
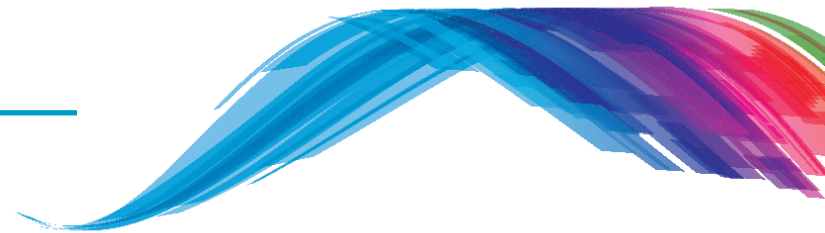

Dialog Semiconductor Q4 and Full Year 2015 Results

8 March 2016



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

Forward looking statement



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 “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 supercede any previous statement.



Agenda

Q4 and Full Year 2015 Financial Overview

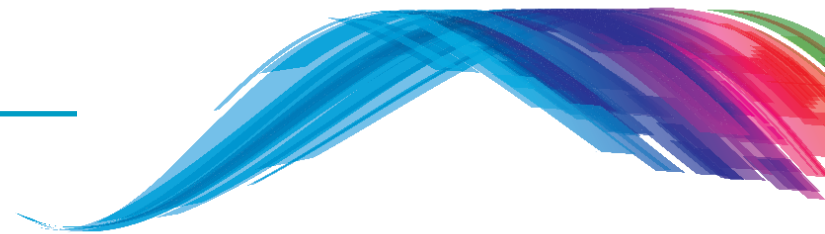
Outlook

Business Review

Q&A



Dialog at a glance – Q4 2015



\$397m
IFRS
Revenue
(Q4 2014
Actual: \$435m)
-9%

45.9%
Underlying
gross margin
(Q4 2014
Actual: 46.6%)
-70bps

19.4%
Underlying
OPEX %
(Q4 2014
Actual: 19.5%)
-10bps

26.5%
Underlying EBIT
margin
(Q4 2014
Actual: 27.1%)
-60bps

\$0.97
Underlying Diluted
EPS
(Q4 2014
Actual: \$1.17)
-17%

\$109.7m
Cash from
operations
(Q4 2014
Actual: \$119.3m)
-8%

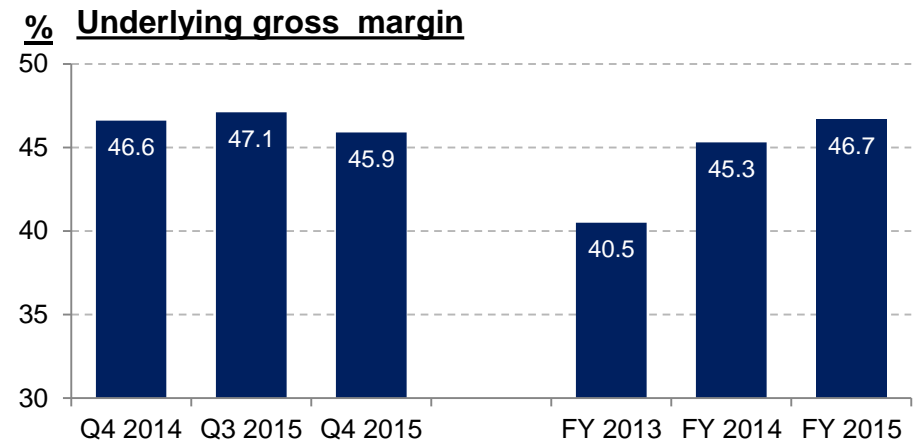
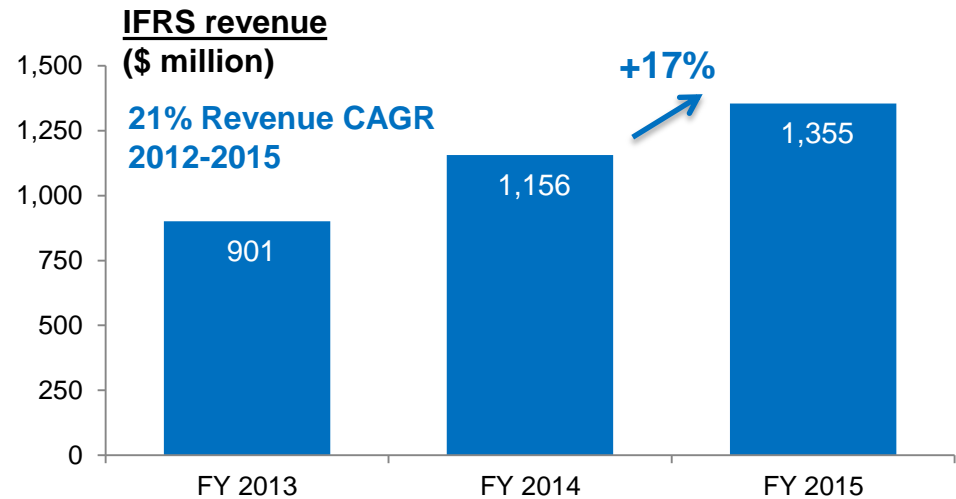
Underlying definition on slide 24



Solid 2015 revenue growth

Third consecutive year of gross margin improvement

- Solid FY 2015 revenue growth of 17%
 - Mobile Systems up 18%
 - Connectivity up 27%
 - Power Conversion up 5% - 16% up in Q4 2015
- Q4 2015 Underlying gross margin down 70 bps on Q4 2014
 - Lower revenue
 - Inventory write off approx. \$7m
- FY 2015 underlying gross margin up 140bps

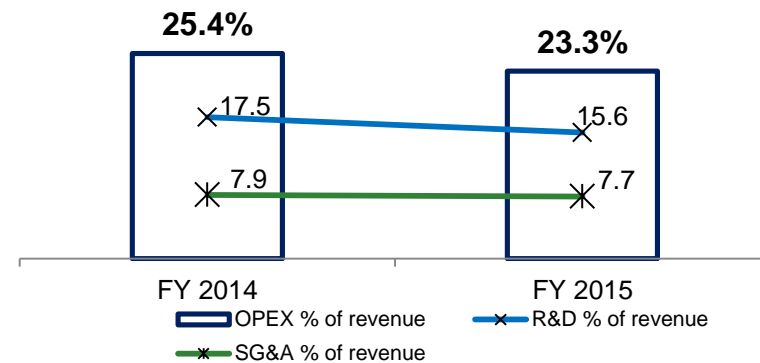


Full year EBIT increase

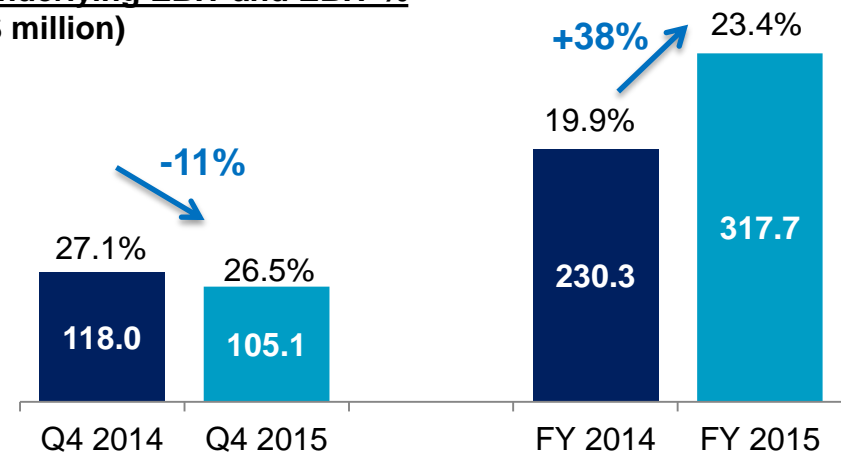
Gross margin improvement and OPEX leverage

- Full year 2015 underlying OPEX 210bps below 2014
 - Increase in R&D offset by:
 - UK R&D Expenditure Credits
 - Capitalised R&D
 - Industry leading SG&A
- Q4 2015 underlying operating profit (EBIT) 11% below Q4 2014
- **Full year 2015 EBIT up 38%, more than double revenue growth rate**
 - Gross margin increase
 - OPEX movement

**Underlying OPEX
% of revenue ***



**Underlying EBIT and EBIT %
(\$ million)**



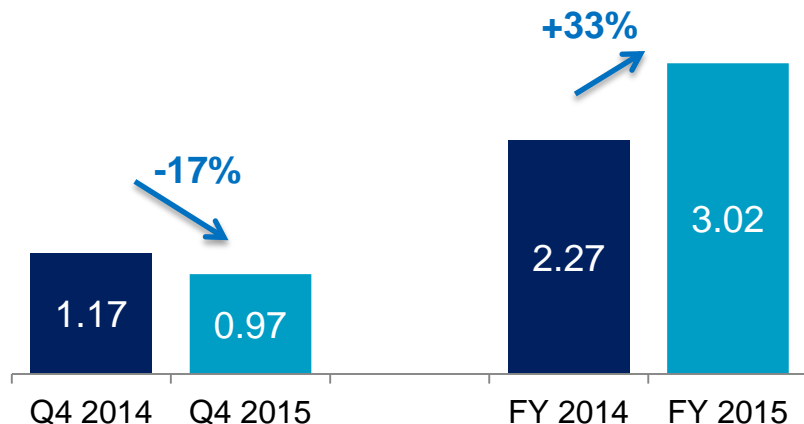
(* Other operating expenses included in SG&A)



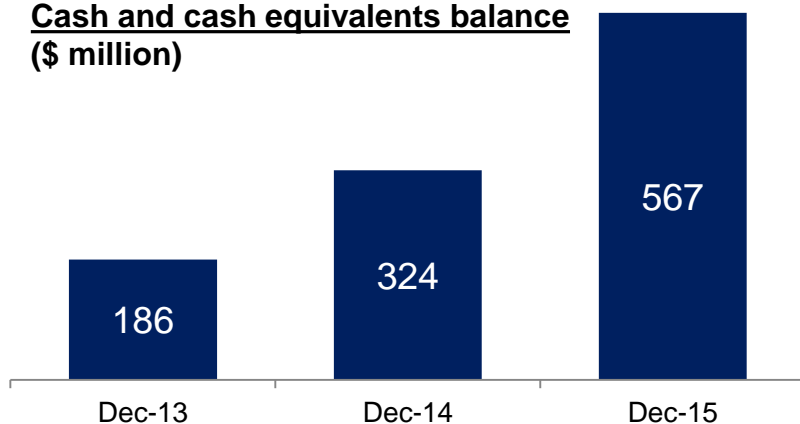
Strong 2015 earnings growth

Solid cash flow generation

Underlying diluted EPS (\$)



Cash and cash equivalents balance (\$ million)



- FY2015 IFRS effective tax rate of 28.4% excluding Atmel related costs
- **Earnings growth doubled revenue growth**
- Strong cash generation supports solid balance sheet
- \$192m free cash flow generated in 2015
 - Including \$18.8 million of costs relating to the proposed acquisition of Atmel



Agenda

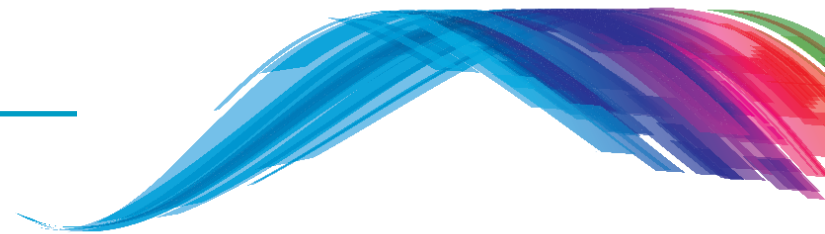
Outlook

Business Review

Q&A



Q1 2016 outlook



- Based on our current visibility, the expected softening of the smartphone market and the traditional seasonal pattern, we anticipate revenue for Q1 2016 to be in the range of \$230 to \$245m.
- We continue to expect single digit year-on-year overall revenue growth for the full year 2016 and anticipate continuing strong revenue momentum from our connectivity and power conversion products through 2016. As with previous years, revenue performance will be strongly weighted towards the second half of the year.
- In line with the seasonal lower revenue, gross margin in Q1 2016 will be marginally below Q4 2015.
- Based on our current full year 2016 revenue guidance, gross margin in 2016 is expected to remain broadly in line with that achieved in 2015.



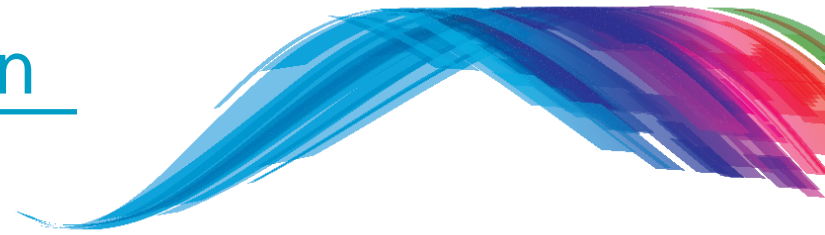
Agenda

Business review

Q&A

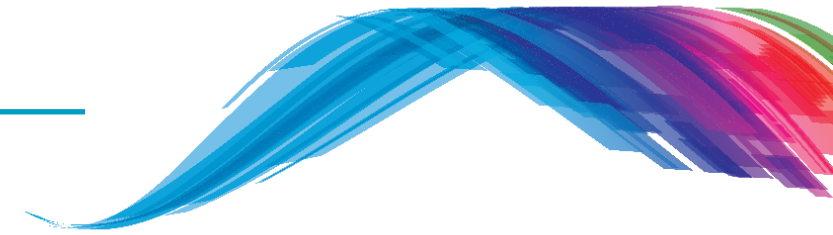


Growing business built on innovation



1 Solid competitive positioning	<ul style="list-style-type: none">• Rooted in deep R&D investment and IP• Technical excellence and highest level of integration compatible with short design cycle• High Tier 1 customer penetration
2 Structural growth	<ul style="list-style-type: none">• Core technical competencies aligned with secular trends in efficient power management in mobility and connected devices
3 High returns Strong cash generation	<ul style="list-style-type: none">• High touch fabless model; low capital intensity• Rigorous working capital management
4 Support organic and in-organic expansion	<ul style="list-style-type: none">• Enhancing the competitive advantage of the business• Expanding technology portfolio and customer base

① Solid competitive positioning

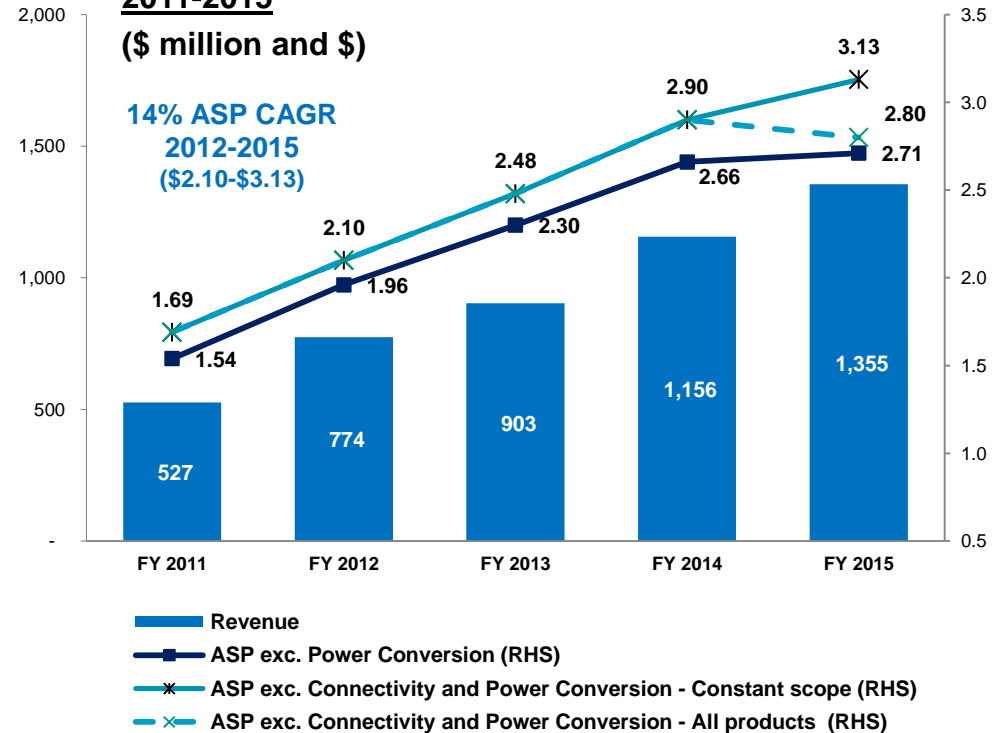


- Aligned with secular trend towards power management and low power electronics in mobility and connected devices
- Rooted in deep R&D investment and IP
 - Strong focus in power management and power efficient technologies for portable devices and consumer electronics
 - Strong focus and investment on new and differentiating IP
 - Global R&D organisation with early and in-depth understanding of customers' roadmap
- Technical excellence and highest level of integration compatible with short design cycle
 - Efficient and motivated teams delivering highly integrated and complex solutions
 - Agnostic to applications processor architecture
- High Tier 1 customer penetration ; broader and deeper customer base
 - Allowing visibility into medium term revenue streams
 - Lower OPEX investment

② Structural growth

- Double digit SAM expansion 2014-2018
- Accessing adjacent PMIC segments
 - IoT and high-end wearable devices
 - Computing Systems
 - TVs and set-top boxes
- Further potential for market share gains
 - Increasing share of wallet with existing customers
 - Maintaining technology leadership and focus
 - PMIC complexity driven by consumer expectations and expanding use cases
 - Connectivity: Bluetooth® Smart System-on-Chip
 - Power Conversion: RapidCharge™ is the fastest growing AC/DC segment; platform approach for smart LED lighting

Revenue and Average Selling Price (ASP)
2011-2015



③ High returns and strong cash generation

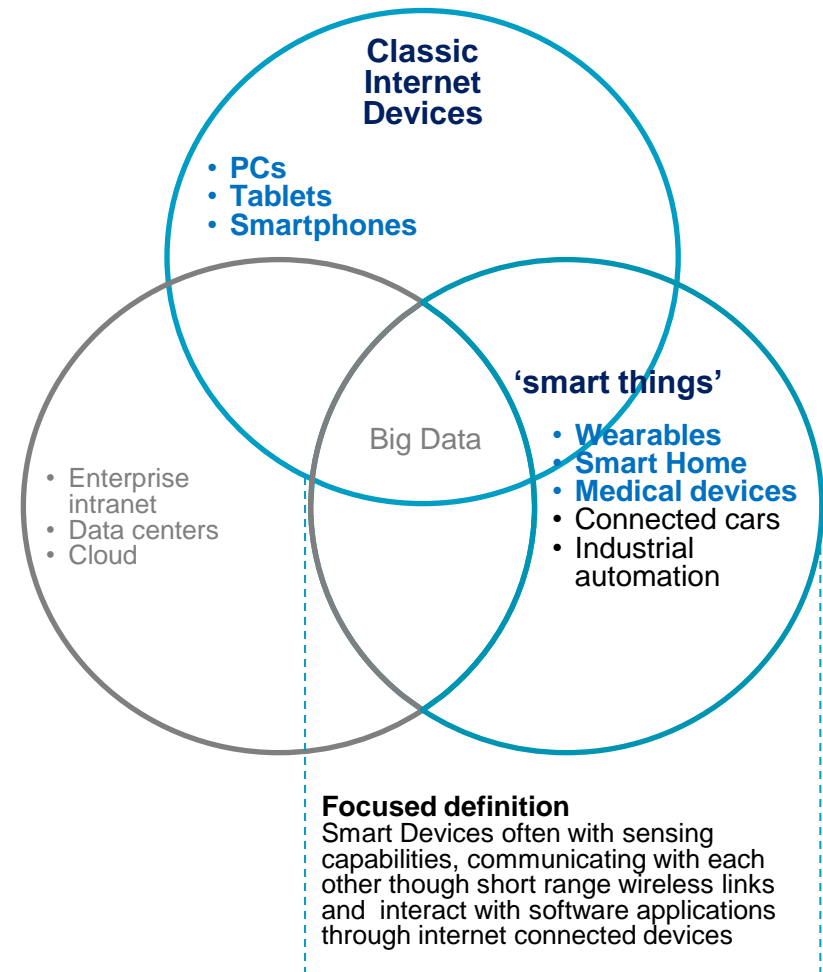


- Adding value to our customers with focus OPEX structure
- Strong cash generation supported by:
 - “High-touch” fabless model
 - Rigorous working capital management
 - Realigning IP with commercial structure of the business resulting on lower effective tax rate
- Investing in organic growth opportunity – sustainable R&D level
- Larger and solid cash generative business provides a wider set of tools to create long-term value for our shareholders

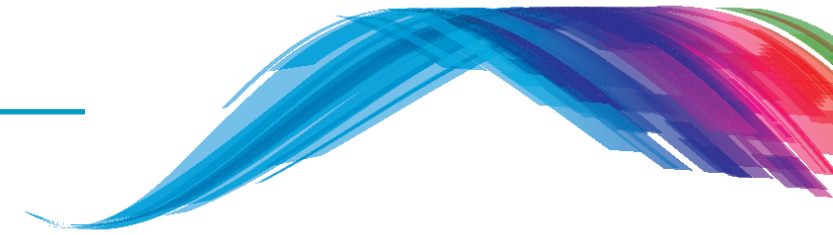
④ Support organic and in-organic expansion

Strengthening our competitive position

- M&A opportunity in addition to medium-term organic growth
- Increase our share of wallet in the markets we operate
- Expand our technology portfolio in emerging high-growth markets
- Expand our customer base
- Create long-term value for our customers and shareholders

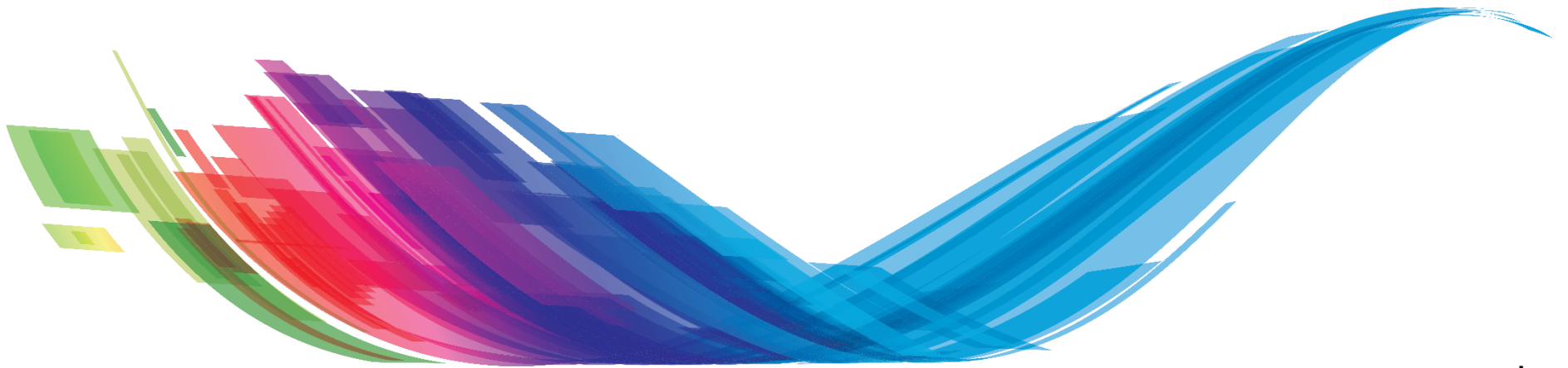


In summary



- Solid business performance in 2015
 - 17% revenue growth
 - Third consecutive year of gross margin improvement
 - Earnings growth doubled revenue growth
 - Strong free cash flow generation
- Seeking permission at the next AGM to put in place a general framework for a share buy-back programme
- Business is well positioned to benefit from structural market trends and generate sustainable long-term shareholder value
- Looking forward to welcoming our new CFO, Wissam Jabre

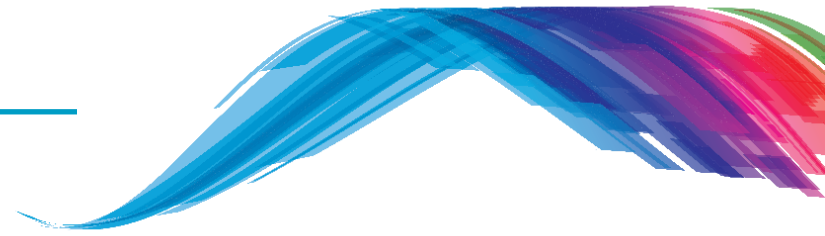
Q&A



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



Agenda

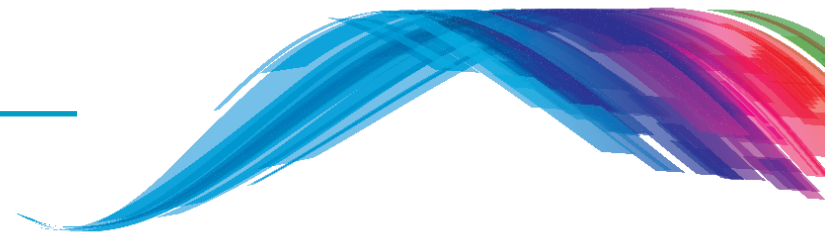


Appendix



Dialog at a glance

Full year 2015 – Solid revenue and earnings growth



\$1,355m

**IFRS
Revenue**

(FY 2014
Actual: \$1,156m)

+17%

46.7%

**Underlying
gross margin**

(FY 2014
Actual: 45.3%)

+140bps

23.3%

**Underlying
OPEX %**

(FY 2014
Actual: 25.4%)

-210bps

23.4%

**Underlying EBIT
margin**

(FY 2015
Actual: 19.9%)

+350bps

\$3.02

**Underlying Diluted
EPS**

(FY 2015
Actual: \$2.27)

+33%

\$317.7m

**Cash from
operations**

(FY 2015
Actual: \$270.5m)

+17%

Underlying definition on slide 25



Q4 2015 revenue

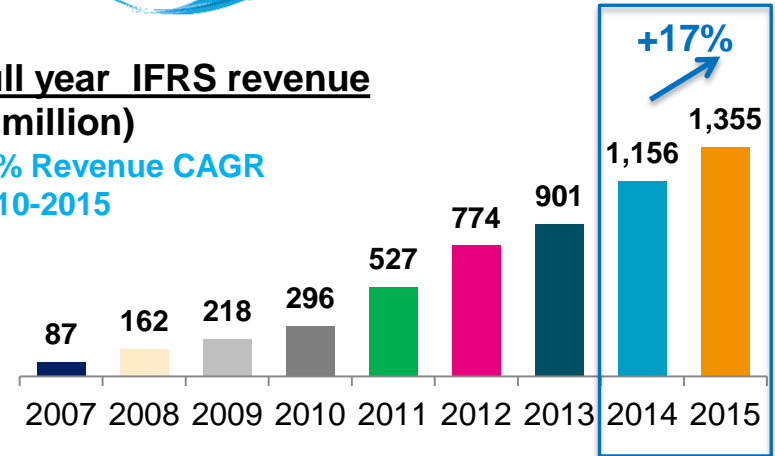
Strong growth in Power Conversion and Connectivity

- Q4 2015 IFRS revenue \$397 million
 - Mobile Systems down 11% on Q4 2015
 - Power Conversion up 16% on Q4 2015
 - Connectivity up 9% on Q4 2015

Full year IFRS revenue

(\$ million)

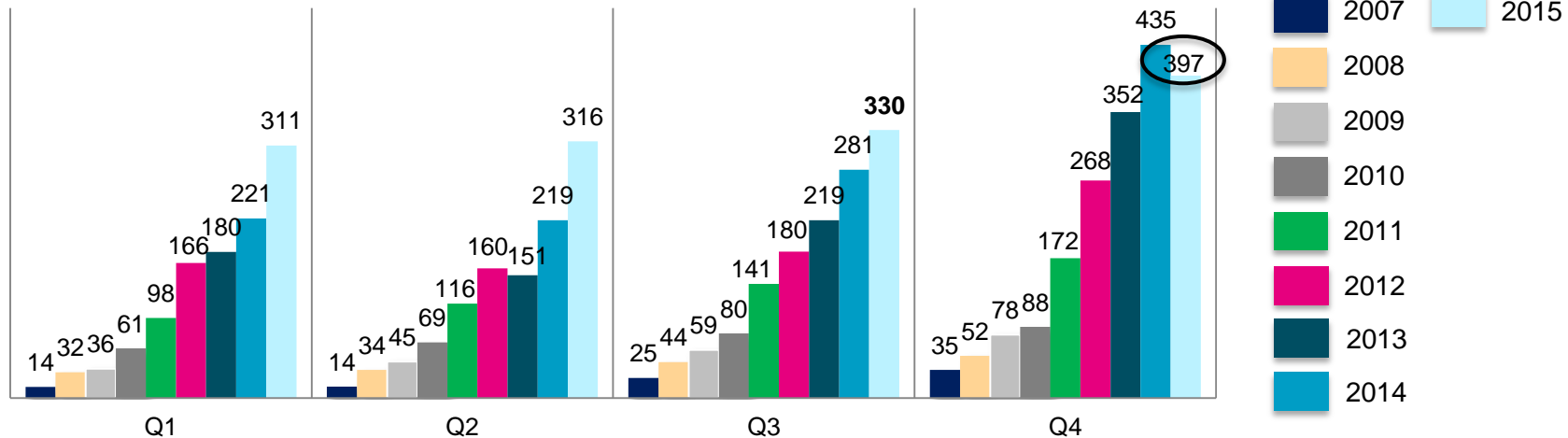
36% Revenue CAGR
2010-2015



Quarterly IFRS revenue

(\$ million)

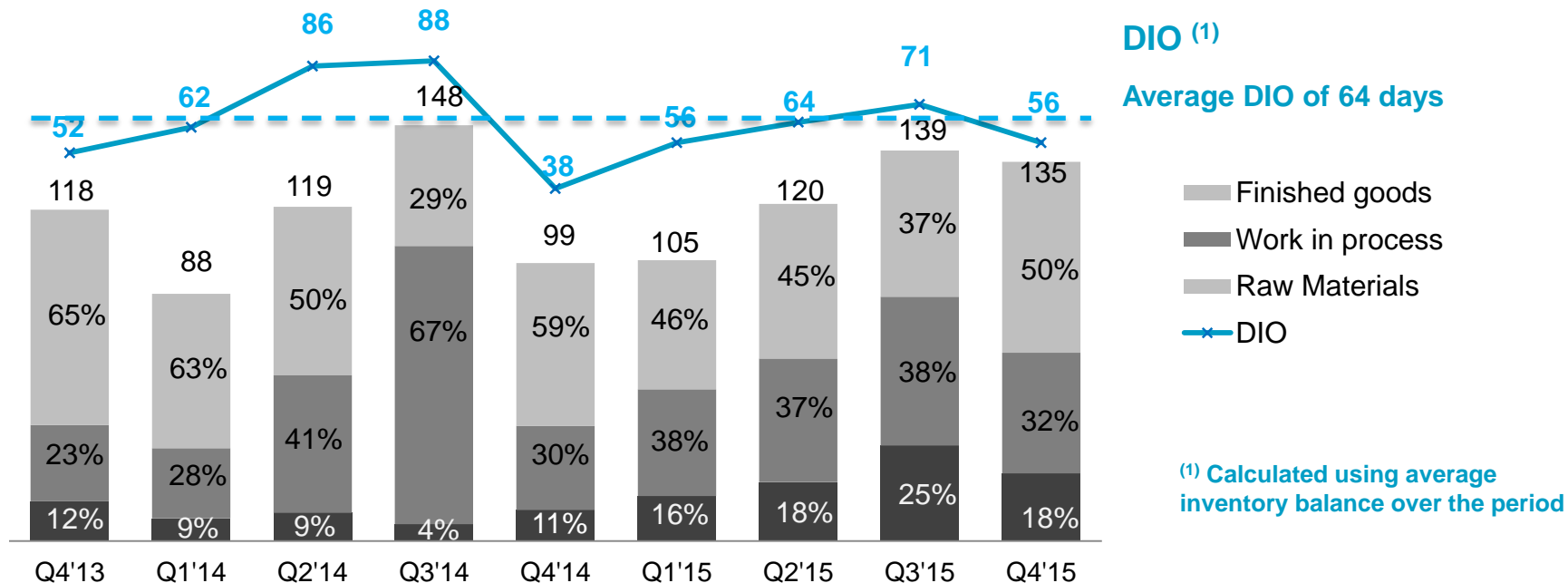
35% Q4 Revenue CAGR 2010-2015



Effective inventory management

- At the end of Q4 2015 inventory value down 3% and DIO down 21% on Q3 2015
- In Q1 2016 we expect inventory value and inventory days to increase from Q4 2015 to service our current customer backlog

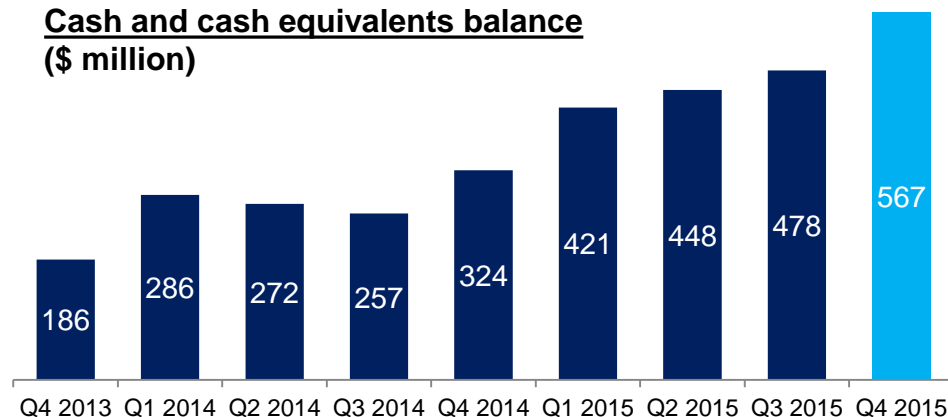
Inventory (\$ million) and Days Inventory Outstanding (# days)



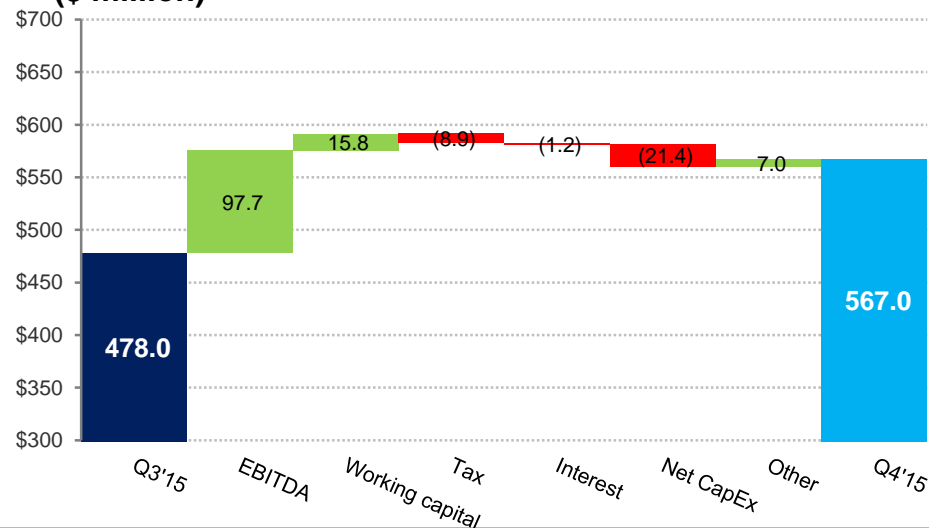
Strong cash flow generation

- **\$567million cash & cash equivalents balance at 31 December 2015**
- **\$109.7 million operating cash flow in Q4 2015 (Q4 2014: \$119.3 million)**
- **FY15 free cash flow of \$192 million (FY 2014: \$213 million)**
 - Including \$18.8 million of costs relating to the proposed acquisition of Atmel

Cash and cash equivalents balance (\$ million)



Cash Flow Bridge from Q3'15 (\$ million)



Q4 and FY 2015 – Underlying definition



*(**) EBITDA in Q4 2015 is defined as net income excluding income tax expense (Q4 2015: \$27.8 million, 2014: \$29.2 million), depreciation for property, plant and equipment, (Q4 2015: \$6.7 million, Q4 2014: \$5.4 million), amortisation of intangible assets (Q4 2015: \$8.5 million, Q4 2014: \$9.8 million) and losses on disposals and impairment of fixed assets (Q4 2015: \$1.3 million, Q4 2014: \$0.1 million) and excluding interest and foreign exchange movements (Q4 2015: \$0.8 million, Q4 2014: \$5.3 million).*

EBITDA in 2015 is defined as net income excluding income tax expense (2015: \$77.6 million, 2014: \$31.2 million), depreciation for property, plant and equipment, (2015: \$24.0 million, 2014: \$22.1 million), amortisation of intangible assets (2015: \$31.1 million, 2014: \$33.4 million), losses on disposals and impairment of fixed assets (2015: \$1.8 million, 2014: \$0.4 million) and excluding interest and foreign exchange movements (2015: net loss \$4.9 million, 2014: net loss \$16.6 million).

*(***) Free Cash Flow in FY 2015 is defined as net income of \$177.3 million plus amortisation and depreciation of \$55.1 million, plus net interest expense of \$5.2 million, plus change in working capital of \$26.4 million and minus capital expenditure of \$71.7 million.*

Q4 2015 – Underlying adjustments

US\$'000	IFRS basis	Share-based compensation and related payroll taxes	Accounting for business combinations	Aborted merger costs	Integration costs	Effective interest	Underlying basis
Revenue	397,230	-	-	-	-	-	397,230
Gross profit	181,283	(950)	2,123	-	-	-	182,456
SG&A expenses	(46,301)	2,506	1,900	14,748	8	-	(27,139)
R&D expenses	(53,893)	3,497	-	-	-	-	(50,396)
Other operating income	190	-	-	-	-	-	190
Operating profit	81,279	5,053	4,023	14,748	8	-	105,111
Net finance (expense)/income	(838)	-	-	1,153	-	166	481
Income tax expense	(27,876)	173	(284)	-	-	(34)	(28,021)
Net income	52,565	5,226	3,739	15,901	8	132	77,571
EBITDA	97,680	5,053	-	14,748	8	-	117,489



FY 2015 - Underlying adjustments

US\$'000	IFRS basis	Share-based compensation and related payroll taxes	Accounting for business combinations	Aborted merger costs	Integration costs	Effective interest	Underlying basis
Revenue	1,355,312	-	-	-	-	-	1,355,312
Gross profit	624,804	940	6,600	-	-	-	632,344
SG&A expenses	(143,035)	10,287	11,061	17,604	176	-	(103,907)
R&D expenses	(223,182)	10,418	824	-	-	-	(211,940)
Other operating income	1,159	-	-	-	-	-	1,159
Operating profit	259,746	21,645	18,485	17,604	176	-	317,656
Net finance expense	(4,907)	-	-	1,153	-	3,724	(30)
Income tax expense	(77,580)	(492)	(1,027)	-	-	(151)	(79,250)
Net income	177,259	21,153	17,458	18,757	176	3,573	238,376
EBITDA	316,627	21,645	3,461	17,604	176	-	359,513



FY 2015 – Income statement

	2015 US\$000	2014 US\$000
Revenue	1,355,312	1,156,105
Cost of sales	(730,508)	(641,296)
Gross profit	624,804	514,809
Selling and marketing expenses	(62,157)	(60,070)
General and administrative expenses	(80,878)	(59,445)
Research and development expenses	(223,182)	(213,808)
Other operating income	1,159	4,416
Operating profit	259,746	185,902
Interest income	1,215	419
Interest expense	(6,411)	(14,829)
Other finance income (expense)	289	(2,171)
Profit before income taxes	254,839	169,321
Income tax expense	(77,580)	(31,242)
Net income	177,259	138,079
Loss attributable to non-controlling interests	(1,507)	–
Profit attributable to shareholders in the Company	178,766	138,079
	2015	2014
Earnings per share (in US\$)		
Basic	2.42	2.05
Diluted	2.29	1.93
Weighted average number of shares (in thousands)		
Basic	73,763	67,329
Diluted	79,660	76,882

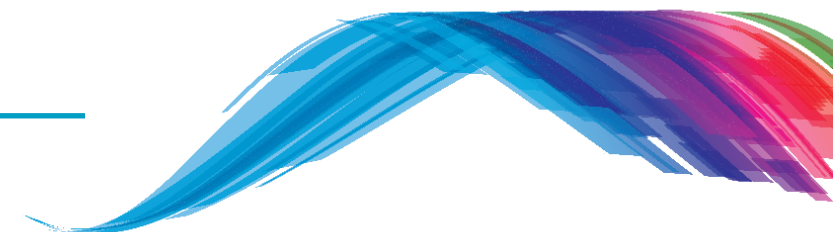


FY 2015 – Statement of financial position

	2015 US\$000	2014 US\$000
Assets		
Cash and cash equivalents	566,809	324,280
Trade and other receivables	72,668	100,569
Other financial assets	2,086	3,586
Inventories	134,930	99,140
Income tax receivables	129	64
Other current assets	20,856	10,491
Total current assets	797,478	538,130
Goodwill	251,062	244,878
Other intangible assets	138,604	131,505
Property, plant and equipment	68,444	59,263
Other financial assets	3,758	3,304
Income tax receivables	51	95
Deferred tax assets	28,454	28,771
Total non-current assets	490,373	467,816
Total assets	1,287,851	1,005,946
Liabilities and equity		
Trade and other payables	131,553	90,906
Other financial liabilities	8,245	22,120
Provisions	1,861	1,829
Income taxes payable	62,181	29,409
Other current liabilities	49,884	42,473
Total current liabilities	253,724	186,737
Convertible bonds	–	180,207
Other financial liabilities	4,919	7,916
Provisions	2,725	1,955
Deferred tax liabilities	1,598	5,455
Total non-current liabilities	9,242	195,533
Ordinary shares	14,402	13,353
Additional paid-in capital	463,725	274,517
Retained earnings	571,510	366,650
Other reserves	(7,923)	(15,776)
Dialog shares held by employee benefit trust	(24,630)	(15,068)
Equity attributable to shareholders in the Company	1,017,084	623,676
Non-controlling interests	7,801	–
Total equity	1,024,885	623,676
Total liabilities and equity	1,287,851	1,005,946



FY 2015 – Cash flow statement I



	2015 US\$000	2014 US\$000
Cash flows from operating activities:		
Net income	177,259	138,079
Non-cash items within net profit:		
Depreciation of property, plant and equipment	24,010	22,144
Amortisation of intangible assets	31,120	33,431
Loss on disposals and impairment of fixed assets	1,751	407
Impairment of inventories	9,047	9,828
Share-based payments expense	19,215	21,173
Interest expense, net	5,196	14,410
Income tax expense	77,580	31,242
Cash generated from operations before changes in working capital	345,178	270,714
Changes in working capital:		
Trade accounts receivable and other receivables	29,737	26,764
Inventories	(42,624)	8,570
Prepaid expenses	(354)	(376)
Trade accounts payable	34,448	(7,494)
Provisions	122	816
Other assets and liabilities	(3,975)	9,657
Cash generated from operations	362,532	308,651
Interest paid	(3,602)	(4,680)
Interest received	1,107	396
Income taxes paid	(42,374)	(33,909)
Cash flow from operating activities	317,663	270,458

FY 2015 – Cash flow statement II

	2015 US\$000	2014 US\$000
Cash flows from investing activities:		
Purchase of property, plant and equipment	(32,955)	(23,842)
Purchase of intangible assets	(11,678)	(12,058)
Payments for capitalised development costs	(24,778)	(6,670)
Purchase of businesses, net of acquired cash	(2,636)	–
Sale (purchase) of other investments	68	34
Change in other long term assets	278	(474)
Cash flow used for investing activities	(71,701)	(43,010)
Cash flows from financing activities:		
Draw down of borrowings	–	–
Repayment of borrowings	–	(105,000)
Share issue costs	–	(39)
Purchase of Dialog shares by employee benefit trusts	(14,032)	(6,172)
Sale of Dialog shares by employee benefit trusts	11,589	22,114
Cash flow (used for)/from financing activities	(2,443)	(89,097)
Net increase in cash and cash equivalents	243,519	138,351
Cash and cash equivalents at beginning of period	324,280	186,025
Currency translation differences	(990)	(96)
Cash and cash equivalents at end of period	566,809	324,280



Investor information

Analyst coverage

Bank of America Merrill Lynch	Adithya Metuku
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Bankhaus Lampe	Dr. Karsten Iltgen
Barclays Capital	Andrew Gardiner
Berenberg Bank	Tammy Qiu
Bryan, Garnier & Co	Dorian Terral
CA Cheuvreux	Bernd Laux
Close Brothers Seydler	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	Tim Wunderlich
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Jefferies International	Robert Lamb
JP Morgan Cazenove	Chetan Udeshi
Main First Bank AG	Juergen Wagner
Morgan Stanley	Francois A Meunier
Natixis	Stephane Hourii
RBC	Mitch Steves
Stifel	Lee Simpson

Financial Calendar

AGM 28 April

Q1 2016 Results 4 May

Key Events

Natixis TMT Conference

24 March 2016, Paris

Jefferies TMT Conference

10-12 May 2016, Miami

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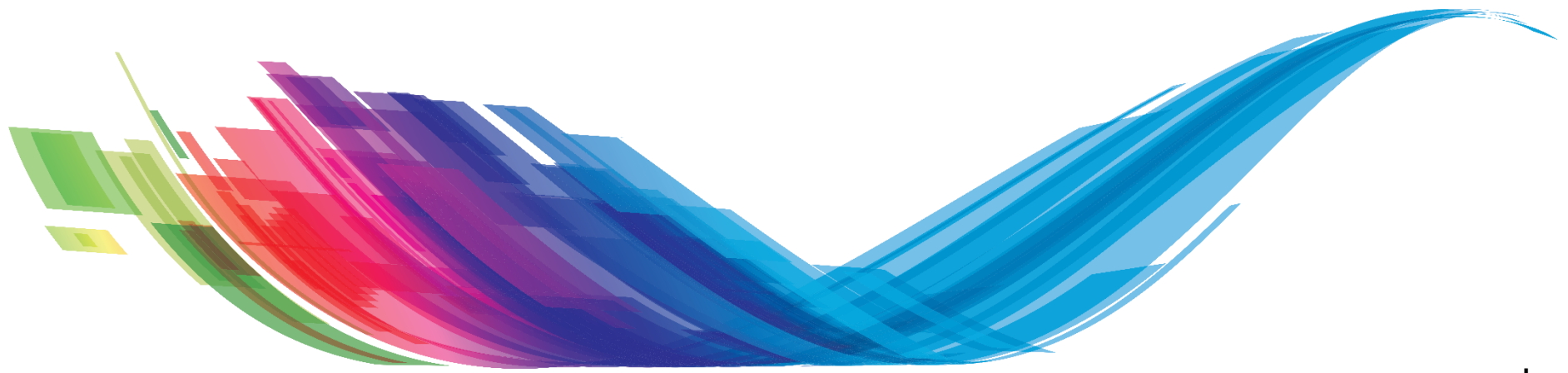
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- ... personal
- ... portable
- ... connected

