Press release – 5 November 2020

Dialog Semiconductor reports results for the third quarter ended 25 September 2020

Q3 2020 revenue at US$386 million, above the high-end of the August outlook range. Revenue excluding licensed PMICs was up 24% year-on-year.

London, UK, 5 November 2020 – Dialog Semiconductor Plc (XETRA: DLG) today reports unaudited results for the third quarter ended 25 September 2020.

	IFRS basis (unaudited)		Underlying basis[1] (unaudited)		
US$ millions unless stated otherwise	**Q3 2020**	Q3 2019	**Q3 2020**	Q3 2019	Change
Revenue	**386.4**	408.8	**386.4**	408.8	-5%
Gross margin	**48.3%**	49.2%	**50.7%**	49.5%	+120bps
Operating expenses[2]	**152.5**	122.5	**108.5**	103.7	+5%
Operating (loss)/profit	**(7.0)**	83.9	**91.5**	103.8	-12%
Operating margin	**(1.8)%**	20.5%	**23.7%**	25.4%	-170bps
Diluted EPS	**$(0.27)**	$0.91	**$1.00**	$1.13	-12%
Free cash flow			**11.8**	86.8	-86%

1 Underlying measures and free cash flow quoted in this Press Release are non-IFRS measures (see page 5).
2 Comprising SG&A and R&D expenses.

Q3 2020 Financial highlights

- Revenue of US$386 million 7% above the mid-point of the August outlook range and 5% below Q3 2019.
- Strength across the product portfolio with revenue excluding licensed main Power Management ICs ("PMICs") was up 24% year-on-year.
- Gross margin at 48.3% (Q3 2019: 49.2%). Continued progress on underlying gross margin at 50.7% (Q3 2019: 49.5%) up 120bps year-on-year.
- Operating loss of US$7.0 million (Q3 2019: operating profit of US$83.9 million) mainly due to a US$44.9 million impairment loss in relation to the acquisition of Adesto Technologies Corporation ("Adesto"), and underlying operating profit of US$91.5 million (Q3 2019: US$103.8 million).
- Second consecutive quarter of sequential revenue growth and increased underlying operating profit.
- Diluted EPS of US$(0.27) (Q3 2019: US$0.91) and underlying diluted EPS of US$1.00 (Q3 2019: US$1.13).
- On 29 June 2020, the Company closed its acquisition of Adesto broadening its presence in the Industrial IoT market.
- In Q3 2020, the Company purchased 685,769 ordinary shares for €25.6 million (US$29.5 million) as part of the 2019 Share Buyback Programme. Subsequent to quarter end, on 8 October 2020, we completed the second tranche of the 2019 Share Buyback for a total amount of €70.0 million at an average price of €34.37.
- Q3 2020 cash flow from operating activities of US$27.3 million (Q3 2019: US$97.3 million) which included the recoupment of the prepayment relating to the license agreement.

Q3 2020 Operational highlights

- Continued design-in momentum at our largest customer for the development and supply of several mixed-signal integrated circuits. We have made significant progress on a number of designs scheduled for 2022 production, including next generation display technologies.
- Strong operational performance despite evolving lockdown restrictions.
- Revenue in Custom Mixed Signal business segment from our largest customer driven by new mixed-signal products was up 12% year-on-year.
- Q3 2020 revenue from Configurable Mixed-signal ICs ("CMICs") was up 36% year-on-year, led by GreenPAK™ and charger switches.
- Q3 2020 revenue from Bluetooth® low energy ("BLE") was up 60% sequentially and 8% year-on-year, led by strong demand for fitness trackers and digital watches.
- Dialog and Renesas extended their cooperation with Dialog's PMICs for the R-Car M3 and R-Car E3 reference platforms, and Telechips selected Dialog as preferred power management partner for next generation automotive platforms.
- Subsequent to quarter end, on 19 October 2020, we entered into an agreement to license our Conductive Bridging RAM ("CBRAM") technology to GLOBALFOUNDRIES.

Press release – 5 November 2020 continued

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

"Revenue for the third quarter exceeded our August guidance due to improving trends across the portfolio, which were particularly strong in PMICs, BLE and CMICs. As consumer trends adapted to new social realities brought by the pandemic, we saw demand increase for our products in headphones, fitness trackers, digital watches, notebooks, and tablets. We expect this trend to continue through Q4."

"While we continue to successfully navigate evolving lockdown restrictions we remain focused on the integration of Adesto. We are excited about the expansion of our business into industrial IoT and Adesto's long-term growth prospects. Our solid financial position supports our growth strategy as we continue to expand our product portfolio and leverage our technology into new markets. These investments help to rebalance the end-market exposure of our business, creating long-term value for shareholders."

Outlook

In Q4 2020 we anticipate revenue to be in the range of US$380 million to US$430 million and underlying gross margin to be broadly in line with 9M 2020.

Update on COVID-19

Throughout the pandemic, our main focus has been to protect the health and wellbeing of our employees and business partners. As lockdown restrictions continue to evolve and change, we are following applicable Health and Safety guidelines and where appropriate, opening our offices, albeit at a low capacity. We continued to maintain a minimal staff presence in our test labs, where required, and adhered to recommended safe working practices. Our supply chain has remained stable during the quarter, with most suppliers and our customers' contract manufacturers continuing to operate at almost full capacity. Customer engagements continued to be effectively managed remotely and we continue to make good progress.

Our business remains resilient. Our fabless business model and the strength of our balance sheet provide us with financial resilience and operational flexibility to navigate the current circumstances.

Q3 2020 Financial overview

Revenue was 5% below Q3 2019 at US$386 million mostly due to the expected decline in licensed main PMICs to US$103.9 million (Q3 2019: US$181.9 million) partially offset by improving trends across the product portfolio. In particular, sales growth of PMICs, BLE, and CMICs was driven by the continuing strength of consumer demand for headphones, fitness trackers, digital watches, notebooks, and tablets. Group revenue excluding licensed main PMICs was up 24% year-on-year. License revenue of US$9 million related to the Apple agreement was reported in Corporate.

Gross margin was 48.3%, 90bps below Q3 2019 (Q3 2019: 49.2%) as a result of the consumption of the fair value uplift of the acquired Adesto inventory. Underlying gross margin was up 120bps year-on-year at 50.7%. This increase was mainly the result of revenue mix and continuing savings in manufacturing and overhead costs.

Operating expenses ("OPEX"), comprising SG&A and R&D expenses, in Q3 2020 were 25% above Q3 2019, representing 39.5% of revenue (Q3 2019: 30.0%). The increase in OPEX was due to the acquisitions of Adesto and Creative Chips. In Q3 2020 we incurred US$5.6 million transaction costs and US$4.6 million integration costs related to the acquisition of Adesto. Underlying OPEX in Q3 2020 was 5% above Q3 2019 (Q3 2019: US$103.7 million), representing 28.1% of revenue (Q3 2019: 25.4%). The additional OPEX from Adesto and Creative Chips was partially offset by an 8% year-on-year reduction in R&D and SG&A.

In line with its long-term financial objectives, the Company has initiatives in place to reduce its cost base over time. In Q3 2020, following the closing of the acquisition of Adesto, the Company has made good progress on the execution of the planned cost synergies. All these initiatives seek to improve efficiency, protect profitability, and strengthen cash flow generation.

R&D expenses were 8% above Q3 2019 representing 22.0% of revenue (Q3 2019: 19.3%). Underlying R&D expenses in Q3 2020 were 2% above Q3 2019 representing 19.0% of revenue (Q3 2019: 17.6%). The increase in R&D expenses was mainly due to the acquisitions of Adesto and Creative Chips partially offset by cost savings.

SG&A expenses in Q3 2020 were 55% above Q3 2019, representing 17.4% of revenue (Q3 2019: 10.7%). The increase was driven by the acquisitions of Adesto and Creative Chips partially offset by cost savings. In Q3 2020 we incurred US$10.1 million costs relating to the acquisition of Adesto. Underlying SG&A expenses in Q3 2020 were 11% above Q3 2019 representing 9.1% of revenue (Q3 2019: 7.7%). The increase in underlying SG&A expenses was mainly the result of the acquisitions of Creative Chips and Adesto partially offset by cost savings.

In Q3 2020 we incurred a US$40.9 million other operating loss driven by US$4.0 million income from contributions to product development costs and an impairment loss of US$44.9 million in relation to the provisional goodwill recognised on the acquisition of Adesto. The goodwill impairment loss was the result of an increase in the applicable discount rate and the estimated impact to Adesto's forecast of the COVID-19 pandemic. Further information is presented in note 8 to the interim financial statements. Underlying other operating income, which comprised income from contributions to product development costs, were US$4.0 million, below Q3 2019 (Q3 2019: US$5.2 million).

In Q3 2020 we incurred an operating loss of US$7.0 million, significantly below Q3 2019 (Q3 2019: operating profit US$83.9 million), mainly due to the impairment loss combined with lower revenue and additional operating expenses from the acquisitions of Adesto and Creative Chips, partially offset by cost savings. Underlying operating profit was 12% below Q3 2019, at US$91.5 million (Q3 2019: US$103.8 million) driven by lower revenue together with additional operating expenses from the acquisitions of Creative Chips and Adesto, partially offset by higher underlying gross margin and cost savings.

The effective tax rate in Q3 2020 was (114.6)% (Q3 2019: 21.3%). Our high effective tax rate for Q3 2020 is principally due to the distorting effect on our income tax expense of the nil tax relief on the Adesto goodwill impairment as well as the tax and accounting treatments of share-based compensation, business combinations and certain of our strategic investments. The underlying effective tax rate in Q3 2020 was 19.7%, down 80bps on the Q3 2019 underlying effective tax rate of 20.5%.

In Q3 2020 we incurred a net loss of US$19.4 million, significantly below Q3 2019 (Q3 2019: net income of US$68.2 million). This decrease was mostly due to the decrease in operating profit. Underlying net income was 15% lower year-on-year mainly driven by the decrease in underlying operating profit.

Diluted EPS in Q3 2020 was significantly below Q3 2019 at US$(0.27) (Q3 2019: US$0.91). Underlying diluted EPS in Q3 2020 was 12% lower year-on-year to US$1.00 (Q3 2019: US$1.13).

At the end of Q3 2020, our total inventory level, including Adesto, was US$161 million, 26% above the previous quarter. This is equivalent to 72 days of inventory representing a 4-day decrease in our days of inventory from Q2 2020, mainly due to the higher revenue. During Q4 2020, we expect inventory value and days of inventory to increase slightly.

In Q3 2020, the second and third settlements of the second tranche of the 2019 Buyback Programme took place. In the second interim settlement the Company purchased 354,968 ordinary shares for €12.3 million at an initial average price of €34.57. In the third settlement the Company purchased 330,801 shares for €13.3 million at an average price of €40.17. Subsequent to quarter end, on 8 October 2020, we completed the fourth and final settlement of this tranche, purchasing 696,849 ordinary shares for €29.7 million. Under the second tranche of the 2019 Buyback Programme, the Company purchased a cumulative total of 2,036,705 ordinary shares for €70.0 million at an average price per share of €34.37, corresponding to 2.7% of the Company's ordinary share capital as at 27 March 2019.

In support of our growth strategy and the diversification of our business, on 29 June 2020, the Company acquired Adesto resulting in a cash outflow of approximately US$498 million, funded from the Company's cash balances. This acquisition accelerates Dialog's expansion into the growing Industrial IoT market that enables smart buildings and industrial automation (Industry 4.0), seamlessly driving cloud connectivity. Adesto has an established portfolio of industrial solutions for smart building automation that fully complements Dialog's manufacturing automation products.

At the end of Q3 2020, we held cash and cash equivalents of US$439 million (Q3 2019: US$1,171 million). Cash flow from operating activities in Q3 2020 was US$27.3 million which was below Q3 2019 (Q3 2019: US$97.3 million). The year-on-year movement was mainly due to the lower revenue and working capital. In Q3 2020, the Group generated free cash flow of US$11.8 million, which was below Q3 2019 (Q3 2019: US$86.8 million) due to the lower cash flow from operating activities. At the end of the quarter, the remaining principal amount of the US$300 million prepayment outstanding was US$87.5 million.

Q3 2020 Segmental overview

Dialog is a fabless semiconductor company primarily focused on the development of highly integrated mixed-signal products for consumer electronics and other high-growth markets. Our highly skilled engineers, partnership approach, operational flexibility, and the quality of our products are sources of competitive advantage. Our primary end markets are consumer markets such as IoT, Computing, and Mobile. The increasing adoption of standard technologies, such as Bluetooth® low energy or LED lighting, and the expansion of high-performance processors into infotainment systems, have contributed to the expansion of our presence in the automotive segment. In line with our strategic goals, we intend to continue the expansion of our product portfolio through a combination of organic and inorganic initiatives. The acquisitions of Creative Chips and Adesto have enabled our expansion in the growing Industrial IoT market. Our ambition is to build a vibrant mixed-signal business, with a balanced end market exposure, on innovative low power products which enable our customers to get to market fast.

Press release – 5 November 2020 continued

Underlying results by segment

US$ millions unless stated otherwise	Revenue			Operating profit/(loss)		Operating margin	
	Q3 2020	Q3 2019	Change	**Q3 2020**	Q3 2019	**Q3 2020**	Q3 2019
Custom Mixed Signal	**223.6**	278.2	-20%	**69.2**	88.7	**31.0%**	31.9%
Advanced Mixed Signal	**78.2**	70.0	+12%	**11.4**	6.2	**14.6%**	8.8%
Connectivity & Audio	**56.0**	54.3	+3%	**6.8**	5.4	**12.1%**	10.0%
Adesto	**19.7**	–	na	**(2.4)**	–	**(12.4)%**	–
Total Segments	**377.5**	402.5	-6%	**85.0**	100.3	**22.5%**	24.9%
Corporate and other unallocated items	**8.9**	6.3	+43%	**6.5**	3.5	**72.8%**	55.7%
Total Group	**386.4**	408.8	-5%	**91.5**	103.8	**23.7%**	25.4%

Custom Mixed Signal (CMS)

In Q3 2020, revenue was US$224 million, 20% below Q3 2019 due to the expected decline in legacy licensed main PMICs partially offset by growth in new mixed-signal products and the contribution from Creative Chips. Revenue in CMS from our largest customer's products not covered by the licensing agreement was up 12% year-on-year to US$103.2 million (Q3 2019: US$91.8 million). Underlying operating profit for CMS decreased 22% year-on-year to US$69.2 million, mainly due to the lower revenue partially offset by lower operating expenses.

During the quarter, we were awarded new custom designs and continued to receive requests for quotations from a range of tier one customers, for new custom designs for 2022 and beyond in diverse areas of power, battery management, display, and audio technologies.

There is a growing market opportunity for next generation battery management solutions, capable of supporting higher wattage chargers, safe and short charging times, as well as secondary charging from phones to other devices. Dialog is well positioned to capitalise on this opportunity, with a range of products built on our strong expertise in the design of mixed-signal and power-efficient ICs, meeting the requirements of a wide range of customers in mobile and consumer IoT end markets. We are currently engaged with the top mobile OEMs, with standard battery management products shipping in Q3 2020 and we expect revenue from high-volume contracts to begin with new smartphones in the second half of 2021.

In parallel, we continue to leverage our power management technology into new markets and geographies through the expansion of our platform reference designs. The collaborations with Renesas, Xilinx, and Telechips strengthen Dialog's presence in the automotive segment, in particular, Intelligent In-Vehicle Infotainment and ADAS. We have over 100 automotive customer engagements, most of which are expected to go into production over the next three years.

Advanced Mixed Signal (AMS)

During Q3 2020, revenue increased by 12% from Q3 2019 due to strong revenue growth in CMICs more than offsetting lower volumes in backlighting. The lower volumes resulted from the impact of the lack of live sport events on the high-end TV market. While demand in 2020 has remained soft, we are seeing the beginning of strong design-in momentum. Operating profit was up 84% year-on-year mainly driven by the higher revenue and product mix, together with cost savings.

Dialog has successfully maintained a commanding market share in the rapid charge market through a combination of differentiated technology, speed of execution and wide support of rapid charge products, leading the industry in high power density AC/DC chargers. In Q3 2020 we started shipping high-voltage power delivery products.

Our broad product portfolio, which includes LED backlighting and LED driver ICs, and proprietary digital control technology for power conversion, enables high quality solutions at a low cost. We are engaged with tier one customers in the high-end TV market and we are seeing a gradual expansion of our customer base in mobile and automotive display markets with medium term opportunities.

Dialog's configurable technology, including the highly successful GreenPAK™ product family, has become established as the leading choice in the market. Low power consumption and in-system programming enables customers to rapidly customise and integrate multiple analog, logic, and discrete components into a single chip. Earlier in the year we launched a high-voltage GreenPAK™ product, ideal for consumer and industrial motor applications. We also released a new update for the GreenPAK™ Designer software package containing simulation capabilities to incorporate external components, ranging from passive components like shunt resistors to more complex devices like motors, which will further reduce development time and simplify the design process across the entire GreenPAK™ portfolio. The expansion of the GreenPAK™ product range within the last 12 months will further accelerate its adoption across a wider range of applications, such as automotive as well as smartphone cameras. Our growing range of configurable products gives our customers the flexibility to keep pace with rapidly changing market needs. The CMIC, along with other members of the GreenPAK™ family, replaces dozens of components in a wide range of applications to optimize flexibility, footprint, and a reduction of the bill of materials.

Connectivity and Audio (C&A)

During Q3 2020, revenue grew by 3% from Q3 2019 mainly due to higher revenue from BLE and audio products offsetting lower revenue from legacy Digital Enhanced Cordless Telecommunications ("DECT") products. Excluding revenue from legacy DECT of US$12.9 million (Q3 2019: US$17.4 million) year-on-year revenue growth was 17%. Operating profit in the quarter was 25% above Q3 2019 at US$6.8 million (Q3 2019: US$5.4 million). We continue to invest in the development of new BLE and audio products to take advantage of market opportunities and position the segment for higher revenue growth and profitability over the coming years.

The financial performance this quarter improved significantly over Q2 2020. Sales increased by 28% sequentially driven by strong performance of BLE and audio products and operating profit increased significantly from US$1.8 million in Q2 2020 (Q3 2020: US$6.8 million).

Revenue from our SmartBond™ BLE System-on-Chip ("SoC") was 8% above Q3 2019, and up 60% sequentially as a result of increased demand from customers in Asia. Following the launch of SmartBond TINY™ and the SmartBond TINY™ module, last quarter we launched our first combo Wi-Fi and BLE module, the DA16200 SoC. This offering was purpose built for battery-powered IoT applications, including connected door locks, thermostats, security cameras and other devices that require an "always on" Wi-Fi connection. Its VirtualZero™ technology enables the industry's lowest level of power consumption for Wi-Fi connectivity, so that even continuously connected devices can achieve up to five years of battery life in many use cases. Highly integrated, the SmartBond™ SoC family delivers the smallest, most power efficient BLE solutions available – and enables the lowest system costs.

In Q3 2020, the combined revenue from new audio products and Codecs doubled year-on-year. The C&A Segment is targeting the rapidly-growing consumer wireless headset market with our SmartBeat™ wireless audio IC. This technology enables a new immersive headset experience and supports both wired USB 3.0 Type-C™ and Bluetooth® based consumer headsets. Our product portfolio targeting the headset market also includes a family of highly-integrated audio codec chips that deliver best-in-class active noise cancellation, providing optimal audio performance in any environment.

Adesto

In Q3 2020, we consolidated Adesto into the Group. Revenue was US$20 million, in line with our August expectations. Adesto generated an operating loss of US$2.4 million. During this quarter we made good progress on the integration and we expect it to be completed by the end of 2021.

Adesto's technology enable seamless connectivity of heterogenous systems in an industrial environment to the cloud for building and industrial automation. Non-volatile memory ("NVM") is a key component of many system designs and our wide range of NVM products offer an array of features designed to help tune and optimize our customers' systems. Together with its mixed-signal and RF design team, as well as world-class technology and intellectual property, Adesto brings an innovative product portfolio to thousands of customers worldwide across the industrial, consumer, medical, and communications markets.

Following the completion of the acquisition in Q3 2020, we announced the qualification and compatibility of EcoXiP™ Octal xSPI flash memory with Renesas high-performance RZ/A2M microprocessor, benefiting a growing number of applications, accelerating intelligence at the IoT edge. Alongside this, FusionHD™ NOR flash memories are now also compatible with our BLE SoC, enabling customers to deploy the latest BLE technology while keeping power consumption to an absolute minimum in a wide range of industrial and connected consumer applications.

Subsequent to quarter end, on 19 October 2020, we entered into an agreement in which we license our CBRAM technology to GLOBALFOUNDRIES, the world's leading specialty foundry. GLOBALFOUNDRIES will first offer Dialog's CBRAM as an embedded, NVM option on its 22FDX® platform, with the plan to extend to other platforms. CBRAM technology is a low power NVM solution designed to enable a range of applications from IoT and 5G connectivity to artificial intelligence. Low power consumption, high read and write speeds, reduced manufacturing costs, and tolerance for harsh environments make CBRAM particularly suitable for consumer, medical, and select industrial and automotive applications.

In addition, we have closed two major deals with satellite operators for RF transceiver ASICs starting production from 2022.

Non-IFRS measures

Underlying measures of performance 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 are presented in Section 3 of the Q3 2020 Interim report. For ease of reference, we present below reconciliations for the non-IFRS measures quoted in this press release:

Press release – 5 November 2020 continued

Q3 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**

Q3 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

Accounting for business combinations

US$000	**Q3 2020**	Q3 2019
Acquisition-related costs	**5,553**	1,021
Amortisation of acquired intangible assets	**10,930**	6,964
Consumption of the fair value uplift of acquired inventory	**7,790**	483
Consideration accounted for as compensation expense	**6,536**	285
Forfeiture of deferred consideration	**(25)**	(50)
Increase in operating profit	**30,784**	8,703
Income tax credit	**(3,549)**	(1,127)
Increase in net income	**27,235**	7,576

EBITDA

US$000	Q3 2020	Q3 2019
Net (loss)/income	**(19,360)**	68,196
Net finance expense/(income)	**2,066**	(2,778)
Income tax expense	**10,337**	18,439
Depreciation expense	**9,650**	10,189
Amortisation expense	**17,363**	13,774
EBITDA	**20,056**	107,820
Share-based compensation and related expenses	**15,864**	10,718
Acquisition-related costs	**5,553**	1,021
Consumption of the fair value uplift of acquired inventory	**7,790**	483
Consideration accounted for as compensation expense	**6,536**	285
Forfeiture of deferred consideration	**(25)**	(50)
Integration costs	**4,648**	306
Impairment of goodwill	**44,900**	–
Cost-reduction initiatives	**2,247**	–
Corporate transaction costs	**–**	235
Underlying EBITDA	**107,569**	120,818

Free cash flow

US$000	Q3 2020	Q3 2019
Cash flow from operating activities	**27,334**	97,316
Purchase of property, plant and equipment	**(8,994)**	(3,157)
Purchase of intangible assets	**(2,038)**	(1,770)
Payments for capitalised development costs	**(1,850)**	(2,618)
Capital element of lease payments	**(2,699)**	(2,981)
Free cash flow	**11,753**	86,790

***

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 Q3 2020 performance, as well as guidance for Q4 2020. Participants will need to register using the link below. 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:

https://webcast.openbriefing.com/dialog-q320/

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

https://webcast.openbriefing.com/dialog-q320/

The presentation will also be available under the investor relations section of the Company's website at:

https://www.dialog-semiconductor.com/investor-relations/results-center

A replay will be posted on the Dialog website four hours after the conclusion of the presentation and will be available at:

https://www.dialog-semiconductor.com/investor-relations/results-center

The full release including the Company's unaudited consolidated financial statements for the quarter ended 26 June 2020 is available under the investor relations section of the Company's website at:

https://www.dialog-semiconductor.com/investor-relations/results-center

Press release – 5 November 2020 continued

For further information please contact:

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

FTI Consulting London
Matt Dixon
T: +44 (0)2037 271 137
matt.dixon@fticonsulting.com

FTI Consulting Frankfurt
Steffi Kim
T: +49 (0)17 1556 5996
steffi.kim@fticonsulting.com

About Dialog Semiconductor
Dialog Semiconductor is a leading provider of integrated circuits (ICs) that power mobile devices and the Internet of Things. Dialog solutions are integral to some of today's leading mobile devices and the enabling element for increasing performance and productivity on the go. From making smartphones more power efficient and shortening charging times, enabling home appliances to be controlled from anywhere, to connecting the next generation of wearable devices, Dialog's decades of experience and world-class innovation help manufacturers get to what's next. Dialog operates a fabless business model and is a socially responsible employer pursuing many programs to benefit employees, the 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. It currently has approximately 2,300 employees worldwide. In 2019, it had approximately US$ 1.42 billion in revenue. The company is listed on the Frankfurt (XETRA: DLG) stock exchange (Regulated Market, Prime Standard, ISIN GB0059822006).

Forward Looking Statements
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: 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 "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.