DIALOG SEMICONDUCTOR REPORTS RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

Q1 2017 revenue up 12% year-on-year and strong cash flow generation

London, UK, May 9, 2017 - Dialog Semiconductor Plc (XETRA: DLG), a provider of highly integrated power management, AC/DC, solid state lighting and Bluetooth® low energy wireless technology, today reports results for the first quarter ended 31 March 2017.

Q1 2017 financial highlights

- Revenue of US$271 million slightly above the mid-point of February guidance.
- All operational business segments delivered year-on-year revenue growth.
- Gross margin at 45.3% and underlying[1] gross margin at 46.1%, in line with the February guidance.
- Operating profit of US$29.1 million, 81% below Q1 2016 which included US$137 million of the Atmel termination fee.
- Underlying[1] operating profit of US$43.2 million, up 44% year-on-year.
- All operational business segments delivered operating profits on an underlying[1] basis.
- Diluted EPS of US$0.29 and underlying[1] diluted EPS of US$0.43.
- US$41.4 million returned to shareholders through the share buyback programme.
- Cash flow from operating activities of US$100.7 million (Q1 2016: US$107.1 million). US$85.9 million of free cash flow[1,2] generated in Q1 2017. US$723 million of cash and cash equivalents, US$61 million above 1 April 2016.

Subsequent to the end of the quarter, the first intermediate settlement of the third tranche of the share buyback programme took place. On 25 April 2017, the Company purchased 650,000 ordinary shares at an average price of €48.2459.

Q1 2017 operational highlights

- Continued momentum and design-in engagements for custom Power Management ICs (PMICs) at leading OEMs, for next generation smartphones, tablets, computing and wearable products.
- Partnership with Spreadtrum announced, with first power related mixed signal IC for Spreadtrum's latest LTE platform demonstrated.
- Diversification and expansion of our PMIC portfolio into the automotive market announcing Renesas as an automotive processor platform partner.
- Smartphone high efficiency charger standard product family launched, a new high growth ASSP market segment for Dialog.
- First RF-transmit wireless charging IC sampled, following the strategic partnership with Energous.
- Company's first Bluetooth® low energy System-on-Chip qualified, supporting latest Bluetooth 5.0 standard.

Commenting on the results, Dialog Chief Executive, Dr Jalal Bagherli, said:

"This has been a positive start to the year and I'm pleased to report double-digit revenue growth, in line with our guidance. Particularly encouraging is the strong revenue growth recorded across all of our business segments. Our leadership position in the rapid charge market and the continued expansion of our portfolio of Bluetooth® low energy products are both helping to drive our momentum.

We remain focused on new areas of growth where we can differentiate with our innovative technology. Addressing high-efficiency smartphone charging and our partnership with Spreadtrum, offer exciting opportunities to increase our market share in Asia. All of this, combined with the increasing value we bring to our customers, underpins my confidence in our growth prospects for this year and over the medium-term."

1) Underlying measures and free cash flow quoted in this Press Release are non-IFRS measures (see page 4).
2) The definition of free cash flow has changed to align it with our peers'. Free cash flow now represents cash flow from operating activities less capital expenditure. Free cash flow was previously defined as net income before depreciation, amortisation, plus/minus net finance income/(expense), net decrease/(increase) in working capital, and minus capital expenditure.

Outlook

Based on our current visibility, we anticipate revenue for Q2 2017 to be in the range of US$235-US$265 million.

Good business momentum and a pipeline of key product launches in the second half of the year, give us confidence in expecting 2017 to be a year of good revenue growth. As in previous years, revenue performance will be strongly weighted towards the second half of the year.

In line with the revenue performance, we expect gross margin for Q2 2017 and the full year 2017 to be broadly in line with Q1 2017.

Financial overview

IFRS

US$ million	Q1 2017	Q1 2016	Change
Revenue	271.0	241.4	+12%
Gross Margin	45.3%	44.6%	+70bps
R&D %[3]	22.5%	23.8%	-130bps
SG&A %[3]	12.0%	15.1%	-310bps
Other operating income %[3,4]	-	56.9%	nm
Operating profit	29.1	151.2	-81%
Operating margin	10.7%	62.6%	nm
Net income	23.1	142.9	-84%
Basic EPS US$	0.31	1.89	-84%
Diluted EPS US$	0.29	1.80	-84%
Cash flow from operating activities	100.7	107.1	-6%

Underlying[1]

US$ million	Q1 2017	Q1 2016	Change
Revenue	271.0	241.4	+12%
Gross margin	46.1%	45.5%	+60bps
R&D %[3]	20.7%	22.3%	-160bps
SG&A %[3]	9.4%	10.9%	-150bps
EBITDA	57.4	40.7	+41%
EBITDA %	21.2%	16.9%	+430bps
Operating profit	43.2	29.9	+44%
Operating margin	15.9%	12.4%	+350bps
Net income	34.4	21.6	+59%
Basic EPS US$	0.46	0.29	+59%
Diluted EPS US$	0.43	0.28	+54%

3) R&D, SG&A and other operating income as a percentage of revenue.
4) Other operating income in 2016 includes US$137 million Atmel termination fee.

Revenue in Q1 2017 was up 12% year on year to US$271 million. All business segments delivered year-on-year revenue growth. Mobile Systems was up 9% year-on-year due to higher sales volumes. Power Conversion delivered 22% year-on-year revenue growth, the sixth consecutive quarter of strong double digit growth. Connectivity was up 29% year-on-year on the solid performance of Bluetooth® low energy and DECT products. Automotive & Industrial was up 12% year-on-year.

Q1 2017 gross margin was 45.3%, 70bps above Q1 2016. Q1 2017 underlying[1] gross margin was 46.1%, 60bps above Q1 2016. The year-on-year increase in gross margin is primarily the result of a favourable product mix combined with higher sales volumes.

OPEX, comprising SG&A and R&D expenses, in Q1 2017 was US$93.6 million, broadly in line with Q1 2016. As a percentage of revenue, OPEX in Q1 2017 was 34.5% of revenue, representing a reduction of 440bps year-on-year. Underlying[1] OPEX, comprising of underlying SG&A and R&D expenses, in Q1 2017 was US$81.7 million, 2% above Q1 2016. As a percentage of revenue, underlying OPEX was 30.1%, representing a reduction of 310bps year-on-year. On a trailing twelve month basis, underlying[1] OPEX was 27.4% of revenue, 50bps below the previous quarter.

R&D expense in Q1 2017 was up 6% from Q1 2016. As a percentage of revenue, R&D in Q1 2017 was down 130bps year-on-year to 22.5%. On an underlying[1] basis, R&D expense was up 5% from Q1 2016. As a percentage of revenue, underlying[1] R&D in Q1 2017 was down 160bps year-on-year to 20.7%. This moderate increase in R&D expense was predominantly driven by the on-going investment in large application-specific customer opportunities as well as in programmes supporting new growth areas and the diversification of the business. The year-on-year reduction in R&D as a percentage of revenue is the result of the higher revenue in the quarter partially offset by the moderate increase in R&D.

SG&A expense in Q1 2017 was down 11% from Q1 2016. This decrease was predominantly due to US$3.6 million of Atmel related costs accounted for in Q1 2016. As a percentage of revenue, SG&A in Q1 2017 was 310bps below Q1 2016. Underlying[1] SG&A expense in Q1 2017 was down 3% on Q1 2016. As a percentage of revenue, underlying SG&A was 150bps below Q1 2016 to 9.4%. This decrease was the result of a decrease in SG&A costs and the higher revenue.

Operating profit in Q1 2017 was US$29.1 million, down 81% year-on-year. The primary driver of this decrease was the Atmel termination fee (US$137 million) accounted for in Q1 2016. Operating profit margin in the quarter was 10.7%, also below Q1 2016. Underlying[1] operating profit was US$43.2 million, up 44% year-on-year, as a result of the higher revenue and moderate increase in underlying operating expenses. Underlying[1] operating margin in the quarter was 15.9%, 350bps above Q1 2016.

The effective tax rate in Q1 2017 was 21.2% (FY2016: 15.4%). The low effective tax rate in Q1 2016 reflected the tax treatment of the US$137 million Atmel termination fee. The underlying[1] effective tax rate in Q1 2017 was 22.7%, down 130bps on the FY2016 underlying effective tax rate (FY2016: 24.0%).

In Q1 2017, net income was down 84% year-on-year. This decline was mainly due to the Atmel termination fee accounted for in Q1 2016. Underlying[1] net income was up 59% year-on-year as a result of the increase in underlying[1] operating profit. Underlying[1] diluted EPS in Q1 2017 was up 54% year-on-year.

At the end of Q1 2017, our total inventory level was US$89.2 million, 15% below the previous quarter and representing 54 days of inventory, a 6-day increase from the previous quarter. During Q2 2017, we expect inventory value and days of inventory to increase from Q1 2017 ahead of the ramp of new products in H2 2017.

On 17 February 2017, the final settlement of the second tranche of the buyback programme took place. During Q1 2017, the Company returned €38.8 million (US$ 41.4 million) to shareholders through the share buyback programme. Subsequent to quarter end, on 25 April 2017, the first settlement of the third tranche of the share buyback programme took place. The Company purchased 650,000 ordinary shares at an average price of €48.2459. The total number of shares purchased by the Company under the buyback programme as of the 25 April 2017 was 3,433,206.

Share buybacks are a core element of our capital allocation framework and the company remains committed to returning excess cash to shareholders through the share buyback programme. At the Company's Annual General Meeting on 4 May 2017, shareholders granted approval to purchase up to 10% of the issued ordinary share capital.

At the end of Q1 2017, we had a cash and cash equivalents balance of US$723 million. Cash flow from operating activities in Q1 2017 was US$100.7 million, 6% below Q1 2016 which included $137 million of the Atmel termination fee.

Operational overview

Our proven success with top OEM customers for custom solutions continued through Q1 2017. We have a number of new PMIC design-wins and further engagements for future smartphone generations and other consumer mobile platforms. These key custom engagements offer significant benefits in space and power savings, encouraging a trend of increasing custom mixed signal power content across future platforms for mobile devices, computing and wearables, in 2017 and over the medium term.

We also announced that Dialog will provide its highly-integrated mixed signal power related technologies for Spreadtrum's next generation LTE platforms, targeting global mainstream LTE smartphone markets. The first phase of the partnership will see Dialog's latest custom SC2705 included in Spreadtrum's LTE platform SC9861G-IA offering an opportunity for us to increase our market share in Asia. Additional derivatives of the technology from both companies are also under development, targeting different smartphone entry levels and regional markets.

In line with our strategic objective to expand our standard product portfolio, the Mobile Systems Business Group introduced a next generation Charger IC, the DA9313. Targeting mobile devices, this new IC delivers industry leading efficiency as high as 98%.

Additionally, subsequent to the quarter end, Dialog announced a PMIC chipset powering the Renesas R-Car H3 automotive computing platform for driving support systems and in-vehicle infotainment systems. The chipset comprises of the DA9063-A system PMIC and two sub PMICS, the DA9213-A and DA9214-A, expanding our portofolio of PMICs into the automotive market.

The Power Conversion Business Group delivered its sixth consecutive quarter of year-on-year revenue growth. Dialog Rapid Charge™ power adapter solutions continue to be adopted for new smartphone models by leading Asian OEMs. Dialog enjoys a commanding market share in this fast charging segment.

Our strategic partnership with Energous continues to attract strong market interest with the launch of the first WattUp™ RF-transmit wireless charging IC, the DA4100. This is the first IC made available since the partnership was announced in November 2016. Radio Frequency based charging technology has the potential to revolutionalize the wireless charging landscape. Through this partnership, Dialog became the exclusive component supplier of the WattUp ICs.

The Connectivity Business Group expanded its SmartBond™ product portfolio with the introduction of its first Bluetooth® low energy System-on-Chip (SoC), the DA14586, which achieved early qualification for the new Bluetooth 5.0 standard. The DA14586 brings increasing value to customers, building on the SmartBond credentials of flexibility and low power consumption with additional features allowing customers to add intuitive intelligent voice control to any cloud connected IoT product.

Non-IFRS measures

Underlying measures of profitability and free cash flow quoted in this Press Release are non-IFRS measures. Our use of underlying measures and reconciliations of the underlying measures to the nearest equivalent IFRS measures for Q1 2017 and Q1 2016 are presented in Section 3 of the Q1 2017 Interim Results Report. For ease of reference, we present below reconciliations for the non-IFRS measures quoted in this Press Release:

Income statement items

Q1 2017 US$'000	IFRS basis	Share-based compensation and related payroll taxes	Amortisation of acquired intangible assets	Effective interest	Strategic investments	Underlying basis
Revenue	270,974	-	-	-	-	270,974
Gross profit	122,646	536	1,768	-	-	124,950
SG&A expenses	(32,602)	5,243	1,824	-	-	(25,535)
R&D expenses	(60,951)	4,737	-	-	-	(56,214)
Operating profit	29,093	10,516	3,592	-	-	43,201
Net finance income/(expense)	246	-	-	95	973	1,314
Profit before income taxes	29,339	10,516	3,592	95	973	44,515
Income tax expense	(6,220)	(3,355)	(209)	(18)	(318)	(10,120)
Net income	23,119	7,161	3,383	77	655	34,395

Q1 2016 US$'000	IFRS basis	Share-based compensation and related payroll taxes	Amortisation of acquired intangible assets	Aborted merger with Atmel	Effective interest	Underlying basis
Revenue	241,408	-	-	-	-	241,408
Gross profit	107,661	519	1,751	-	-	109,931
SG&A expenses	(36,430)	4,513	1,900	3,606	-	(26,411)
R&D expenses	(57,524)	3,743	-	-	-	(53,781)
Other operating income	137,478	-	-	(137,300)	-	178
Operating profit	151,185	8,775	3,651	(133,694)	-	29,917
Net finance income/(expense)	(4,279)	-	-	1,913	153	(2,213)
Profit before income taxes	146,906	8,775	3,651	(131,781)	153	27,704
Income tax expense	(4,015)	(1,451)	(215)	(383)	(31)	(6,095)
Net income	142,891	7,324	3,436	(132,164)	122	21,609

EBITDA

US$'000	Q1 2017	Q1 2016
Underlying measures		
Net income	34,395	21,609
Net finance expense	(1,314)	2,213
Income tax expense	10,120	6,095
Depreciation expense	7,414	6,434
Amortisation expense	6,827	4,394
EBITDA	57,442	40,745

FREE CASH FLOW - HISTORICAL DATA

US$'000	Q1 2017	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Underlying measures									
Cash flow from operating activities	100,653	107,077	13,498	39,281	88,904	119,565	45,717	42,718	109,663
Purchase of property, plant and equipment	(6,899)	(5,668)	(5,528)	(6,974)	(7,604)	(5,687)	(10,939)	(5,861)	(10,468)
Purchase of intangible assets	(1,690)	(2,480)	(2,139)	(2,156)	(5,015)	(3,232)	(3,125)	(2,290)	(3,031)
Payments for capitalized development costs	(6,212)	(5,741)	(4,136)	(1,839)	(4,086)	(5,454)	(5,889)	(5,420)	(8,015)
Free cash flow	85,852	93,188	1,695	28,312	72,199	105,192	25,764	29,147	88,149

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Dialog Semiconductor invites you today at 09.30 am (London) / 10.30 am (Frankfurt) to take part in a live conference call and to listen to management's discussion of the Company's Q1 2017 performance, as well as guidance for Q2 2017. Participants will need to register using the link below labelled 'Online Registration'. A full list of dial in numbers will also be available. To register for the webcast and receive dial in numbers, the conference PIN and a unique User ID please click on the link below:

http://members.meetingzone.com/selfregistration/registration.aspx?booking=EMtGZMCviBDVpbIkRd5RigmRuvyIwRx3qvEYCSpf0bM=&b=d58ae4ab-80e5-47f2-8295-e04d92bbba83

In parallel to the call, the presentation will be available at:

http://webcast.openbriefing.com/semiconductor_q1_results_090517/

The full release including the Company's condensed consolidated income statement, consolidated balance sheet, consolidated statements of cash flows and selected notes for the quarter ended 31 March 2017 is available under the investor relations section of the Company's website at:
http://www.dialog-semiconductor.com/investor-relations

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Note to editors

Dialog Semiconductor provides highly integrated standard (ASSP) and custom (ASIC) mixed-signal integrated circuits (ICs), optimised for smartphone, tablet, IoT, LED Solid State Lighting (SSL), and Smart Home applications. Dialog brings decades of experience to the rapid development of ICs while providing flexible and dynamic support, world-class innovation and the assurance of dealing with an established business partner. With world-class manufacturing partners, Dialog operates a fabless business model and is a socially responsible employer pursuing many programs to benefit the employees, community, other stakeholders and the environment we operate in.

Dialog's power saving technologies including DC-DC configurable system power management deliver high efficiency and enhance the consumer's user experience by extending battery lifetime and enabling faster charging of their portable devices. Its technology portfolio also includes audio, Bluetooth® Low Energy, Rapid Charge™ AC/DC power conversion and multi-touch.

Dialog Semiconductor plc is headquartered in London with a global sales, R&D and marketing organisation. In 2016, it had US$1.2 billion in revenue and approximately 1,770 employees worldwide. The company is listed on the Frankfurt (FWB: DLG) stock exchange (Regulated Market, Prime Standard, ISIN GB0059822006) and is a member of the German TecDax index.

Forward Looking Statements

This press release 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 supersede any previous statement.