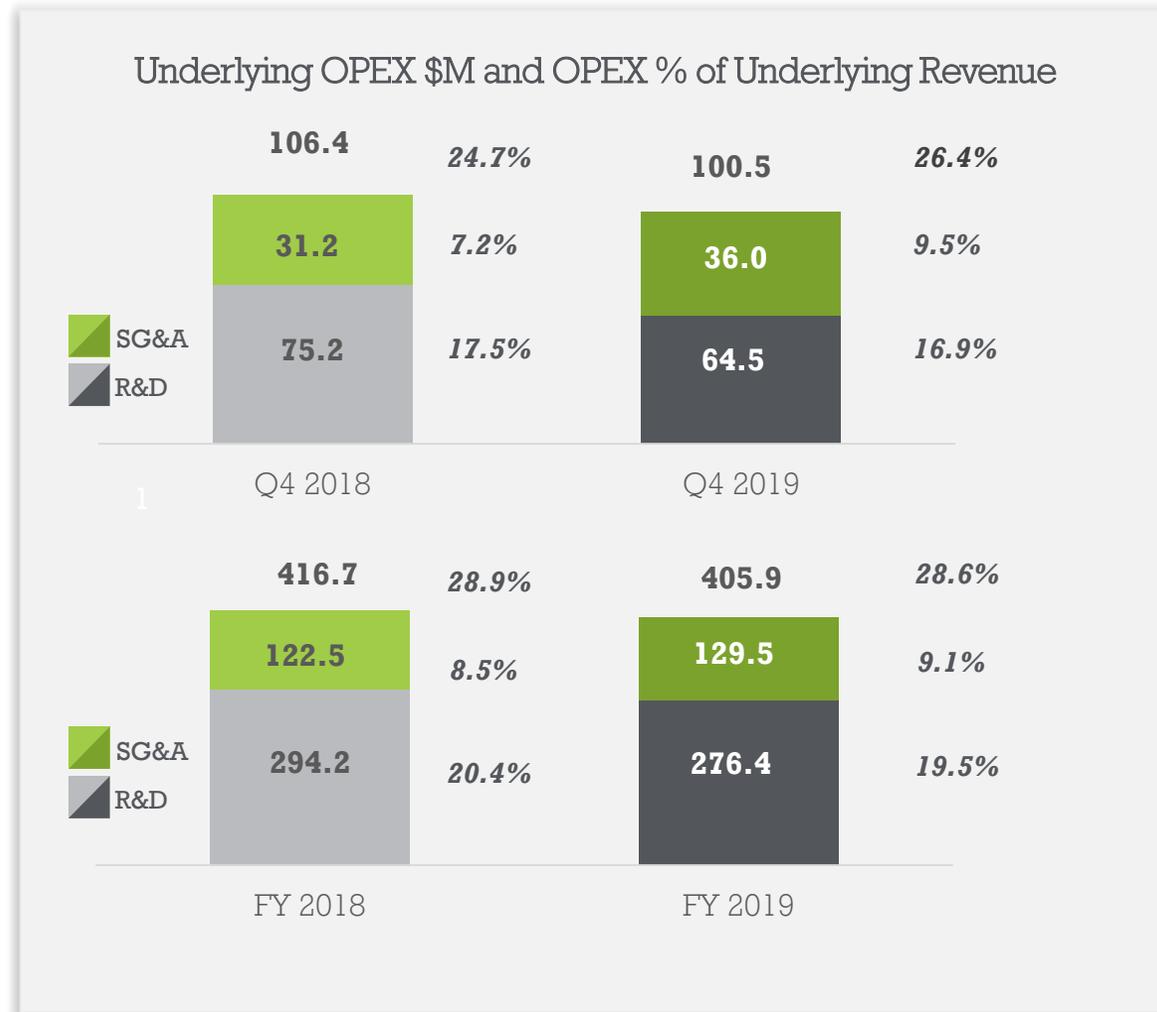
- Q4 2019 underlying gross margin at 50.2% 150 bps higher than Q4 2018
 - Including positive contribution from license revenue (Q4 2019: \$6 million)
 - Year-on-year increase due to lower manufacturing costs
- FY 2019 underlying gross margin at 49.8%, 150 bps higher than FY 2018
 - Year-on-year increase mainly due to product mix and lower manufacturing costs
 - Positive contribution from license revenue (FY 2019: \$18 million)



Lower Year-on-Year OPEX

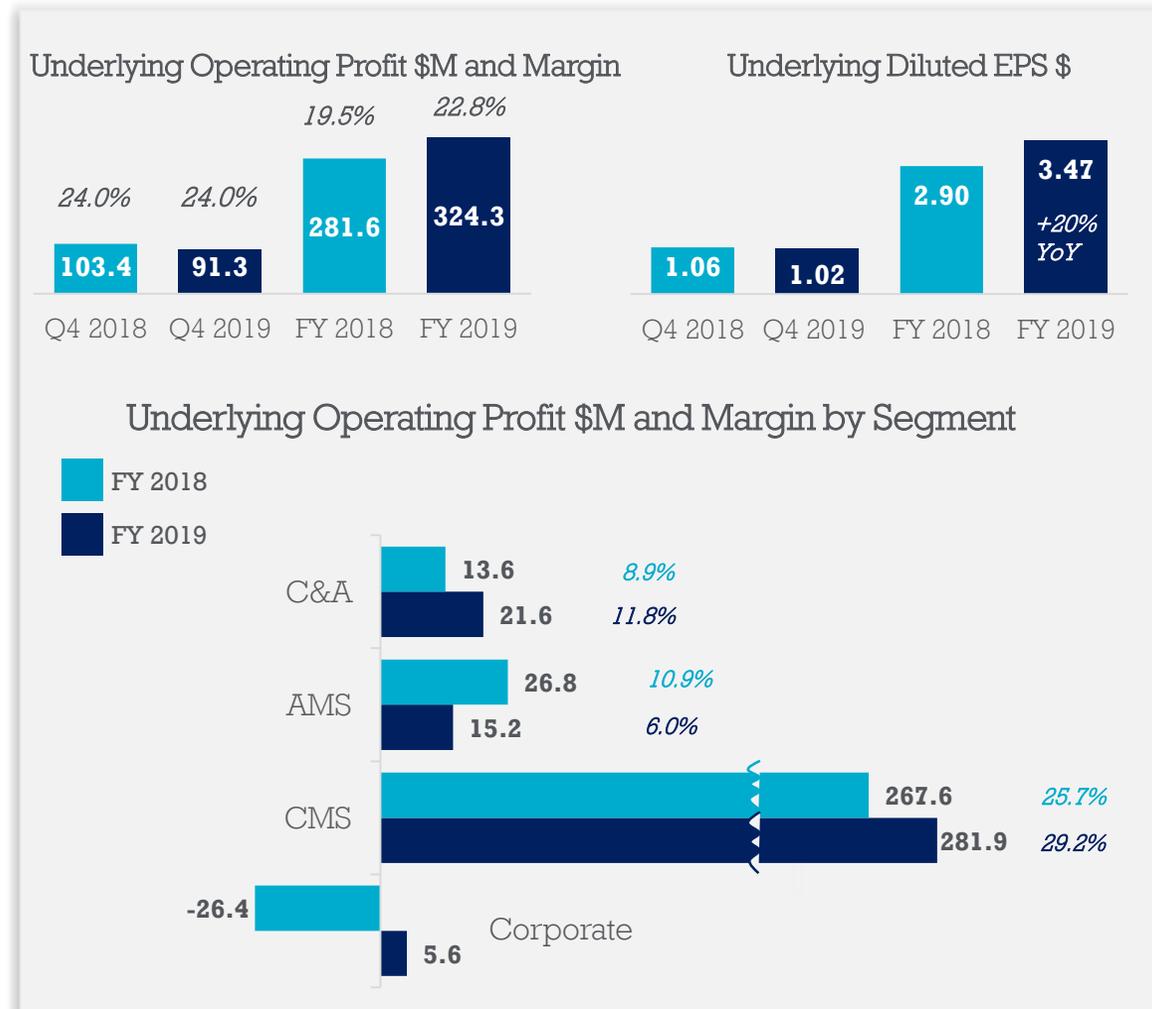
- Q4 2019 underlying OPEX decreased by 6% year-on-year
 - Q4 2019 underlying R&D expenses 14% below Q4 2018
 - Transfer of over 300 employees
 - Q4 2019 underlying SG&A expenses 15% above Q4 2018
 - First time consolidation of FCI and Creative Chips into the group

- FY 2019 underlying OPEX decreased by 3% year-on-year
 - Excluding acquisitions the decrease was 5%



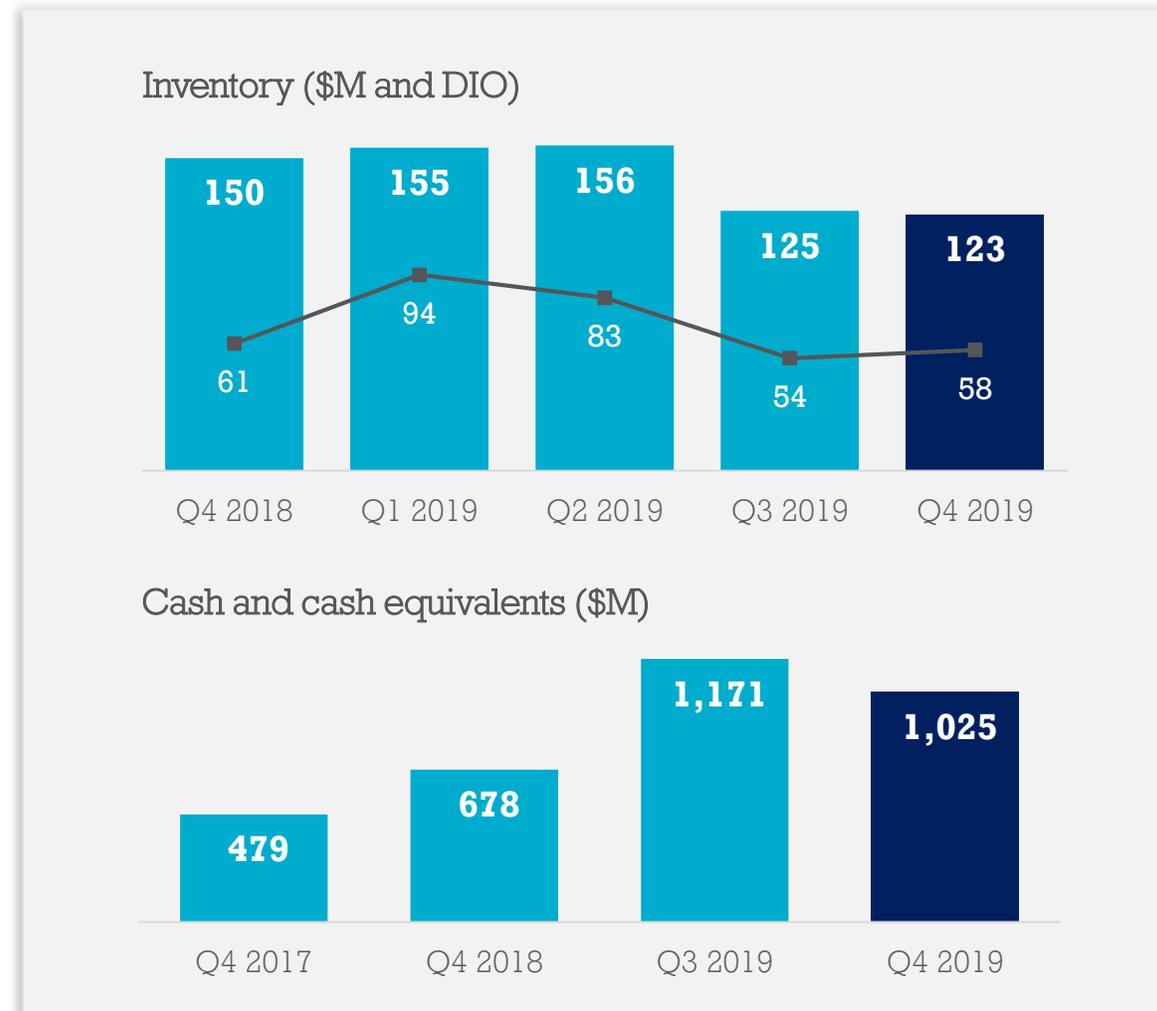
Increased Profitability and Operating Margin

- Q4 2019 underlying operating margin in line with Q4 2018
- FY 2019 underlying operating margin 330bps higher than FY 2018
 - Higher gross margin
 - Lower OPEX
 - \$24 million other operating income
- FY corporate costs reduction of approximately 51% year-on-year
 - \$18 million license revenue
- FY 2019 underlying effective tax rate 200bps below FY 2018 at 19.8% (FY 2018: 21.8%)



Strong Balance Sheet and Cashflow Generation

- Inventory value 2% below Q3 2019
- Q4 2019 cash flow from operating activities of \$57 million (Q4 2018:\$97 million)
- In Q4 we returned \$103 million to shareholders through the 2019 buyback programme
- Q4 2019 free cash flow at \$44 million (Q4 2018: \$82 million)
- Key items driving the YoY movement in cash and cash equivalents:
 - \$600 million from the closing of the Apple licensing agreement
 - \$100 million recoupment of prepayment
 - \$252 million outflow for share buyback programme
 - \$140 million outflow for acquisitions

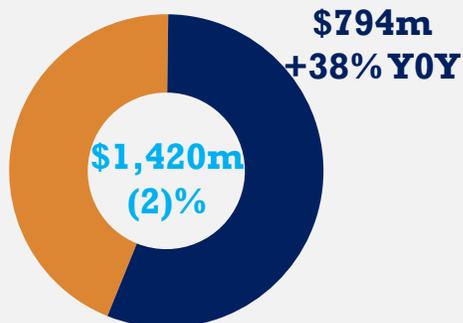


Appendix



At a Glance – FY 2019

Revenue



■ Excluding licensed main PMIC

Underlying gross margin

49.8%
+150bps YoY

Underlying OPEX%¹

28.6%
-30bps YoY

Underlying operating margin

22.8%
+330bps YoY

Underlying diluted EPS

\$3.47
+20% YoY

Free cash flow and margin

\$449m **31.6%**
+95% YoY FY'18: 15.9%

¹ SG&A and R&D expenses as a percentage of revenue, excluding other operating income.

Accounting of Apple License Agreement – FY 2019

	License revenue	Transfer of assets	Transfer of employees	NRE	Transaction costs
<input type="checkbox"/> IFRS	One-off \$146m	One-off gain \$16m			\$16.1m
<hr/>					
<input type="checkbox"/> Underlying ¹	Ongoing \$18m		OPEX ² reduction of ~\$26m	One-off \$12.5m	

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

² Annualised headcount related OPEX savings of approximately \$35 million

Underlying Reconciliation

For the three months ended 31 December 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	380,582	–	–	–	–	–	380,582
Gross profit	190,142	178	863	–	–	–	191,183
SG&A expenses	(58,532)	9,681	6,091	1,583	5,170	–	(36,007)
R&D expenses	(78,515)	10,694	2,967	348	–	–	(64,506)
Other operating income	598	–	–	–	–	–	598
Operating profit	53,693	20,553	9,921	1,931	5,170	–	91,268
Net finance income	372	–	149	–	–	(395)	126
Profit before income taxes	54,065	20,553	10,070	1,931	5,170	(395)	91,394
Income tax expense	(9,271)	(2,709)	(3,660)	(80)	(954)	75	(16,599)
Net income	44,794	17,844	6,410	1,851	4,216	(320)	74,795

Underlying Reconciliation

For the three months ended 31 December 2018

US\$000	IFRS basis	Share-based compensation and related expenses	Accounting for business combinations	Integration costs	Corporate transaction costs	Strategic investments	Underlying basis
Revenue	430,745	–	–	–	–	–	430,745
Gross profit	209,469	359	–	–	–	–	209,828
SG&A expenses	(46,809)	4,507	3,731	662	6,693	–	(31,216)
R&D expenses	(84,951)	7,488	2,275	–	–	–	(75,188)
Other operating income	(600)	–	600	–	–	–	–
Operating profit	77,109	12,354	6,606	662	6,693	–	103,424
Net finance (expense)/income	223	–	590	–	–	1,814	2,627
Profit before income taxes	77,332	12,354	7,196	662	6,693	1,814	106,051
Income tax expense	(19,449)	(2,237)	(701)	(113)	(370)	(345)	(23,215)
Profit after income taxes	57,883	10,117	6,495	549	6,323	1,469	82,836
Share of loss of associate	3	–	–	–	–	–	3
Net income	57,886	10,117	6,495	549	6,323	1,469	82,839

Underlying Reconciliation

For the year ended 31 December 2019

US\$000 unless stated otherwise	IFRS basis	Licence and asset transfers to Apple	Share-based compensation and related expenses	Accounting for business combinations	Integration costs	Corporate transaction costs	Strategic investments	Underlying basis
Revenue	1,566,239	(145,750)	–	–	–	–	–	1,420,489
Cost of sales	(717,703)	–	2,213	1,749	–	–	–	(713,741)
Gross profit	848,536	(145,750)	2,213	1,749	–	–	–	706,748
<i>Gross margin %</i>	54.2%							49.8%
SG&A expenses	(194,538)	–	26,254	20,670	2,086	16,064	–	(129,464)
R&D expenses	(313,550)	–	26,189	10,571	348	–	–	(276,442)
Other operating income	39,405	(15,898)	–	–	–	–	–	23,507
Operating profit	379,853	(161,648)	54,656	32,990	2,434	16,064	–	324,349
<i>Operating margin %</i>	24.3%							22.8%
Net finance income	5,185	–	–	464	–	–	(150)	5,499
Profit before income taxes	385,038	(161,648)	54,656	33,454	2,434	16,064	(150)	329,848
Income tax expense	(83,586)	32,449	(7,937)	(4,998)	(175)	(1,213)	29	(65,431)
Net income	301,452	(129,199)	46,719	28,456	2,259	14,851	(121)	264,417

Underlying Reconciliation

For the year ended 31 December 2018

	IFRS basis	Share-based compensation and related expenses	Accounting for business combinations	Integration costs	Corporate transaction costs	Effective interest	Strategic investments	Underlying basis
Revenue	1,442,138	–	–	–	–	–	–	1,442,138
Cost of sales	(751,070)	1,791	3,129	13	–	–	–	(746,137)
Gross profit	691,068	1,791	3,129	13	–	–	–	696,001
<i>Gross margin %</i>	<i>47.9%</i>							<i>48.3%</i>
SG&A expenses	(168,228)	17,163	14,757	2,524	11,346	–	–	(122,438)
R&D expenses	(326,309)	22,699	9,148	228	–	–	–	(294,234)
Other operating income	3,176	–	(877)	–	–	–	–	2,299
Operating profit	199,707	41,653	26,157	2,765	11,346	–	–	281,628
<i>Operating margin %</i>	<i>13.8%</i>							<i>19.5%</i>
Net finance (expense)/income	(3,514)	–	2,220	–	–	50	9,269	8,025
Profit before income taxes	196,193	41,653	28,377	2,765	11,346	50	9,269	289,653
Income tax expense	(55,281)	(2,108)	(3,448)	(555)	(1,024)	(9)	(746)	(63,171)
Profit after income taxes	140,912	39,545	24,929	2,210	10,322	41	8,523	226,482
Share of loss of associate	(1,113)	–	–	–	–	–	–	(1,113)
Net income	139,799	39,545	24,929	2,210	10,322	41	8,523	225,369

Business Segment Breakdown

Underlying \$M	Revenue			Operating profit/(loss)			Operating margin	
	Q4 2019	Q4 2018	Change	Q4 2019	Q4 2018	Change	Q4 2019	Q4 2018
Custom Mixed Signal	255.7	327.8	(22)%	81.7	97.5	(16)%	32.0%	29.7%
Advanced Mixed Signal	68.4	60.7	+13%	2.7	6.5	(58)%	4.0%	10.7%
Connectivity & Audio	50.2	41.0	+22%	4.4	4.6	(5)%	8.7%	11.2%
Total segments	374.3	429.5	(13)%	88.8	108.6	+18%	23.7%	25.3%
Corporate and other activities	6.3	1.2	+413%	2.5	(5.2)	-	39.1%	-
Total Group	380.6	430.7	-12%	91.3	103.4	-12%	24.0%	24.0%

Underlying \$M	Revenue			Operating profit/(loss)			Operating margin	
	FY 2019	FY 2018	Change	FY 2019	FY 2018	Change	FY 2019	FY 2018
Custom Mixed Signal	964.8	1,042.3	(7)%	281.9	267.6	+5%	29.2%	25.7%
Advanced Mixed Signal	253.4	244.5	+4%	15.2	26.8	(43)%	6.0%	10.9%
Connectivity & Audio	183.8	154.0	+19%	21.6	13.6	+59%	11.8%	8.8%
Total segments	1,402.0	1,440.8	(3)%	318.7	308.0	+3%	22.7%	21.4%
Corporate and other activities	18.5	1.3	-	5.6	(26.4)	-	-	-
Total Group	1,420.5	1,442.1	(2)%	324.3	281.6	+15%	22.8%	19.5%

Condensed Consolidated Statement of Income

	Note	2019 US\$000	2018 US\$000	2017 US\$000
Revenue	4, 5	1,566,239	1,442,138	1,352,841
Cost of sales		(717,703)	(751,070)	(707,971)
Gross profit		848,536	691,068	644,870
Selling and marketing expenses		(92,951)	(83,877)	(70,412)
General and administrative expenses		(101,587)	(84,351)	(74,850)
Research and development expenses		(313,550)	(326,309)	(303,013)
Other operating income/(expense)	6	39,405	3,176	(9,578)
Operating profit	4	379,853	199,707	187,017
Interest income	7	21,950	9,883	5,995
Interest expense	7	(11,309)	(3,134)	(1,302)
Other finance (expense)/income	7	(5,456)	(10,263)	3,093
Profit before income taxes		385,038	196,193	194,803
Income tax expense	8	(83,586)	(55,281)	(25,369)
Profit after income taxes		301,452	140,912	169,434
Share of loss of associate		–	(1,113)	–
Net income		301,452	139,799	169,434
Attributable to:				
– Shareholders in the Company		301,452	139,799	173,916
– Non-controlling interests		–	–	(4,482)
Net income		301,452	139,799	169,434
Earnings per share (US\$)	9			
Basic		4.19	1.89	2.34
Diluted		3.96	1.80	2.21
Weighted average number of ordinary shares (in thousands)	9			
Basic		71,896	73,959	74,472
Diluted		76,181	77,655	78,611

Consolidated Balance Sheet – Total Assets

	Note	2019 US\$000	2018 US\$000
Assets			
Cash and cash equivalents	10	1,024,544	677,848
Trade and other receivables		134,079	114,514
Other current financial assets		1,056	202
Inventories	11	122,624	149,736
Income tax receivables		1,052	2,146
Other current assets		22,532	18,306
		1,305,887	962,752
Assets classified as held for sale		–	11,295
Total current assets		1,305,887	974,047
Goodwill	12	482,134	439,508
Other intangible assets	13	272,068	217,445
Property, plant and equipment – owned	14	61,138	66,359
Property, plant and equipment – leased	14	41,423	–
Investments		3,110	11,538
Other non-current financial assets		2,202	1,807
Other non-current assets		780	398
Deferred tax assets		8,242	6,034
Total non-current assets		871,097	743,089
Total assets		2,176,984	1,717,136

Consolidated Balance Sheet – Total Liabilities and Equity

	Note	2019 US\$000	2018 US\$000
Liabilities and equity			
Trade and other payables		104,620	122,140
Lease liabilities		8,972	–
Other current financial liabilities		124,373	196,890
Provisions		4,162	5,253
Income taxes payable		18,491	8,193
Other current liabilities		112,804	58,237
		373,422	390,713
Liabilities directly associated with assets held for sale		–	3,167
Total current liabilities		373,422	393,880
Lease liabilities		34,072	–
Other non-current financial liabilities		80,963	841
Provisions		3,102	3,078
Net defined benefit liability		1,727	–
Deferred tax liabilities		23,070	7,958
Other non-current liabilities		88,044	8,872
Total non-current liabilities		230,978	20,749
Ordinary shares		14,204	14,204
Share premium account		403,660	403,660
Retained earnings		1,451,582	930,576
Other reserves	17	(274,729)	(23,419)
Dialog shares held by employee benefit trusts		(22,133)	(22,514)
Total equity		1,572,584	1,302,507
Total liabilities and equity		2,176,984	1,717,136

Consolidated Cash Flow Statement

	Note	2019 US\$000	2018 US\$000	2017 US\$000
Cash flows from operating activities				
Net income		301,452	139,799	169,434
Non-cash items within net income:				
– Depreciation of property, plant and equipment		39,611	31,455	30,807
– Amortisation of intangible assets		52,233	49,130	41,969
– Impairment of non-current assets		3,130	–	4,327
– Addition to inventory reserve, net		11,133	5,643	1,288
– Share-based compensation expense		46,539	41,153	35,320
– Deferred licence revenue		(18,484)	–	–
– Loss on deconsolidation of Dyna Image		–	–	5,597
– Other non-cash items		2,812	6,590	(7,904)
Effective IP licence fee received	2	136,400	–	–
Gain on transfer of design centre businesses	2	(15,898)	–	–
Interest income, net	7	(10,641)	(6,749)	(4,693)
Income tax expense	8	83,586	55,281	25,369
Cash generated from operations before changes in working capital		631,873	322,302	301,514
Changes in working capital:				
– (Increase)/decrease in trade and other receivables		(95,189)	(36,310)	11,117
– Decrease/(increase) in inventories		23,196	13,615	(54,377)
– (Increase)/decrease in prepaid expenses		(893)	56	1,930
– (Decrease)/increase in trade and other payables		(23,107)	15,968	7,819
– (Decrease)/increase in provisions		(1,661)	3,089	2,136
– Change in other assets and liabilities		15,449	2,852	473
Cash generated from operations		549,668	321,572	270,612
Interest paid		(4,322)	(530)	(425)
Interest received		21,638	8,714	6,221
Income taxes (paid)/received		(70,519)	(41,107)	8,314
Cash inflow from operating activities		496,465	288,649	284,722

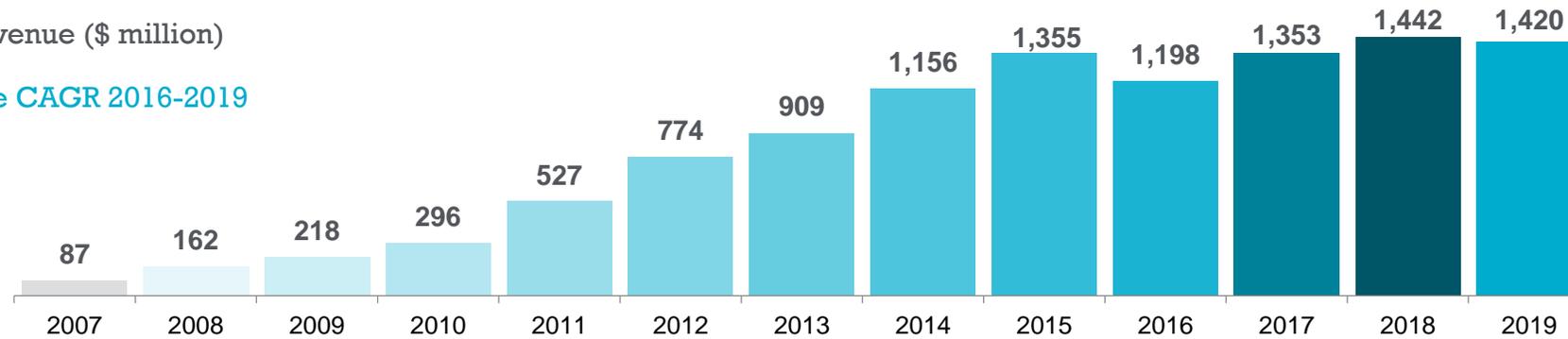
Consolidated Cash Flow Statement – Continued

	Note	2019 US\$000	2018 US\$000	2017 US\$000
Cash flows from investing activities				
Purchase of property, plant and equipment		(12,129)	(26,145)	(47,938)
Purchase of intangible assets		(8,437)	(6,197)	(6,196)
Payments for capitalised development costs		(15,384)	(24,771)	(20,988)
Purchase of businesses, net of acquired cash	3	(139,806)	(12,840)	(267,940)
Proceeds from transfer of design centres, net of cash disposed	2	27,814	–	–
Cash held by Dyna Image on deconsolidation		–	–	(420)
Purchase of other investments, net		–	–	(13,738)
Increase in other long-term assets		–	–	(488)
Cash outflow from investing activities		(147,942)	(69,953)	(357,708)
Cash flows from financing activities				
Receipt of prepayment from Apple	2	288,584	–	–
Cash settlement of prepayment from Apple	2	(20,345)	–	–
Purchase of own shares into treasury		(251,774)	–	(125,035)
Settlement of currency hedges on share buyback obligation		(11,625)	–	1,227
Capital element of lease payments		(11,086)	(1,651)	(4,283)
Repayment of bank loans		(156)	–	–
Purchase of shares by employee benefit trusts		–	(21,786)	(24,301)
Sale of shares by employee benefit trusts		3,362	3,617	7,246
Issue of shares by a subsidiary to non-controlling interests		–	–	1,107
Share issue and facility arrangement costs		–	–	(1,016)
Cash inflow/(outflow) from financing activities		(3,040)	(19,820)	(145,055)
Net cash inflow/(outflow) during the year		345,483	198,876	(218,041)
Cash and cash equivalents at beginning of year		677,848	479,295	697,167
Currency translation differences		1,213	(323)	169
Cash and cash equivalents at end of year		1,024,544	677,848	479,295

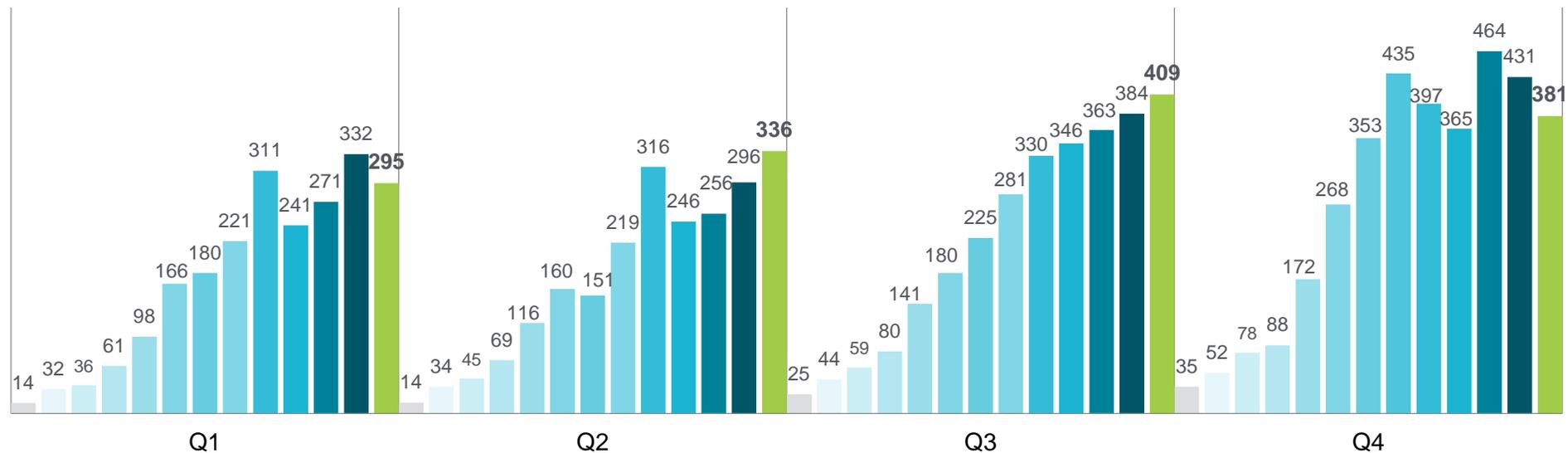
Underlying Revenue – Historical Data

Full year revenue (\$ million)

6% Revenue CAGR 2016-2019



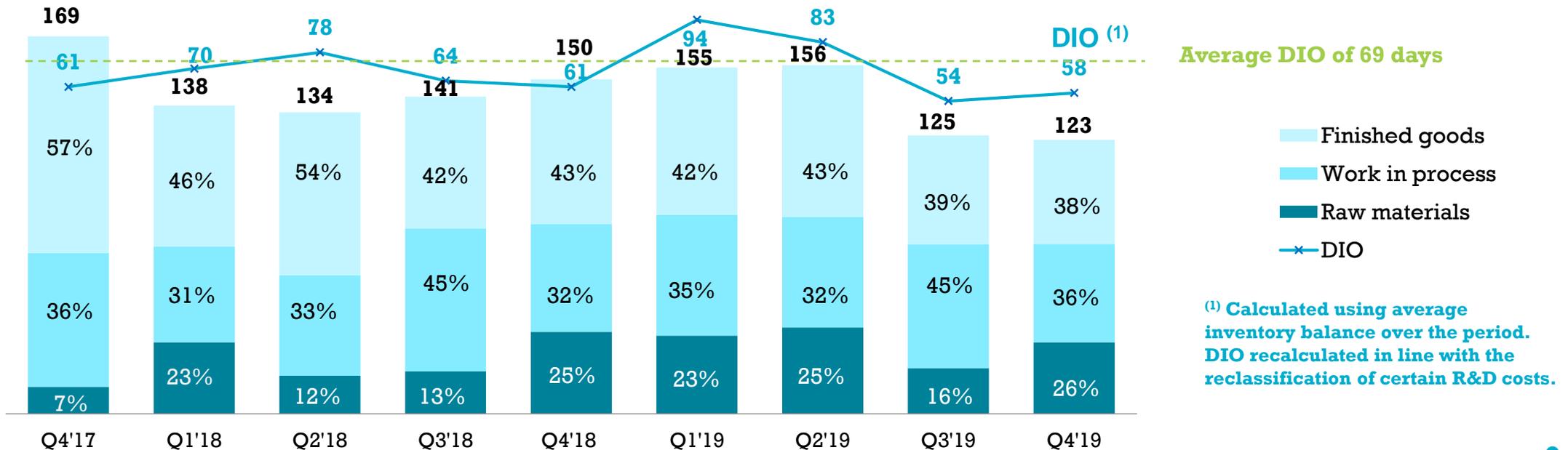
Quarterly revenue (\$ million)



Effective Inventory Management

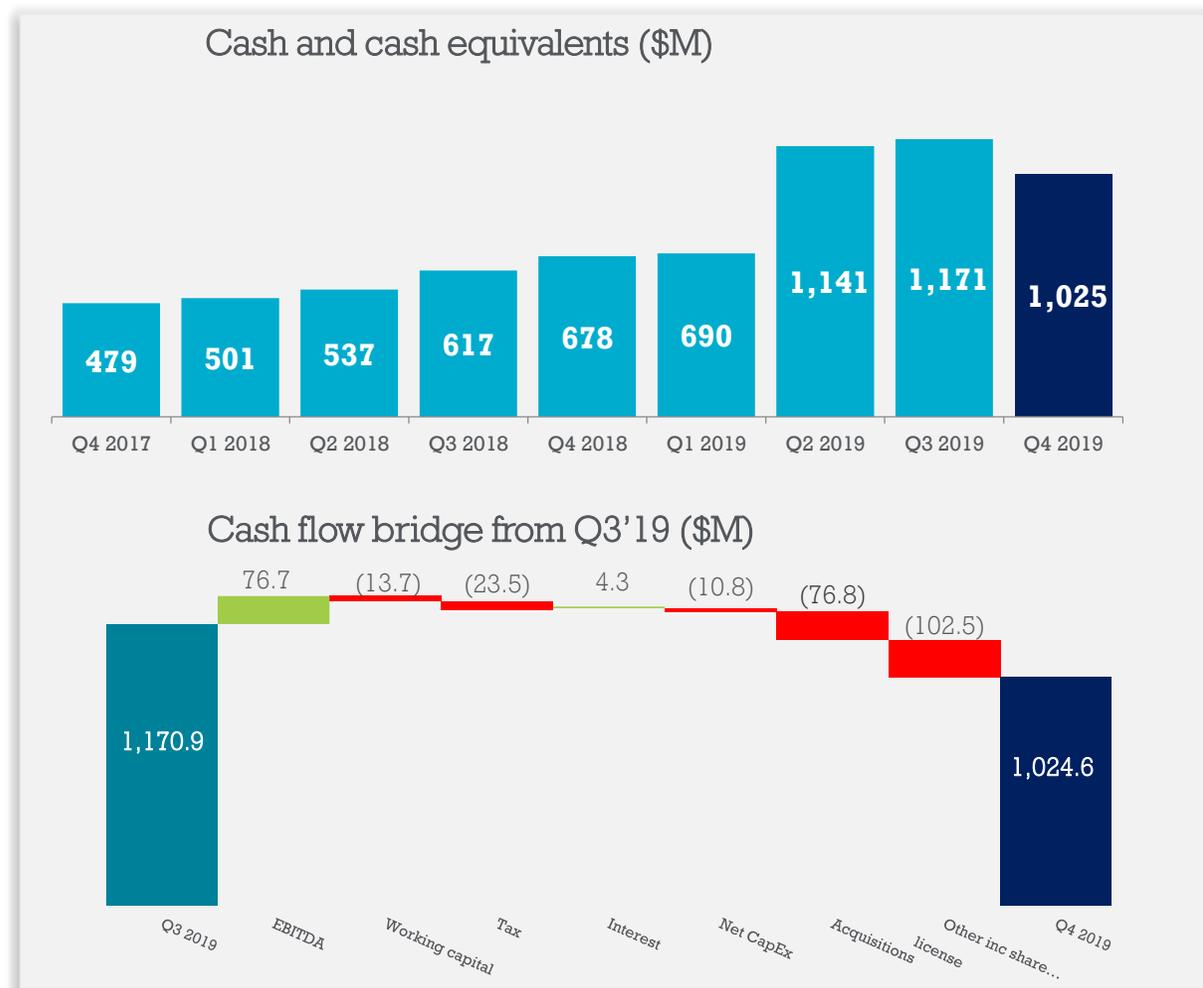
- At the end of Q4 2019 inventory value was 2% below Q3 2019 and DIO increased by 4 days
- In Q1 2020, we expect inventory value to remain broadly in line with Q4 2019 and days of inventory to be above Q4 2019

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



Strong Cash Flow Generation

- Over \$1 billion cash and cash equivalents balance at 31 December 2019
- Q4 2019 cash flow from operating activities of \$57 million (Q4 2018:\$96 million)
- Q4 2019 free cash flow at \$44 million (Q4 2018: \$82 million)
- Key items driving the YoY movement in cash and cash equivalents:
 - \$600 million from the closing of the Apple licensing agreement
 - \$100 million recoupment of prepayment
 - \$252 million outflow from share buyback programme
 - \$140 million outflow from acquisitions



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	Christian Sandherr
JP Morgan Cazenove	Sandeep Deshpande
Kepler Cheuvreux	Sebastien Sztabowicz
MainFirst Bank AG	Juergen Wagner
ODDO BHF	Stephane Hourri
RBC	Mitch Steves

Financial Calendar

6 May 2020 – Q1 Earnings Call

5 August 2020 – Q2 Earnings Call

5 November 2020 – Q3 Earnings Call

Key Events

NDR London
4-5 March 2020

NDR Paris
6 March 2020

Contacts

Jose Cano
Head of Investor Relations
T: +44 (0)1793 756 961
jose.cano@diasemi.com

Financial PR/IR Advisers:
FTI Consulting – London
Matt Dixon
T: +44 (0)20 7831 3113
matt.dixon@fticonsulting.com

FTI Consulting – Frankfurt
Anja Meusel
T: +49 (0)69 9203 7120
anja.meusel@fticonsulting.com



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