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# Dialog Semiconductor

## Q2 2018 Results

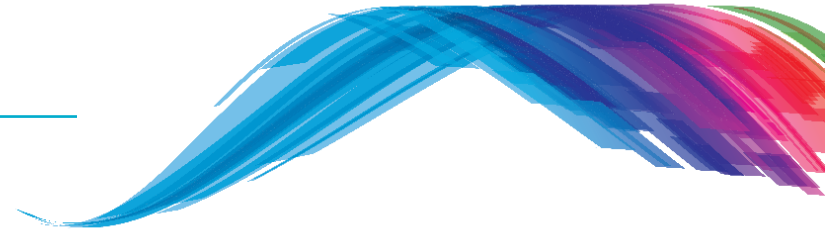
2 August 2018



...personal  
...portable  
...connected

# Forward looking statement

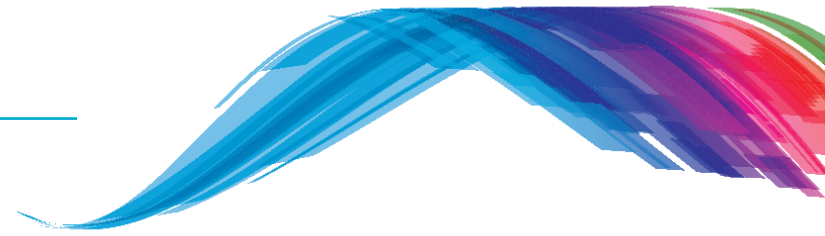
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This presentation contains “forward-looking statements” that reflect management’s current views with respect to future events. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “project” and “should” and similar expressions identify forward-looking statements. Such 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 “Managing risk and uncertainty” 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 supercede any previous statement.

# Agenda

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Business Review

Financial Review

Q&A

Appendix

# Extending our product portfolio

## End market exposure

### Business segment

	Mobile	IoT and peripherals	Automotive	Industrial
<b>Mobile Systems</b> 2017 revenue: \$1,043m				
<b>Connectivity</b> 2017 revenue: \$136m				
<b>Advanced Mixed Signal</b> 2017 revenue: \$133m				
<b>Automotive &amp; Industrial</b> 2017 revenue: \$33m				

### Exposure to end markets

- Established
- Nascent
- Legacy

### Product portfolio

- Power management
- Chargers
- Audio (analog)
- Wireless charging

- Bluetooth low energy
- DECT
- Audio IC (analog+DSP)
- ASICs

- AC/DC converters
- LED drivers/backlighting
- CMICs

### Market estimates 2016-2020<sup>1</sup> CAGR








- 3%
- 26%
- 26%
- 1%
- 30%
- 30%
- 15%

<sup>1</sup> Sources and market estimates on slide 19



# Growing market, applications increasing

## IoT and peripherals

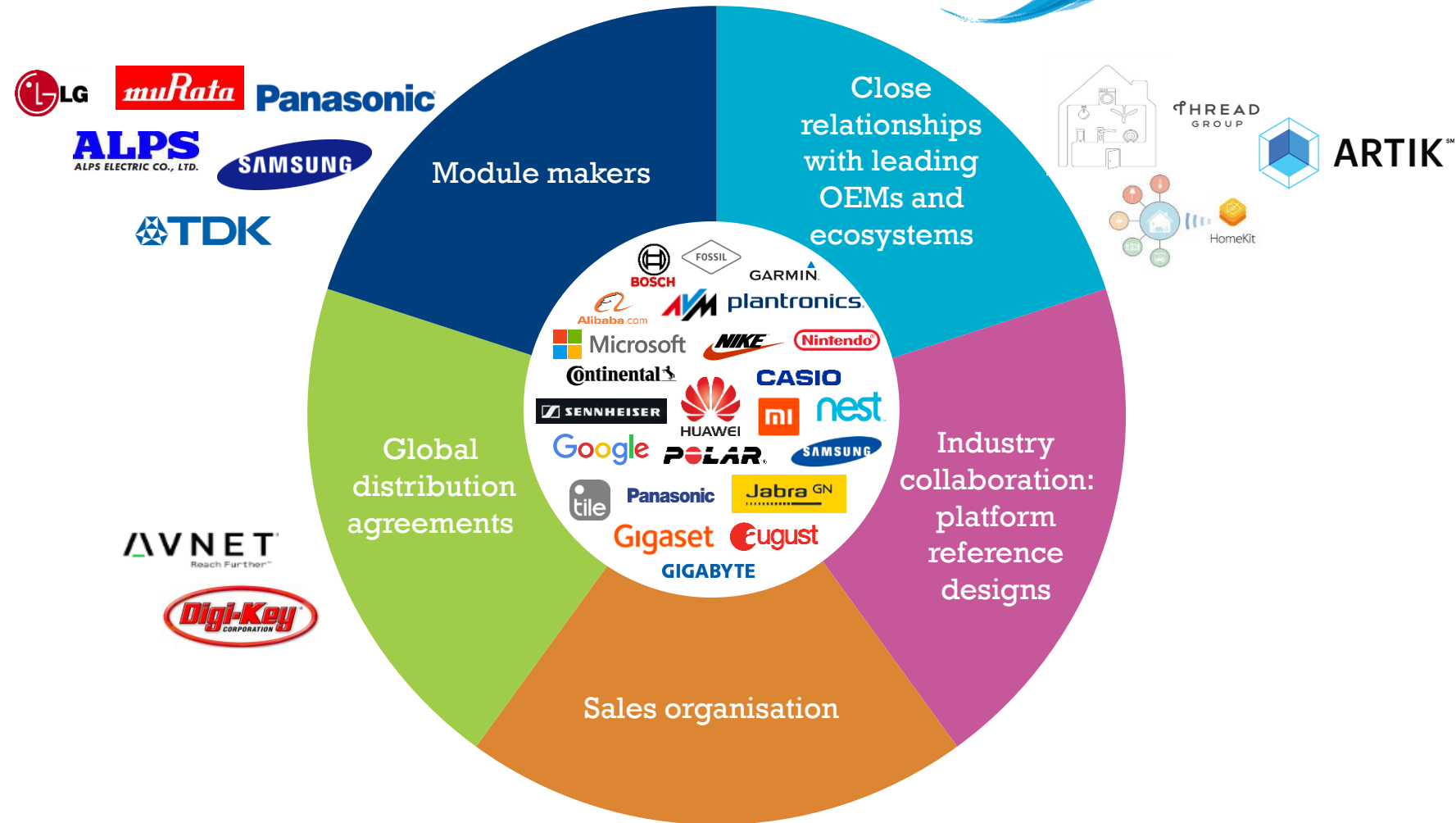
Market trends	Technologies, market share, estimates 2016-2020	Applications
<b>Consumer IoT</b> <ul style="list-style-type: none"><li>Industry increase in “always-on” applications</li><li>Low power, high rate of data processing and data transmission</li><li>Fast go-to-market = Short design cycles</li><li>Governments regulating higher power efficiency and lower standby power</li></ul>	<ul style="list-style-type: none"><li>#2  BLE ~15% +26%</li><li>#1  CMIC n/a +15%</li><li> Nano-Power management</li><li> AC/DC converters</li></ul>	<ul style="list-style-type: none"><li>Today: Wearables, fitness trackers, smart home, proximity tags, e-toys</li><li>In development: Medical devices, e-health, home consumer electronics, automotive</li></ul>
<b>Peripherals – audio and voice</b> <ul style="list-style-type: none"><li>Increase in power-efficient</li><li>feature-rich wireless audio applications</li><li>Low latency wireless audio</li></ul>	<div><div><b>Audio</b></div><div> DECT ~6%</div><div> Audio IC nm +30%</div><div><b>Voice &amp; Other</b></div><div> Legacy DECT</div></div> <div>48% - Total DECT market share (audio &amp; voice)</div>	<ul style="list-style-type: none"><li>Professional, semi-professional and consumer wireless and USB audio</li><li>Consumer cordless telephone systems (CTS), other.</li></ul>

# Investing for growth

## Technologies in the Connectivity Segment

Technologies	Mission	Our Value	Customers
<b>Investing for growth</b> <p>Bluetooth low energy</p> <p>Digital audio: DECT Audio IC (DSP+CODEC)</p>	<ul style="list-style-type: none"> <li>Leading supplier and “trusted advisor” in selected applications</li> <li>Leveraging our product portfolio into the broad market</li> <li>Leverage #1 in professional cordless applications</li> <li>Leverage our audio IP into semi-professional and consumer headset brands</li> </ul>	<ul style="list-style-type: none"> <li>High level of integration</li> <li>Focus on Cortex-M applications</li> <li>Low power</li> <li>High level of integration</li> <li>Full system expertise</li> <li>High definition CODECs</li> <li>Voice and audio processing</li> <li>USB and wireless communication pipes</li> <li>Low power - battery life time</li> </ul>	
<b>Harvesting</b> <p>DECT voice – consumer cordless telephone systems</p>	<ul style="list-style-type: none"> <li>Support existing customers</li> </ul>	<ul style="list-style-type: none"> <li>48% market share total DECT</li> <li>One of two leading market vendors</li> </ul>	

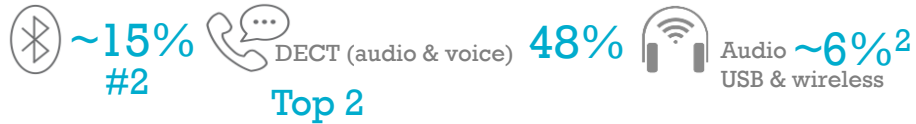
# Multi-channel sales strategy - IoT



# Growing revenue and profitability

## Connectivity Segment

### 2017 estimated market share and ranking



### Market estimates CAGR 2016-2020<sup>1</sup>



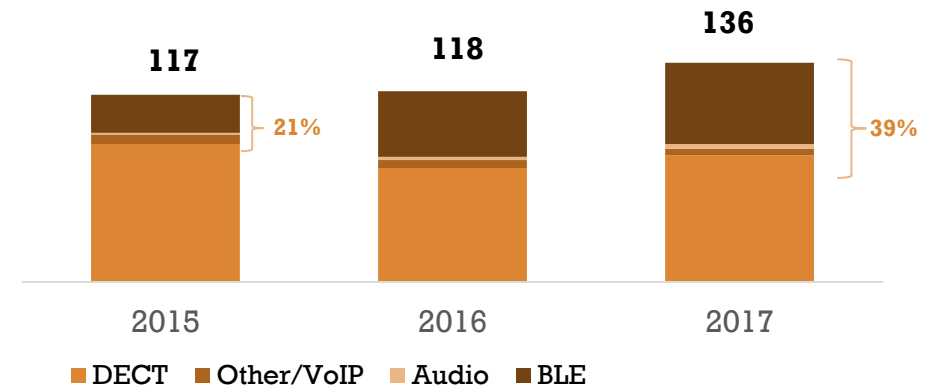
- Increasing opportunity in growing markets where Dialog maintains a strong market share with innovative and differentiated technologies.
- Revenue mix transitioning to growing markets, to surpass 50% by the end of 2018.
- Growing revenue and increased underlying operating margin.

<sup>1</sup> Sources and market estimates on slide 26.

<sup>2</sup> Based on market data on slide 27 and FY 2017 DECT audio revenue.

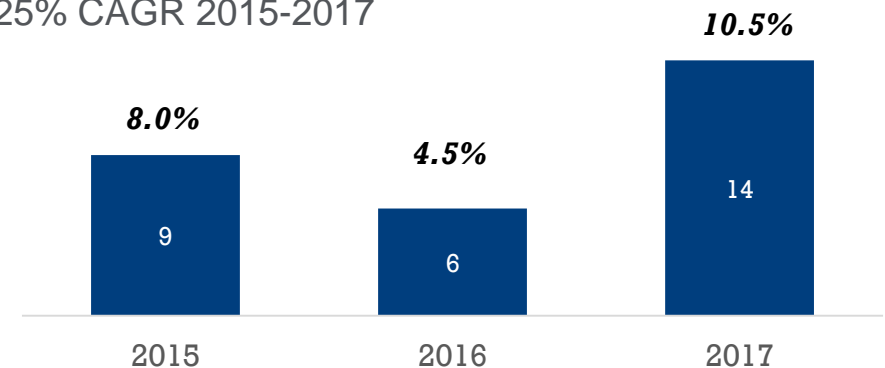
### Full year revenue \$m

8% CAGR 2015-2017



### Full year combined underlying EBIT \$m and %

25% CAGR 2015-2017

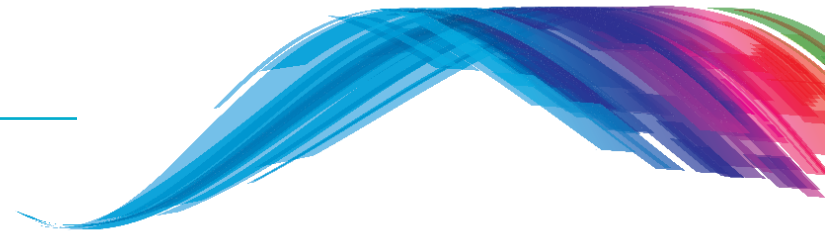


\* 2018E not drawn to scale



# Agenda

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Business Review

Financial Review

Q&A

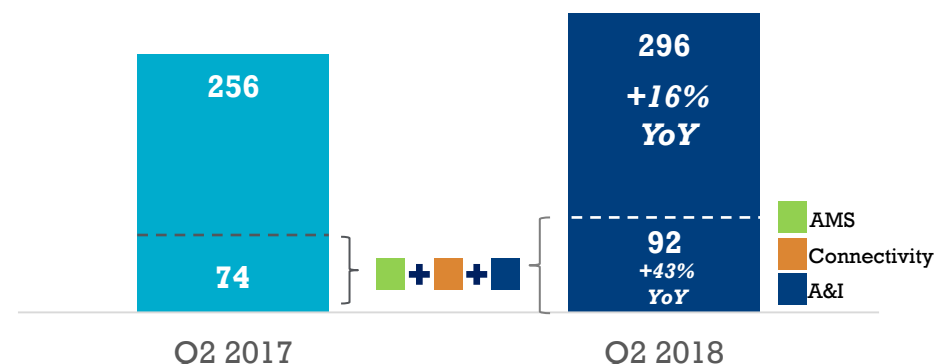
Appendix

## Q2 2018 – Double digit revenue growth

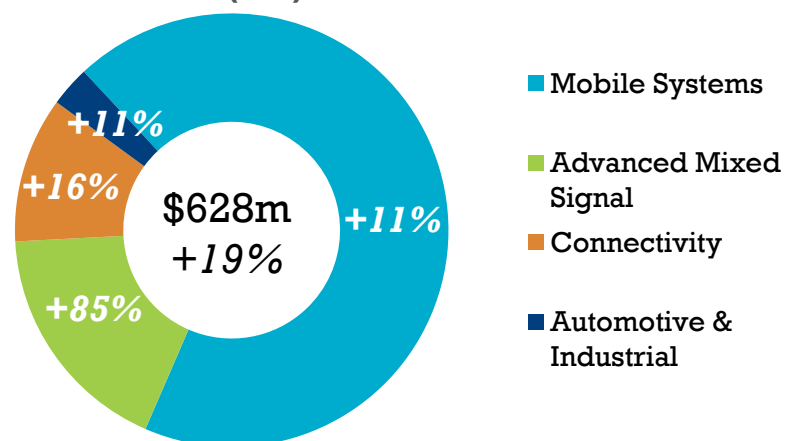
Solid year-on-year growth in all business segments

- Q2 2018 revenue up 16% year-on-year:
  - Mobile Systems – higher content per device
  - Advanced Mixed Signal – all product lines growing year-on-year and contribution from Silego acquisition and LED backlighting
  - Connectivity – Bluetooth® low energy up 45%
  - Automotive & Industrial – higher volumes in the automotive segment
- Q2 2018 revenue up 6% year-on-year excluding the contribution from Silego

Revenue (\$m) and % YoY



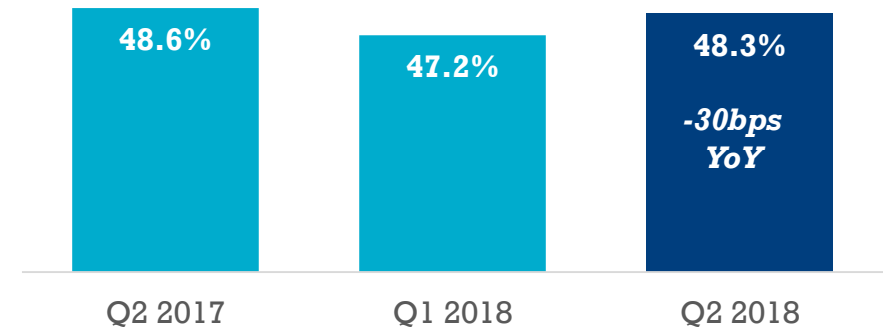
H1 2018 revenue (\$m) and % YoY



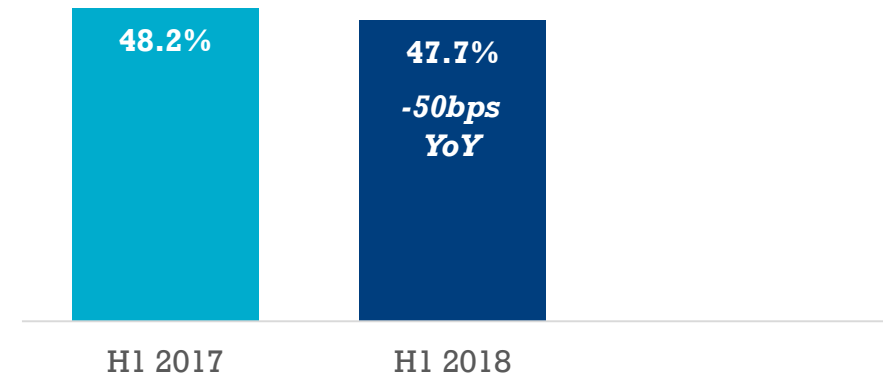
# Sequential gross margin improvement

- Q2 2018 underlying gross margin:
  - Ahead of the May guidance
  - 30bps below Q2 2017 due to product mix partially offset by savings in manufacturing costs
- H1 2018 underlying gross margin:
  - 50bps below Q2 2017 mainly due to product mix

## Underlying gross margin



## Underlying gross margin

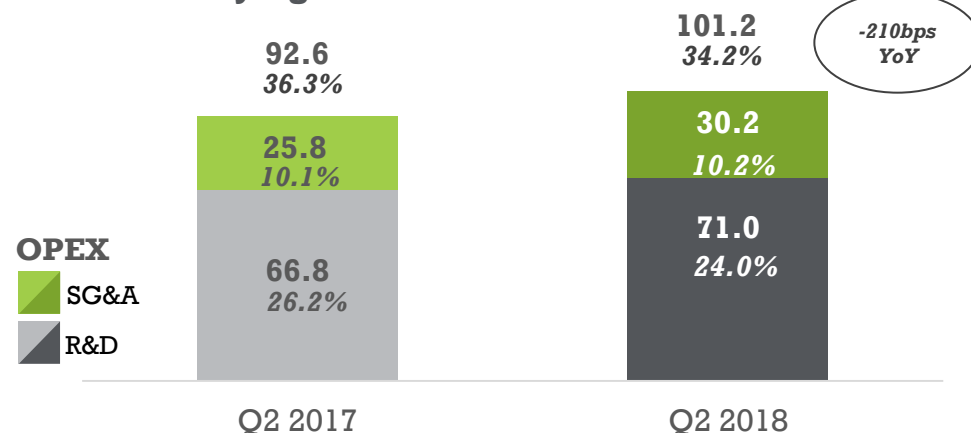


# Operating leverage in Q2 and H1 2018

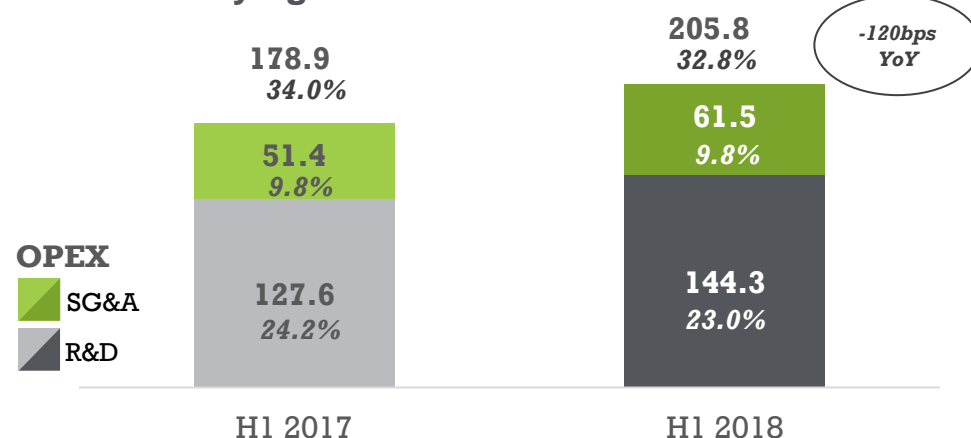
Investing for future revenue growth

- Q2 2018 underlying OPEX up 9% year-on-year
- Q2 2018 underlying R&D up 6% year-on-year:
  - Impact of Silego consolidation
  - Investment in customer specific opportunities
  - Programmes supporting new growth areas and business diversification
- Q2 2018 underlying SG&A up 17% year-on-year:
  - Impact of Silego consolidation

## Q2 Underlying OPEX and OPEX %



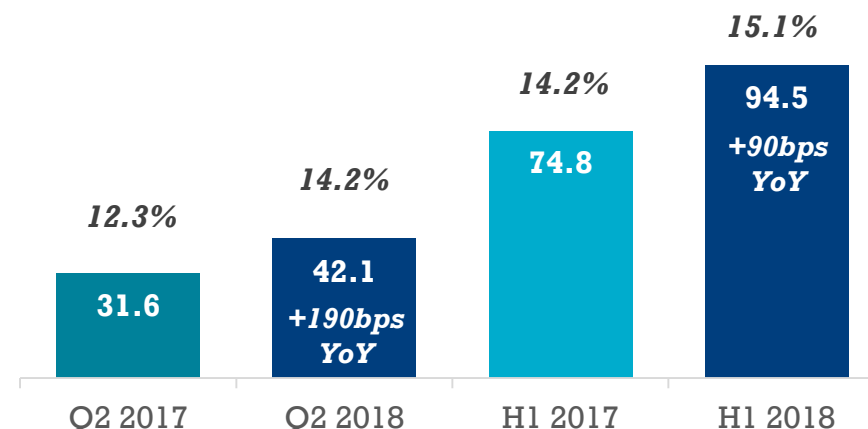
## H1 Underlying OPEX and OPEX %



# Underlying earnings growth

- Q2 2018 underlying operating profit increase of 33%, 2x revenue growth
  - AMS+Connect+A&I: \$19.5 million, approximately 66% above Q2 2017 (Q2 2017: \$11.7 million)
- Q2 2018 underlying operating margin 190bps above Q2 2017
- Underlying effective tax rate at 21%, 100bps below Q2 2017
- Q2 2018 underlying diluted EPS up 25% year-on-year, increasing faster than revenue growth

## Underlying operating profit (\$m) and margin



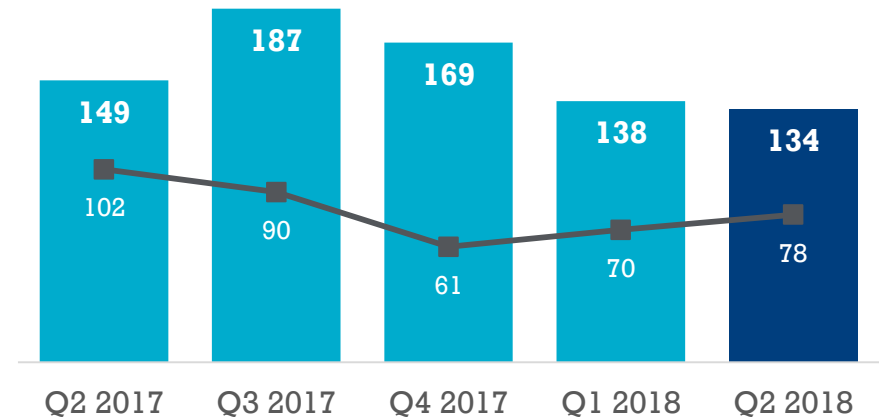
## Underlying diluted EPS (\$) and % YoY



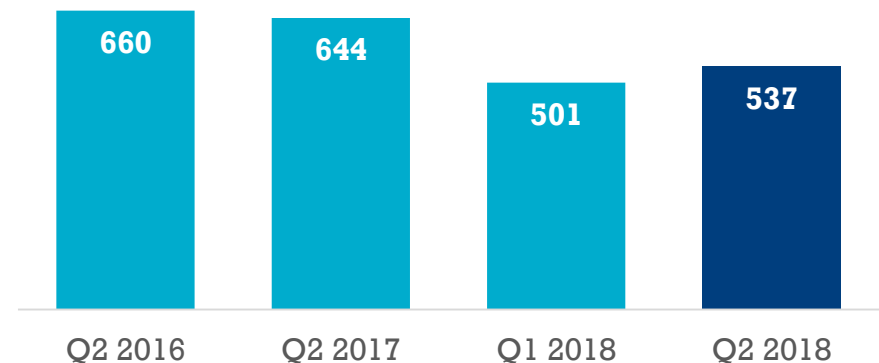
# Strong balance sheet

- Inventory value down 3% sequentially and 10% year-on-year.
- Q2 2018 cash flow from operating activities of \$56 million, 182% above Q2 2017:
  - Working capital movements
  - Timing of tax payments
- Q2 2018 free cash flow at \$37 million, significantly higher than Q2 2017 (Q2 2017: \$1 million) mainly due to the higher cash flow from operating activities.

Inventory (\$m and DIO)

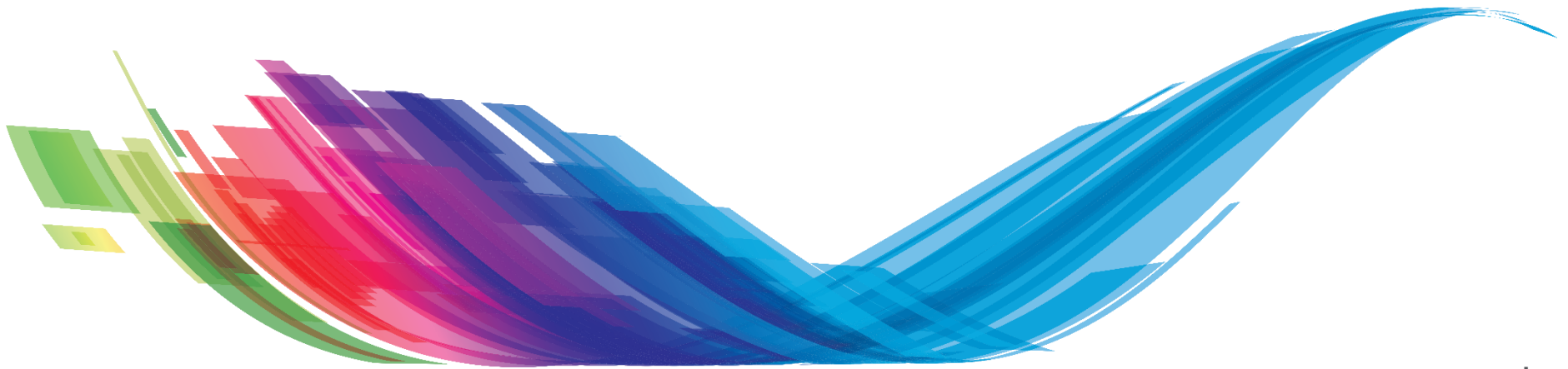


Cash and cash equivalents (\$m)



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# Appendix



...personal  
...portable  
...connected

# Underlying reconciliation

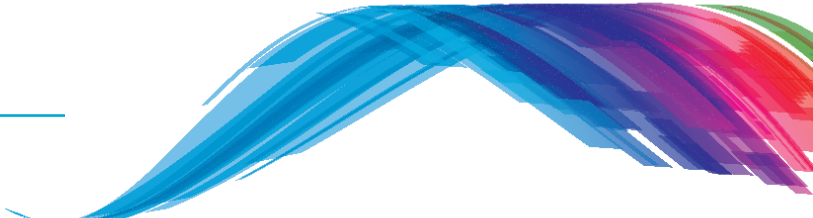
For the three months ended 29 June 2018

US\$000 unless stated otherwise	IFRS basis	Share-based compensation and related payroll taxes	Accounting for business combinations (note I)	Integration costs	Effective interest	Strategic investments	Underlying basis
Revenue	295,664	–	–	–	–	–	295,664
Cost of sales	(153,808)	506	406	–	–	–	(152,896)
<b>Gross profit</b>	<b>141,856</b>	<b>506</b>	<b>406</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>142,768</b>
<i>Gross margin %</i>	<i>48.0%</i>						<i>48.3%</i>
SG&A expenses	(38,378)	3,284	4,455	474	–	–	(30,165)
R&D expenses	(78,273)	4,956	2,288	–	–	–	(71,029)
Other operating income	1,022	–	(522)	–	–	–	500
<b>Operating profit</b>	<b>26,227</b>	<b>8,746</b>	<b>6,627</b>	<b>474</b>	<b>–</b>	<b>–</b>	<b>42,074</b>
<i>Operating margin %</i>	<i>8.9%</i>						<i>14.2%</i>
Net finance income	1,897	–	460	–	17	720	3,094
<b>Profit before income taxes</b>	<b>28,124</b>	<b>8,746</b>	<b>7,087</b>	<b>474</b>	<b>17</b>	<b>720</b>	<b>45,168</b>
Income tax expense	(9,691)	1,197	(867)	(100)	(3)	(27)	(9,491)
<b>Profit after income taxes</b>	<b>18,433</b>	<b>9,943</b>	<b>6,220</b>	<b>374</b>	<b>14</b>	<b>693</b>	<b>35,677</b>
Share of loss of associate	(377)	–	–	–	–	–	(377)
<b>Net income (note ii)</b>	<b>18,056</b>	<b>9,943</b>	<b>6,220</b>	<b>374</b>	<b>14</b>	<b>693</b>	<b>35,300</b>
EBITDA (note iii)	n/a						56,699
<i>EBITDA margin %</i>	<i>n/a</i>						<i>19.2%</i>



# Underlying reconciliation

For the three months ended 30 June 2017



US\$000 unless stated otherwise	IFRS basis	Share-based compensation and related payroll taxes	Accounting for business combinations (note i)	Effective interest	Strategic investments	Underlying basis
Revenue	255,515	–	–	–	–	255,515
Cost of sales	(131,756)	394	–	–	–	(131,362)
Gross profit	123,759	394	–	–	–	124,153
Gross margin %	48.4%					48.6%
SG&A expenses	(31,384)	3,731	1,824	–	–	(25,829)
R&D expenses	(72,461)	3,868	1,773	–	–	(66,820)
Other operating income	50	–	–	–	–	50
Operating profit	19,964	7,993	3,597	–	–	31,554
Operating margin %	7.8%					12.3%
Net finance income	3,039	–	–	80	(263)	2,856
Profit before income taxes	23,003	7,993	3,597	80	(263)	34,410
Income tax expense	(5,920)	(591)	(210)	(15)	147	(6,589)
Net income (note ii)	17,083	7,402	3,387	65	(116)	27,821
EBITDA (note iii)	n/a					44,754
EBITDA margin %	n/a					17.5%

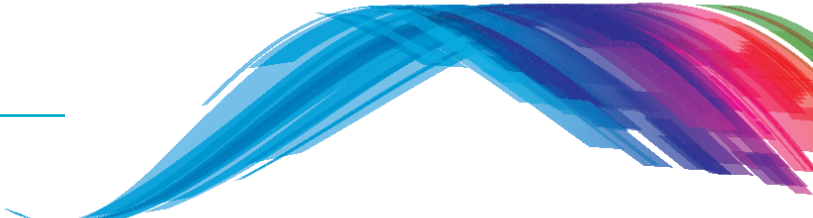
# Underlying reconciliation

For the six months ended 29 June 2018

US\$000 unless stated otherwise	IFRS basis	Share-based compensation and related payroll taxes	Accounting for business combinations (note i)	Integration costs	Effective interest	Strategic investments	Underlying basis
Revenue	627,819	–	–	–	–	–	627,819
Cost of sales	(332,195)	1,148	2,794	13	–	–	(328,240)
<b>Gross profit</b>	<b>295,624</b>	<b>1,148</b>	<b>2,794</b>	<b>13</b>	<b>–</b>	<b>–</b>	<b>299,579</b>
Gross margin %	47.1%						47.7%
SG&A expenses	(78,493)	7,922	8,126	922	–	–	(61,523)
R&D expenses	(159,178)	10,024	4,601	228	–	–	(144,325)
Other operating income	1,157	–	(364)	–	–	–	793
<b>Operating profit</b>	<b>59,110</b>	<b>19,094</b>	<b>15,157</b>	<b>1,163</b>	<b>–</b>	<b>–</b>	<b>94,524</b>
Operating margin %	9.4%						15.1%
Net finance (expense)/income	(2,541)	–	1,171	–	50	4,256	2,936
<b>Profit before income taxes</b>	<b>56,569</b>	<b>19,094</b>	<b>16,328</b>	<b>1,163</b>	<b>50</b>	<b>4,256</b>	<b>97,460</b>
Income tax expense	(20,328)	1,958	(2,069)	(245)	(9)	206	(20,487)
<b>Profit after income taxes</b>	<b>36,241</b>	<b>21,052</b>	<b>14,259</b>	<b>918</b>	<b>41</b>	<b>4,462</b>	<b>76,973</b>
Share of loss of associate	(749)	–	–	–	–	–	(749)
<b>Net income (note ii)</b>	<b>35,492</b>	<b>21,052</b>	<b>14,259</b>	<b>918</b>	<b>41</b>	<b>4,462</b>	<b>76,224</b>
EBITDA (note iii)	n/a						123,171
EBITDA margin %	n/a						19.6%

# Underlying reconciliation

For the six months ended 30 June 2017



US\$000 unless stated otherwise	IFRS basis	Share-based compensation and related payroll taxes	Accounting for business combinations (note i)	Effective interest	Strategic investments	Underlying basis
Revenue	526,489	–	–	–	–	526,489
Cost of sales	(273,775)	930	–	–	–	(272,845)
Gross profit	252,714	930	–	–	–	253,644
Gross margin %	48.0%					48.2%
SG&A expenses	(63,988)	8,974	3,648	–	–	(51,366)
R&D expenses	(139,721)	8,605	3,541	–	–	(127,575)
Other operating income	50	–	–	–	–	50
Operating profit	49,055	18,509	7,189	–	–	74,753
Operating margin %	9.3%					14.2%
Net finance income	3,285	–	–	175	710	4,170
Profit before income taxes	52,340	18,509	7,189	175	710	78,923
Income tax expense	(12,140)	(3,944)	(420)	(34)	(171)	(16,709)
Net income (note ii)	40,200	14,565	6,769	141	539	62,214
EBITDA (note iii)	n/a					102,194
EBITDA margin %	n/a					19.4%

# Consolidated statement of income

	Second quarter		First half	
	Three months ended	Three months ended	Six months ended	Six months ended
	29 June 2018 US\$000 (Unaudited)	30 June 2017* US\$000 (Unaudited)	29 June 2018 US\$000 (Unaudited)	30 June 2017* US\$000 (Unaudited)
Revenue	295,664	255,515	627,819	526,489
Cost of sales	(153,808)	(131,756)	(332,195)	(273,775)
<b>Gross profit</b>	<b>141,856</b>	<b>123,759</b>	<b>295,624</b>	<b>252,714</b>
Selling and marketing expenses	(20,695)	(15,818)	(42,307)	(31,563)
General and administrative expenses	(17,683)	(15,566)	(36,186)	(32,425)
Research and development expenses	(78,273)	(72,461)	(159,178)	(139,721)
Other operating income	1,022	50	1,157	50
<b>Operating profit</b>	<b>26,227</b>	<b>19,964</b>	<b>59,110</b>	<b>49,055</b>
Interest income	2,299	1,717	3,911	3,197
Interest expense	(698)	(137)	(1,658)	(257)
Other finance income/(expense), net	296	1,459	(4,794)	345
<b>Profit before income taxes</b>	<b>28,124</b>	<b>23,003</b>	<b>56,569</b>	<b>52,340</b>
Income tax expense	(9,691)	(5,920)	(20,328)	(12,140)
<b>Profit after income taxes</b>	<b>18,433</b>	<b>17,083</b>	<b>36,241</b>	<b>40,200</b>
Share of loss of associate	(377)	–	(749)	–
<b>Net income</b>	<b>18,056</b>	<b>17,083</b>	<b>35,492</b>	<b>40,200</b>
Attributable to:				
– Shareholders in the Company	18,056	17,670	35,492	40,953
– Non-controlling interests	–	(587)	–	(753)
<b>Net income</b>	<b>18,056</b>	<b>17,083</b>	<b>35,492</b>	<b>40,200</b>
<b>Earnings per share (US\$)</b>				
Basic	0.24	0.24	0.48	0.55
Diluted	0.23	0.23	0.46	0.52
<b>Weighted average number of shares (in thousands)</b>				
Basic	73,874	74,736	73,791	75,038
Diluted	77,941	78,120	77,970	78,681

\* Certain product development costs have been reclassified from cost of sales to research and development expenses (see note 1).



# Business segment breakdown

Underlying US\$ millions	Revenue			Operating profit/(loss)			Operating margin	
	Q2 2018	Q2 2017	Change	Q2 2018	Q2 2017	Change	Q2 2018	Q2 2017
Mobile Systems	189.8	181.7	+4%	30.3	30.7	-1%	15.9%	16.9%
Connectivity	36.3	32.4	+12%	5.3	4.6	+15%	14.6%	14.2%
Automotive & Industrial	9.5	9.1	+4%	3.8	3.8	-2%	39.6%	42.0%
Advanced Mixed Signal	60.1	30.6	+96%	10.5	3.3	+214%	17.5%	10.9%
<b>Total segments</b>	<b>295.7</b>	<b>253.8</b>	<b>+16%</b>	<b>49.9</b>	<b>42.4</b>	<b>+17%</b>	<b>16.8%</b>	<b>16.7%</b>
Corporate activities	–	1.7	-100%	(7.8)	(10.8)	-29%		
<b>Total Group</b>	<b>295.7</b>	<b>255.5</b>	<b>+16%</b>	<b>42.1</b>	<b>31.6</b>	<b>+33%</b>	<b>14.2%</b>	<b>12.3%</b>

Underlying US\$ millions	Revenue			Operating profit/(loss)			Operating margin	
	H1 2018	H1 2017	Change	H1 2018	H1 2017	Change	H1 2018	H1 2017
Mobile Systems	429.8	386.1	+11%	84.5	78.0	+8%	19.7%	20.2%
Connectivity	68.3	59.0	+16%	5.7	5.4	+5%	8.3%	9.2%
Automotive & Industrial	18.9	17.1	+11%	7.5	6.9	+9%	39.9%	40.4%
Advanced Mixed Signal	110.8	59.9	+85%	15.0	5.0	+202%	13.6%	8.3%
<b>Total segments</b>	<b>627.8</b>	<b>522.1</b>	<b>+20%</b>	<b>112.7</b>	<b>95.3</b>	<b>+18%</b>	<b>18.0%</b>	<b>18.3%</b>
Corporate activities	–	4.4	-100%	(18.2)	(20.6)	-12%		
<b>Total Group</b>	<b>627.8</b>	<b>526.5</b>	<b>+19%</b>	<b>94.5</b>	<b>74.8</b>	<b>+26%</b>	<b>15.1%</b>	<b>14.2%</b>

# Consolidated balance sheet

	As at 29 June 2018 US\$000 (Unaudited)	As at 31 December 2017* US\$000 (Audited)
<b>Assets</b>		
Cash and cash equivalents	537,473	479,295
Trade and other receivables	74,966	78,186
Other current financial assets	53	6,649
Inventories	134,084	168,947
Income tax receivables	9,215	12,739
Other current assets	21,516	14,656
<b>Total current assets</b>	<b>777,307</b>	<b>760,472</b>
Goodwill	439,508	439,508
Other intangible assets	230,066	235,637
Property, plant and equipment	84,024	83,870
Investment in associate	374	1,100
Other investments	33,063	46,155
Other non-current financial assets	2,061	2,090
Other non-current assets	525	503
Deferred tax assets	874	7,451
<b>Total non-current assets</b>	<b>790,495</b>	<b>816,314</b>
<b>Total assets</b>	<b>1,567,802</b>	<b>1,576,786</b>
<b>Liabilities and equity</b>		
Trade and other payables	84,313	107,195
Other current financial liabilities	22,794	16,041
Provisions	3,972	3,474
Income taxes payable	3,598	13,356
Other current liabilities	51,231	59,619
<b>Total current liabilities</b>	<b>165,908</b>	<b>199,685</b>
Non-current financial liabilities	1,752	17,378
Provisions	2,967	3,725
Deferred tax liabilities	2,398	4,017
Other non-current liabilities	10,480	9,560
<b>Total non-current liabilities</b>	<b>17,597</b>	<b>34,680</b>
Ordinary shares	14,204	14,204
Share premium account	403,660	403,660
Retained earnings	973,772	915,482
Other reserves	(6,524)	9,977
Dialog shares held by employee benefit trusts	(815)	(902)
<b>Total equity</b>	<b>1,384,297</b>	<b>1,342,421</b>
<b>Total liabilities and equity</b>	<b>1,567,802</b>	<b>1,576,786</b>



# Consolidated cash flow statement

	Second quarter		First half	
	Three months ended 29 June 2018 US\$000 (Unaudited)	Three months ended 30 June 2017* US\$000 (Unaudited)	Six months ended 29 June 2018 US\$000 (Unaudited)	Six months ended 30 June 2017* US\$000 (Unaudited)
<b>Cash flows from operating activities</b>				
Net income	18,056	17,083	35,492	40,200
Non-cash items within net income:				
– Depreciation of property, plant and equipment	8,043	7,593	15,936	15,007
– Amortisation of intangible assets	12,239	9,204	24,025	19,623
– Addition to inventory reserve, net	1,265	1,097	2,168	247
– Share-based compensation expense	9,449	8,574	20,618	17,453
– Other non-cash items	(50)	(48)	3,796	(3,092)
Interest income, net	(1,601)	(1,581)	(2,253)	(2,941)
Income tax expense	9,691	5,920	20,328	12,140
Cash generated from operations before changes in working capital	57,092	47,842	120,110	98,637
Changes in working capital:				
– (Increase)/decrease in trade and other receivables	(8,959)	(8,059)	3,220	35,650
– Decrease/(increase) in inventories	2,658	(61,352)	32,695	(44,420)
– Increase in prepaid expenses	(341)	(456)	(5,754)	(1,706)
– Increase/(decrease) in trade and other payables	3,639	47,354	(22,888)	28,834
– (Decrease)/increase in provisions	(38)	185	(759)	(572)
– Change in other assets and liabilities	(932)	(13,433)	(6,521)	(7,515)
<b>Cash generated from operations</b>	<b>53,119</b>	<b>12,081</b>	<b>120,103</b>	<b>108,908</b>



# Cash flow statement - continued

	Second quarter		First half	
	Three months ended 29 June 2018 US\$000 (Unaudited)	Three months ended 30 June 2017* US\$000 (Unaudited)	Six months ended 29 June 2018 US\$000 (Unaudited)	Six months ended 30 June 2017* US\$000 (Unaudited)
<b>Cash generated from operations</b>	<b>53,119</b>	<b>12,081</b>	<b>120,103</b>	<b>108,908</b>
Interest paid	(132)	(105)	(281)	(225)
Interest received	1,945	1,494	3,102	2,974
Income taxes received/(paid)	706	6,254	(17,637)	8,625
<b>Cash flow from operating activities</b>	<b>55,638</b>	<b>19,724</b>	<b>105,287</b>	<b>120,282</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(7,729)	(9,992)	(16,783)	(16,168)
Purchase of intangible assets	(1,462)	(1,514)	(3,238)	(2,354)
Payment of consideration for Silego	(607)	–	(11,611)	–
Payments for capitalised development costs	(9,100)	(6,031)	(15,219)	(12,243)
Sale of other investments	–	1,263	–	1,263
Increase in other long-term assets	(57)	(25)	(83)	(775)
<b>Cash flow used for investing activities</b>	<b>(18,955)</b>	<b>(16,299)</b>	<b>(46,934)</b>	<b>(30,277)</b>
<b>Cash flows from financing activities</b>				
Purchase of own shares into treasury	–	(83,385)	–	(125,027)
Currency hedges on share buyback obligation	–	648	–	1,227
Capital element of finance lease and hire purchase payments	(832)	(1,218)	(1,650)	(2,696)
Purchase of shares by employee benefit trusts	–	–	–	(24,301)
Sale of shares by employee benefit trusts	207	1,365	1,486	5,986
Issue of shares by a subsidiary to non-controlling interests	–	–	–	1,107
Share issue costs	–	(27)	–	(27)
<b>Cash flow used for financing activities</b>	<b>(625)</b>	<b>(82,617)</b>	<b>(164)</b>	<b>(143,731)</b>
<b>Net cash inflow/(outflow) during the period</b>	<b>36,058</b>	<b>(79,192)</b>	<b>58,189</b>	<b>(53,726)</b>
Cash and cash equivalents at beginning of period	501,189	722,808	479,295	697,167
Currency translation differences	226	17	(11)	192
<b>Cash and cash equivalents at end of period</b>	<b>537,473</b>	<b>643,633</b>	<b>537,473</b>	<b>643,633</b>

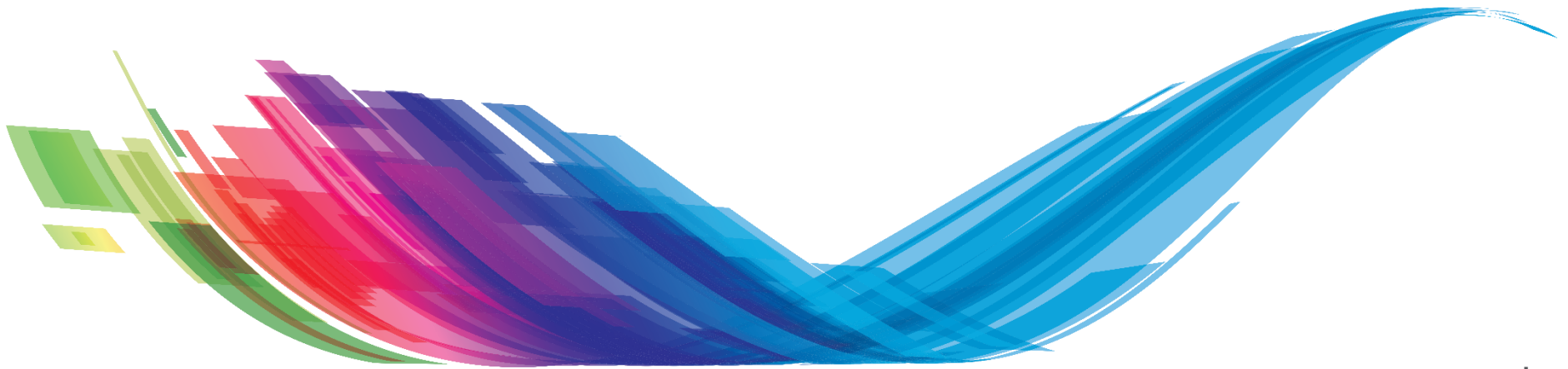
\* We have reclassified the capital element of finance lease and hire purchase payments from investing activities to financing activities to better reflect the nature of these cash flows.





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# Business appendix



...personal  
...portable  
...connected

# Market estimates

## Audio Codec

1%

2016-2020 CAGR

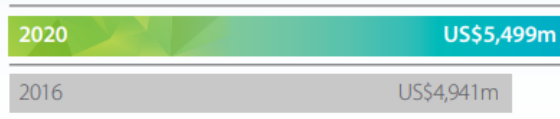


Source: Gartner 2017, IDC 2016, Dialog internal.

## PMICs and Charger ICs

3%

2016-2020 CAGR



Source: Gartner 2017, IDC 2016, Dialog internal.

## Bluetooth® low energy

26%

2016-2020 CAGR



Source: IHS Technology Q3 2017 Report, 26 October 2017.

## Wireless, USB audio

30%

2016-2020 CAGR

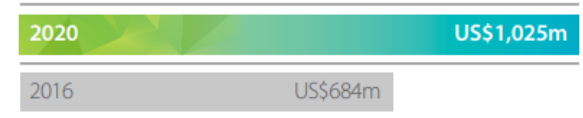


Source: Future source (October 2017), Dialog internal.

## AC/DC converters

11%

2016-2020 CAGR

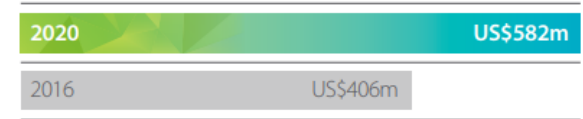


Source: Gartner 2017, IDC 2016, Dialog internal.

## LED SSL and LED Backlight

9%

2016-2020 CAGR



Source: Gartner 2017, IDC 2016, Dialog internal.



## At a glance – Q2 2018



**Revenue**  
**+16% YoY**

**\$296m**

(Q2 2017: \$256m)

**Underlying gross margin**  
**+30bps YoY**

**48.3%**

(Q2 2017: 48.6%)

**Underlying OPEX %**  
**-210bps YoY**

**34.2%**

(Q2 2017: 36.3%)

**Underlying EBIT %**  
**+190bps YoY**

**14.2%**

(Q2 2017: 12.3%)

**Underlying diluted EPS**  
**25% YoY**

**45 cents**

(Q2 2017: 36 cents)

**Cash from operating activities +182% YoY**

**\$56m**

(Q2 2017: \$20m)

Reconciliation to underlying measures – slides 17 and 18



## At a glance – H1 2018



**Revenue**  
**+19% YoY**

**\$628m**

(H1 2017: \$527m)

**Underlying gross margin**  
**-50bps YoY**

**47.7%**

(H1 2017: 48.2%)

**Underlying OPEX %**  
**-120bps YoY**

**32.8%**

(H1 2017: 34.0%)

**Underlying EBIT %**  
**+90bps YoY**

**15.1%**

(H1 2017: 14.2%)

**Underlying diluted EPS**  
**+23% YoY**

**98 cents**

(H1 2017: 80 cents)

**Cash from operating activities**  
**-12% YoY**

**\$105m**

(H1 2017: \$120m)

Reconciliation to underlying measures – slides 19 and 20

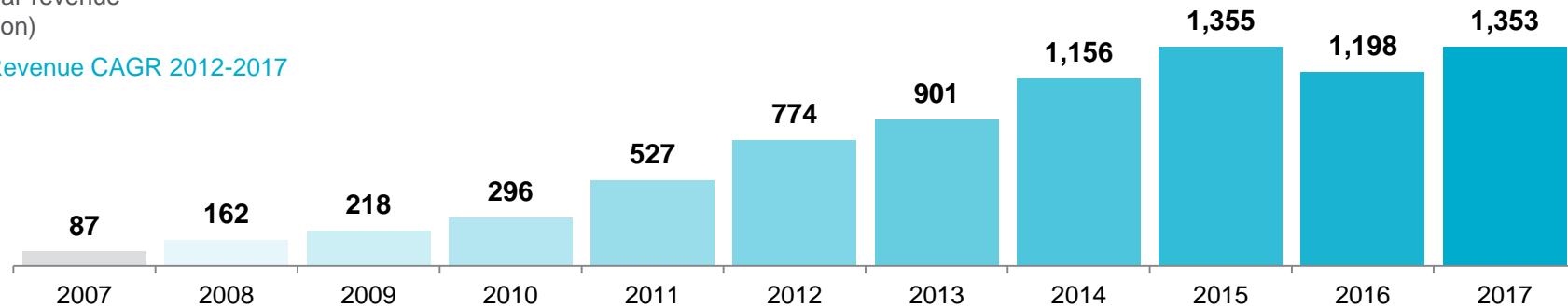


# Revenue – Historical data

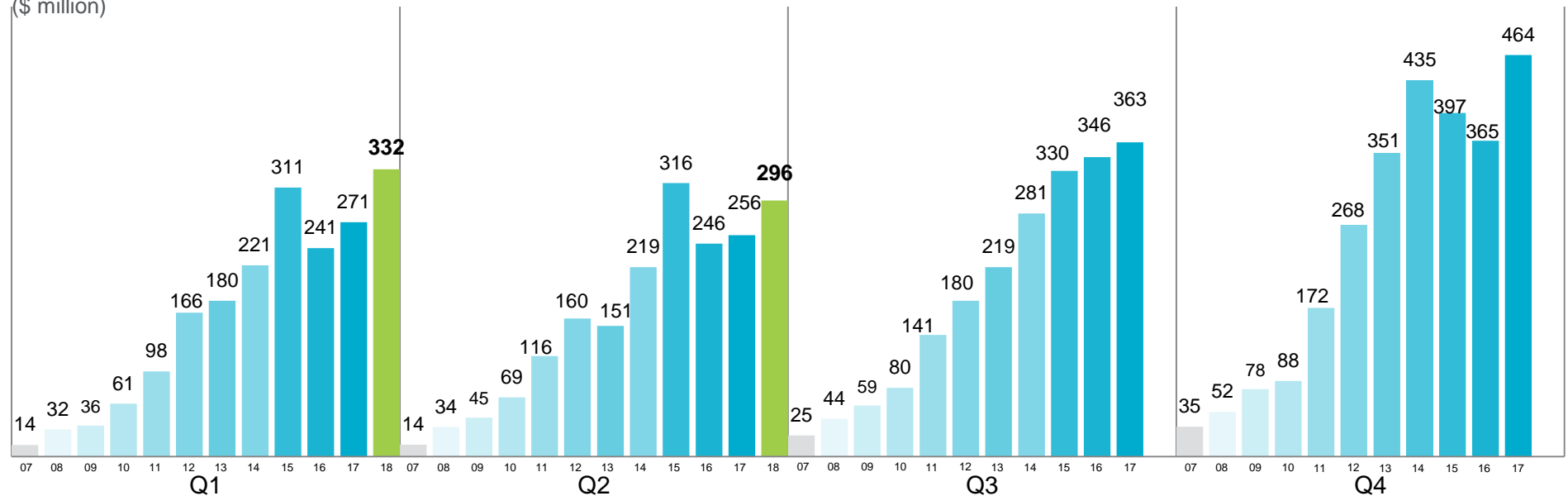
Q2 2018 revenue of \$296 million, up 16% year-on-year.

Full year revenue  
(\$ million)

12% Revenue CAGR 2012-2017



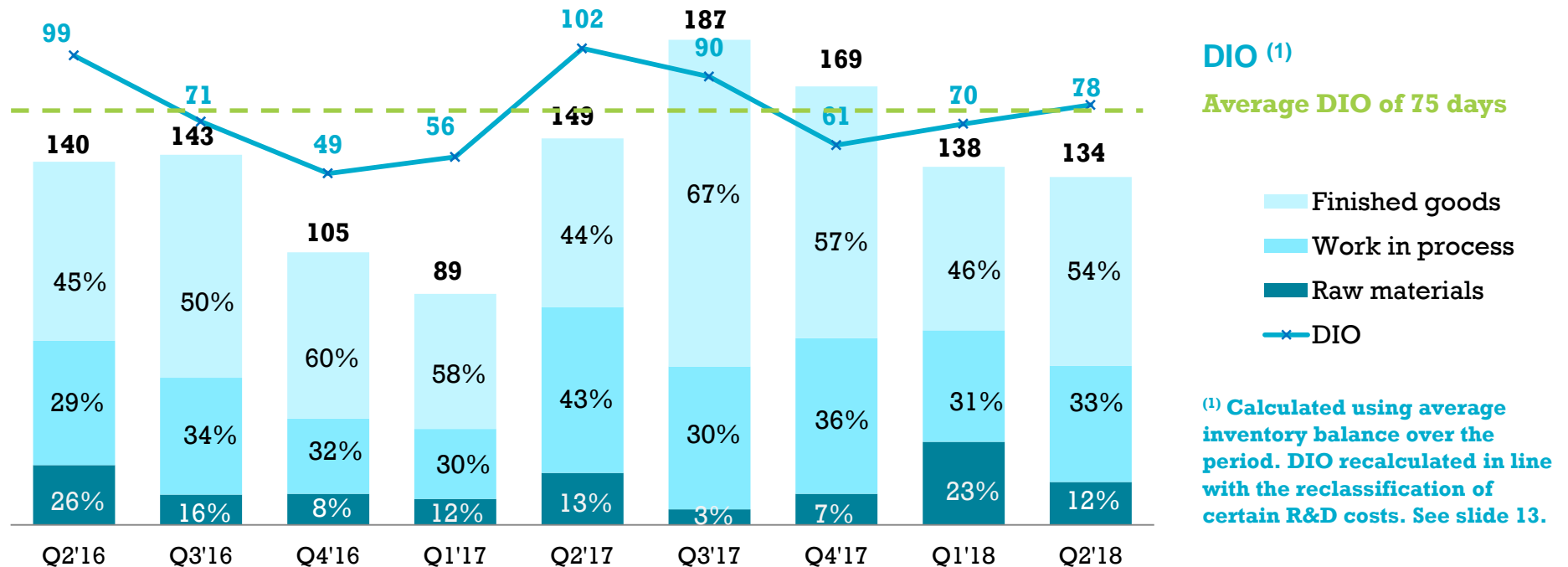
Quarterly revenue  
(\$ million)



# Effective inventory management

- At the end of Q2 2018 inventory value was up down 3% from Q1 2018 and DIO increased 8 days.
- In Q3 2018 we expect inventory value and DIO to increase from Q2 2018.

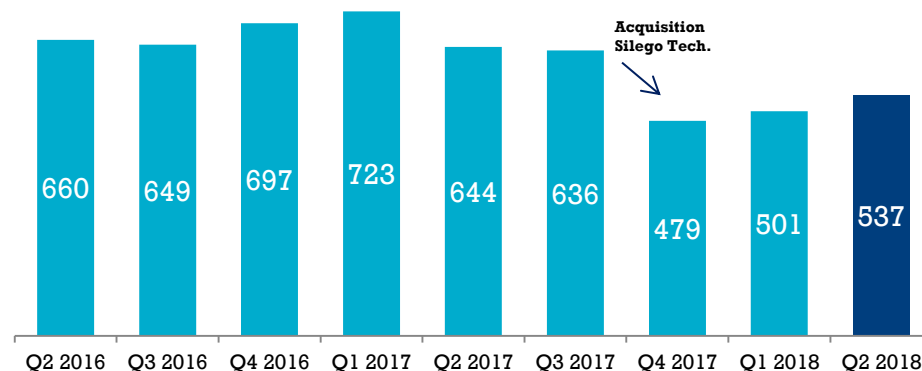
## Inventory (\$ million) and Days Inventory Outstanding (# days)



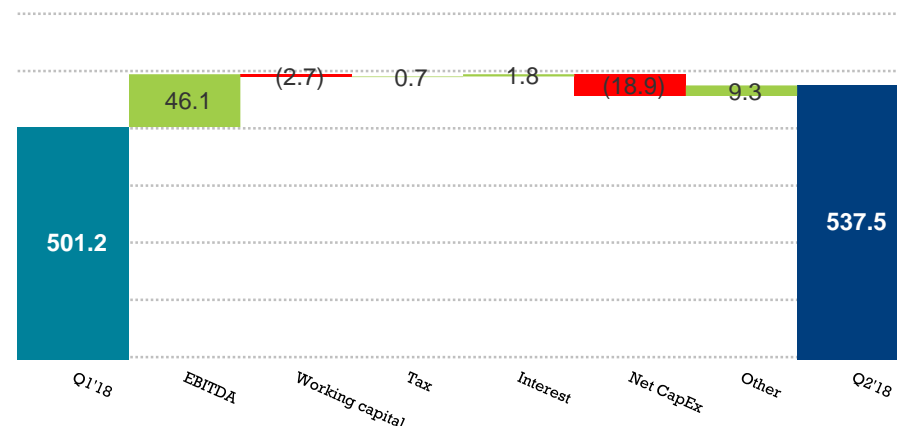
# Strong cash flow generation

- \$537 million cash and cash equivalents balance at 29 June 2018
- Q2 2018 cash flow from operating activities of \$56 million, almost doubled Q2 2017:
  - Working capital movements
  - Higher income tax payments
- Q2 2018 free cash flow at \$37 million, significantly higher than Q2 2017 (Q2 2017: \$1 million) mainly due to the higher cash flow from operating activities.

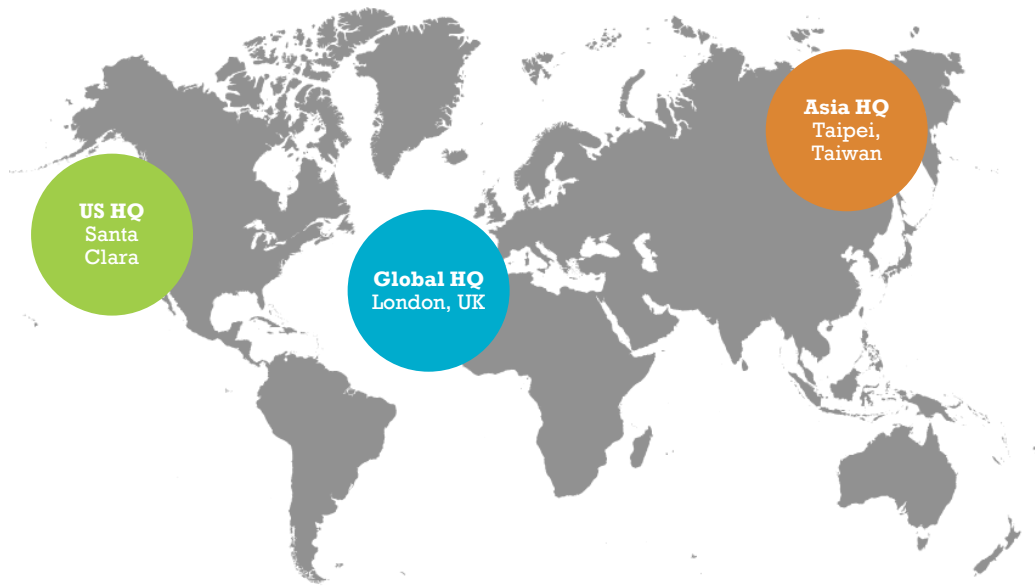
Cash and cash equivalents (\$m)



Cash flow bridge from Q1'18 (\$m)



# A global R&D organisation



## Q2 2018

Total employees

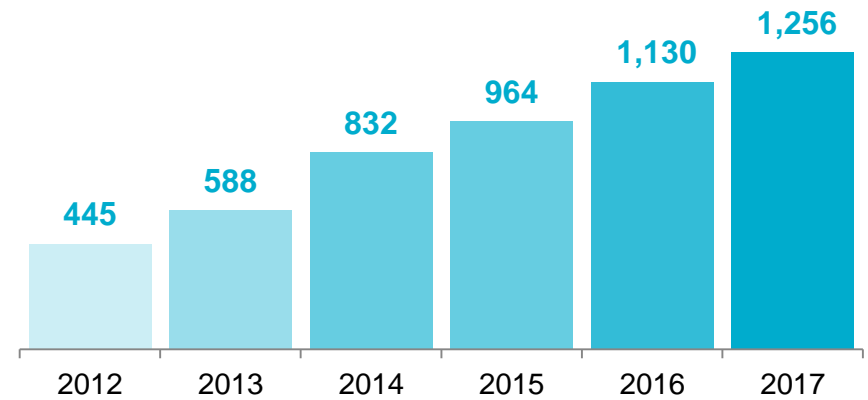
**~2,100**

Engineering functions<sup>1</sup>

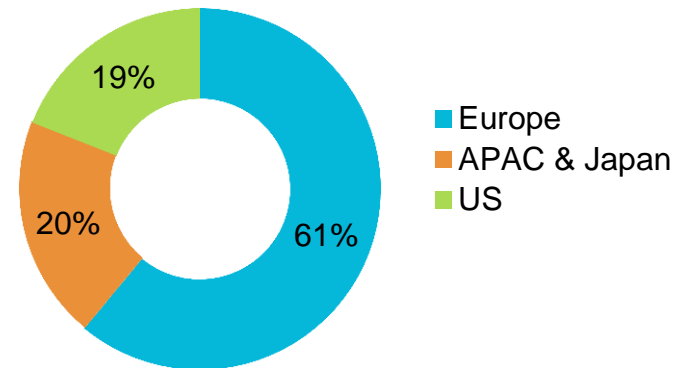
**~75%**

*1 R&D and Manufacturing.*

## Average headcount – Research and Development

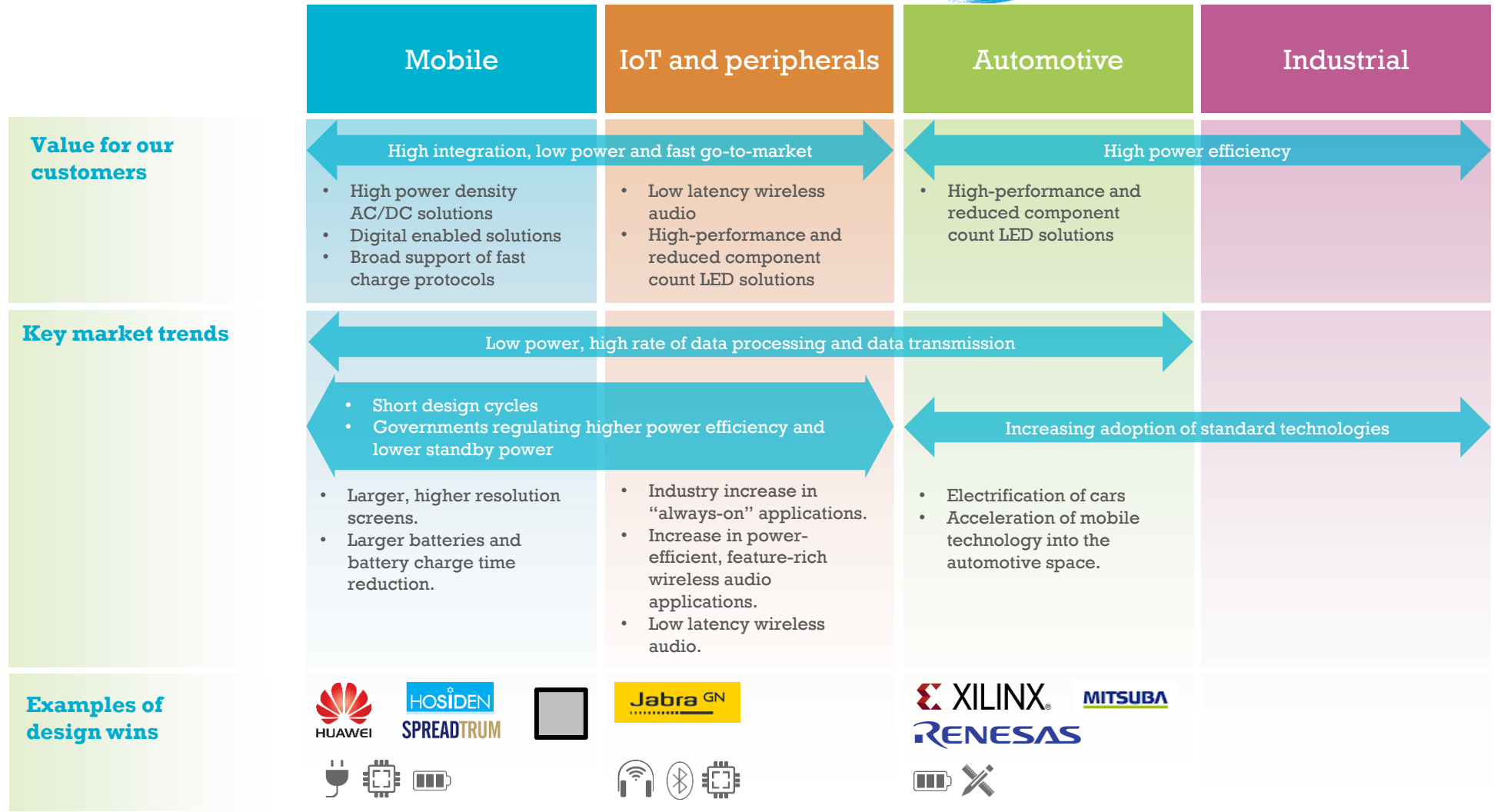


## Regional split

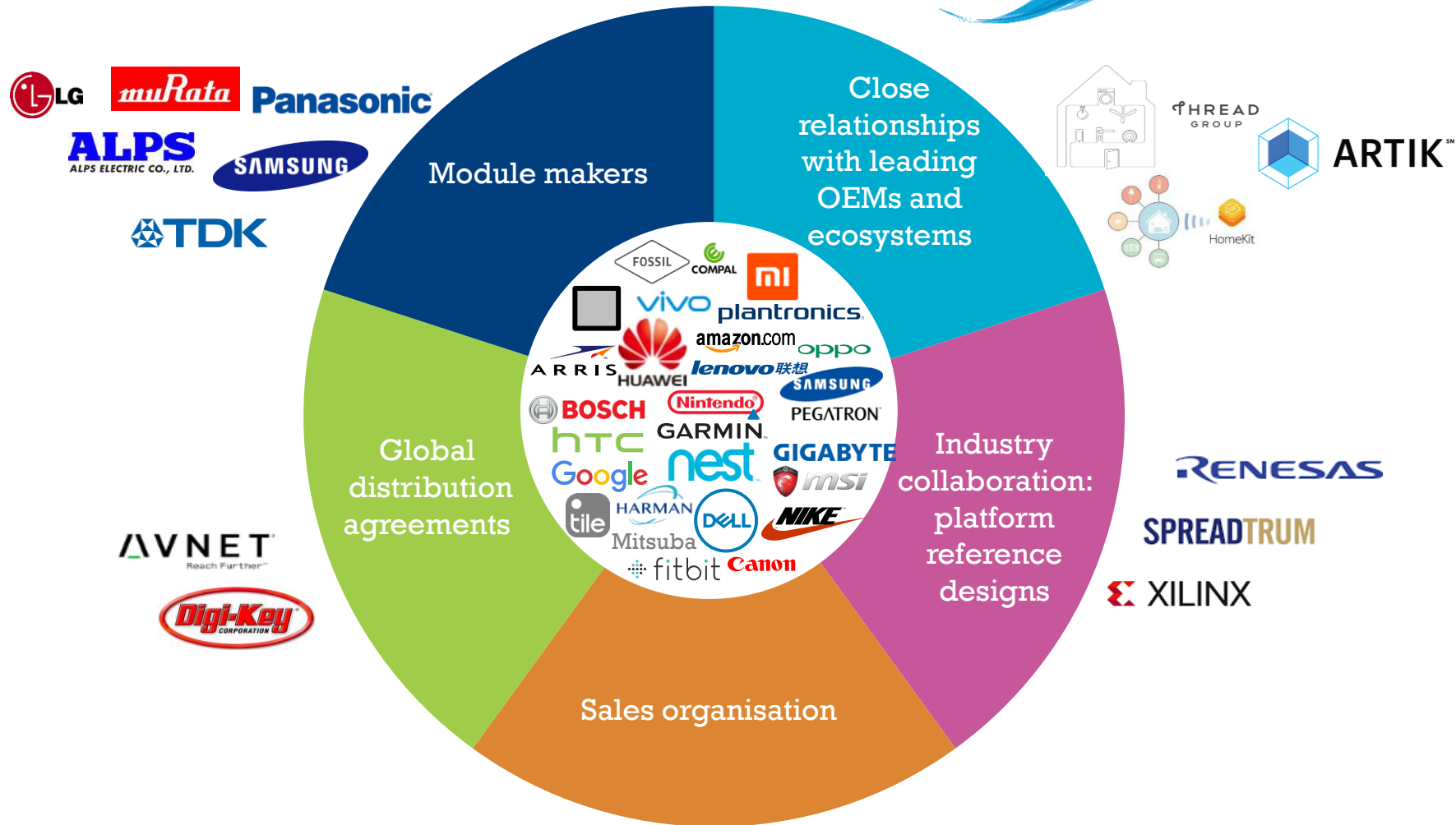
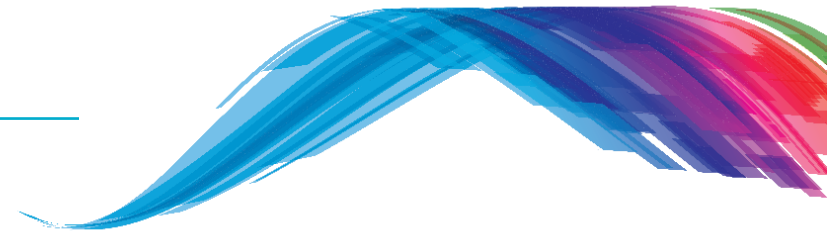




# Added value for our customers



# Multi-channel sales strategy - IoT



# Mobile Systems

## 2017 estimated market share

 ~15%<sup>2</sup>

## Market estimates CAGR 2016-2020<sup>1</sup>

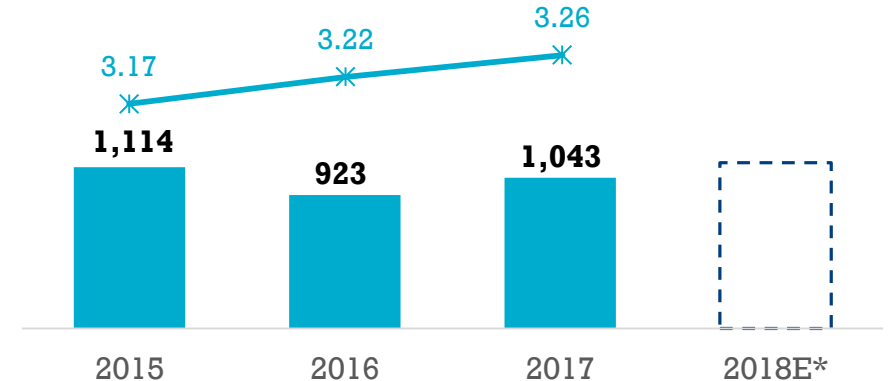
 3%  1%

- Broad R&D engagement with largest customer:
  - Design wins targeting 2019 and later production ramp;
  - Opportunities outside of power management.
- Increased content per device.
- Revenue stream with solid underlying profitability.
- Extended product portfolio, and platform reference designs in Mobile computing and Automotive.

<sup>1</sup> Sources and market estimates on slide 26.

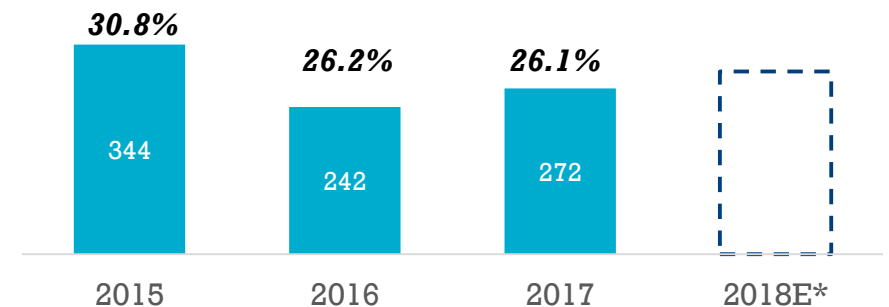
<sup>2</sup> IDC Quarterly Worldwide Mobile Phone Tracker, <https://www.idc.com/promo/smartphone-market-share/vendor>, 215.8 million units / 1.46 billion units.

## Full year revenue \$m and content per device \$



\* 2018E not drawn to scale

## Full year underlying EBIT \$m and %



\* 2018E not drawn to scale

# Opportunity outside of Mobile Systems

## 2017 estimated market share and ranking



## Market estimates CAGR 2016-2020<sup>1</sup>



- Diversified revenue stream in growing markets where Dialog maintains a strong market share with innovative and differentiated technologies.
- Growing revenue and increased underlying operating margin.

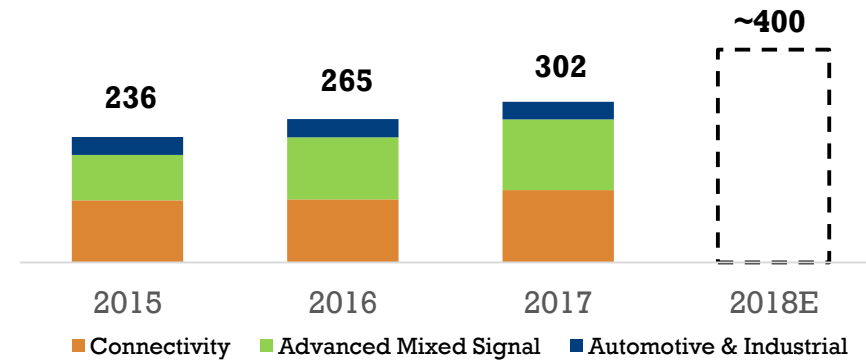
<sup>1</sup> Sources and market estimates on slide 26.

<sup>2</sup> Rapid charge for smartphones.

<sup>3</sup> Competition from discrete components suppliers.

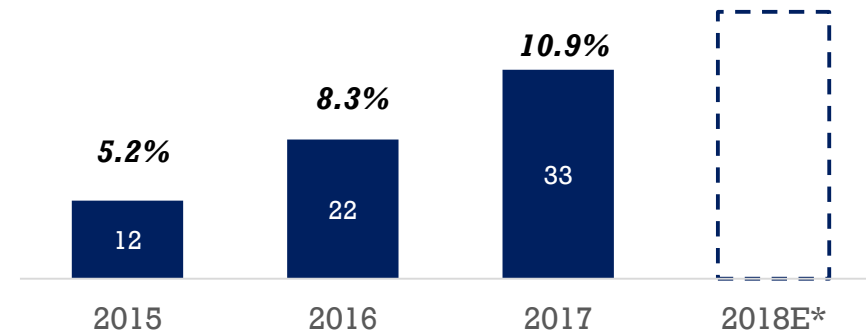
<sup>4</sup> Revenue CAGR 2018-2019 communicated on 5 October 2017, Acquisition of Silego Technology, slide 5.

## Full year revenue \$m 19% CAGR 2015-2018E



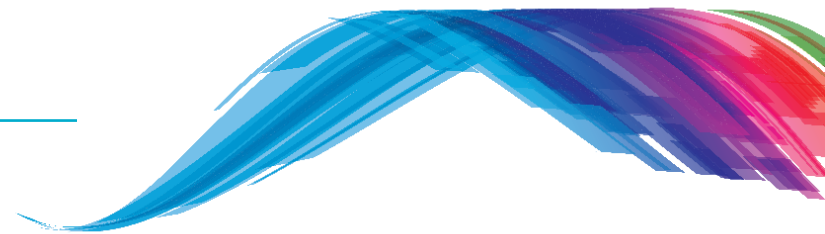
2018E includes the acquisition of Silego Technology Inc. in November 2017

## Full year combined underlying EBIT \$m and % 64% CAGR 2015-2017



\* 2018E not drawn to scale





## Analyst coverage

Bank of America Merrill Lynch	Adithya Metuku
Baader Bank	Guenther Hollfelder
Bankhaus Lampe	Dr. Karsten Iltgen
Barclays Capital	Andrew Gardiner
Bloomberg	Woo Jin Ho
Bryan, Garnier & Co	Frédéric Yoboué
ODDO BHF	Veysel Taze
Commerzbank	Thomas Becker
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
Main First Bank AG	Juergen Wagner
Natixis	Charles Lepetitpas
RBC	Mitch Steves
Stifel	Lee Simpson

## Financial Calendar

**Q3 2018 – 31 October 2018**

## Key Events

**London roadshow**

2 August 2018

**Commerzbank Conference – Frankfurt**

30 August 2018

**DB EMEA TMT – London**

7 September 2018

**DB Global TMT – Las Vegas**

12 September 2018

**Baader Bank Conference – Munich**

24 September 2018

**Morgan Stanley TMT – Barcelona**

14-16 November 2018

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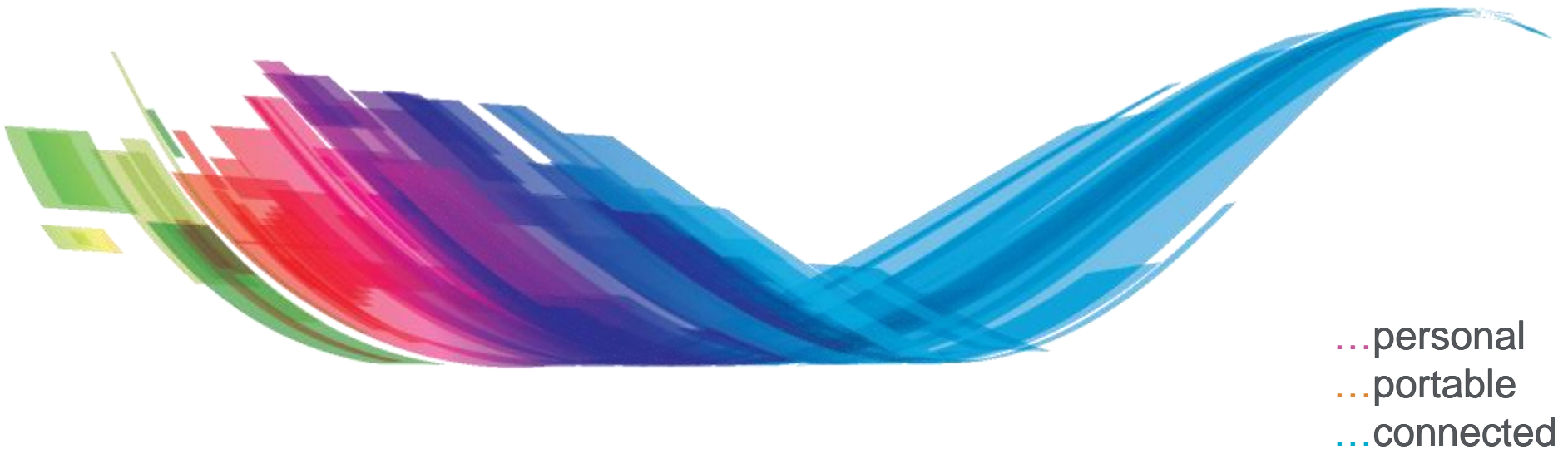
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