

# Dialog Semiconductor Q1 2020 Results

6 MAY 2020

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# Forward Looking Statement

This document contains “forward-looking statements” that reflect management’s current views with respect to future events. The words “anticipate,” “believe,” “estimate”, “expect,” “intend,” “may,” “plan,” “project” and “should” and similar expressions identify forward-looking statements. Examples include statements regarding financial metrics, operational matters, and closing conditions and regulatory approvals required in relation to the announced acquisition of Adesto Technologies Corporation (“Adesto” or “Adesto Technologies”). Forward-looking statements are subject to risks and uncertainties, including, but not limited to: 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 “Risks and their management” in Dialog Semiconductor’s most recent Annual Report) or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. We do not intend or assume any obligation to update any forward-looking statement which speaks only as of the date on which it is made, however, any subsequent statement will supersede any previous statement.

# Agenda

- Business Review
- Financial Review
- Q&A



# Update on COVID-19. A Resilient Business

## Our employees

- The safety and health of our employees is our main priority:
  - Working remotely
  - Employee Assistance Programme - looking after their wellbeing

## Value Chain

- Supply chain almost fully operational
- No significant change in the level of customer activity

## Positioning the business for the future

- Making the necessary investments to continue building key business capabilities and generate revenue growth
- A more diverse business with a balanced exposure to end markets

Financial resilience of our fabless business model and strong balance sheet

Low capex intensity

# Expanding Our Addressable Market in Power and Battery Management

## Winning New Opportunities in a Growing Market

### Reporting Segment

CMS



AMS



CMS



AMS



### End Market

Automotive



Computing



Mobile



Mobile



Consumer IoT



Expanding **custom Power Management** for automotive infotainment and ADAS, gaming consoles, computing and storage (Solid State Drives)

**High Power Density (HPD) AC/DCs** for new generation of chargers/travel adapters

Next generation **Battery Management solutions:**

- **In-device** Battery Charging, Battery Monitoring, Battery Sensing
- Multiple battery management solutions based on switch converters and capacitive dividers



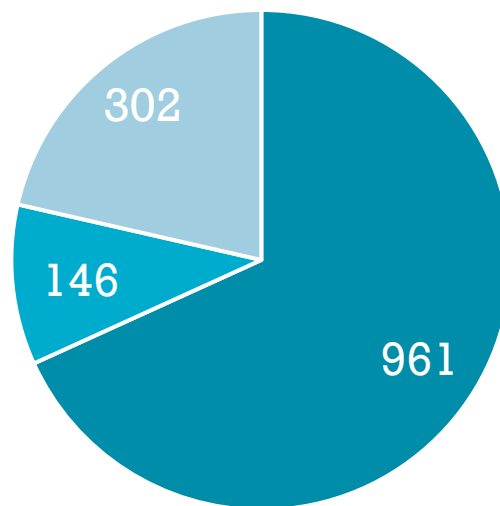
# A Growing Addressable Market\*: Battery Management

There is a battery management system inside every smartphone, every tablet, every earbud cradle, every smart watch, every wearable

**Reducing charge times and  
extending usable time between  
charges**



2019 \$1.4B



Wireless

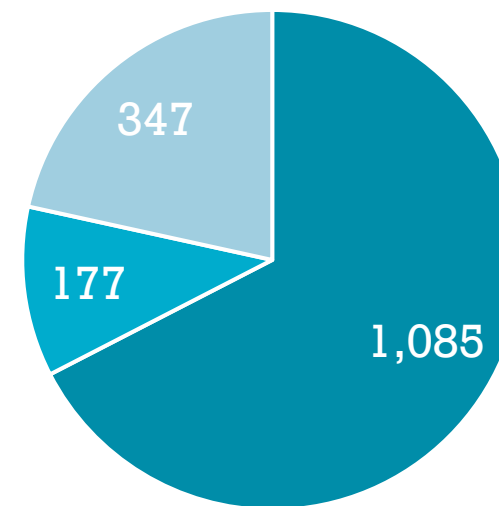


Consumer



Other

2022 \$1.6B



# A Resilient Business Model Investing in Future Growth

- ✓ A resilient business model capable of navigating the uncertainty and disruption caused by the pandemic
- ✓ Our main priority is the health and safety of employees and business partners
- ✓ Customer engagements continue according to plan with visibility to a healthy pipeline of customer design ins and new revenue opportunities in Battery Management
- ✓ Expecting to close the acquisition of Adesto Technologies in Q3 2020
- ✓ Strong balance sheet and liquidity to successfully navigate an uncertain economic environment

# Agenda

- Business Review
- Financial Review
- Q&A





# Financial Update on COVID-19. A Resilient Business Model With \$1B in Cash

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## Financial resilience and liquidity

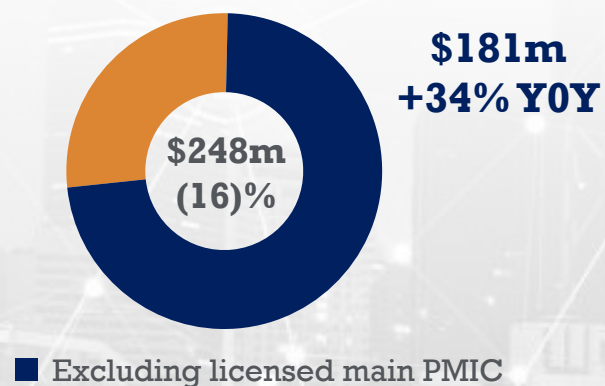
- Approximately \$1 billion in cash and cash equivalents
- Additional liquidity through an undrawn RCF of \$150 million
- Maintaining strong focus on working capital management and cash flow generation

## Managing the uncertainty caused by the pandemic

- Focus on cash flow and liquidity
- Initiatives to reduce our cost base

# At a Glance – Q1 2020

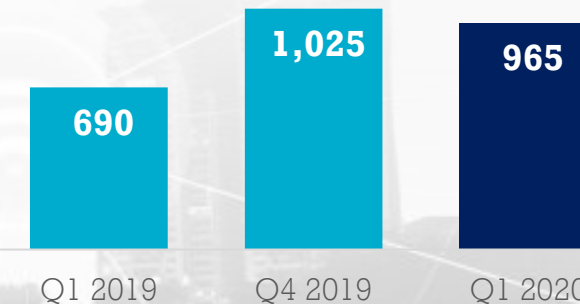
## Revenue



## Underlying operating margin

**13.3%**  
-270bps YoY

## Cash and cash equivalents balance



## Underlying gross margin

**50.4%**  
+80bps YoY

## Underlying diluted EPS

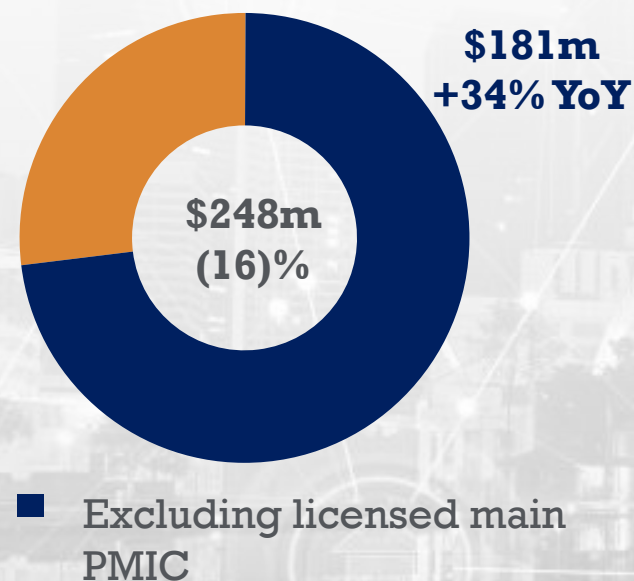
**\$0.39**  
-20% YoY

## Cash outflow from operating activities

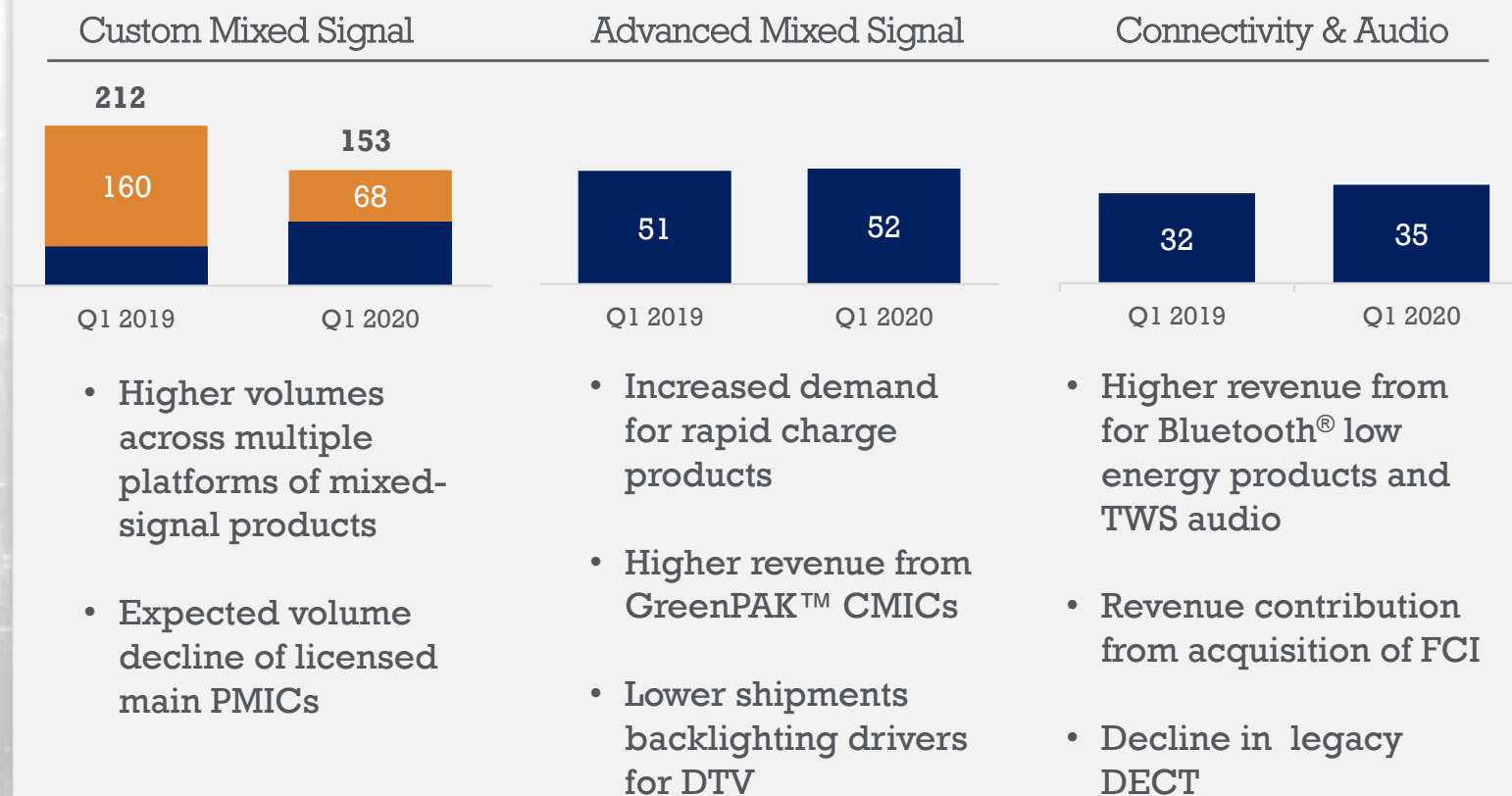
**\$49m**  
-218% YoY

# Q1 2020 Revenue Above the Mid-Point of The Guidance Range

Group Revenue \$M

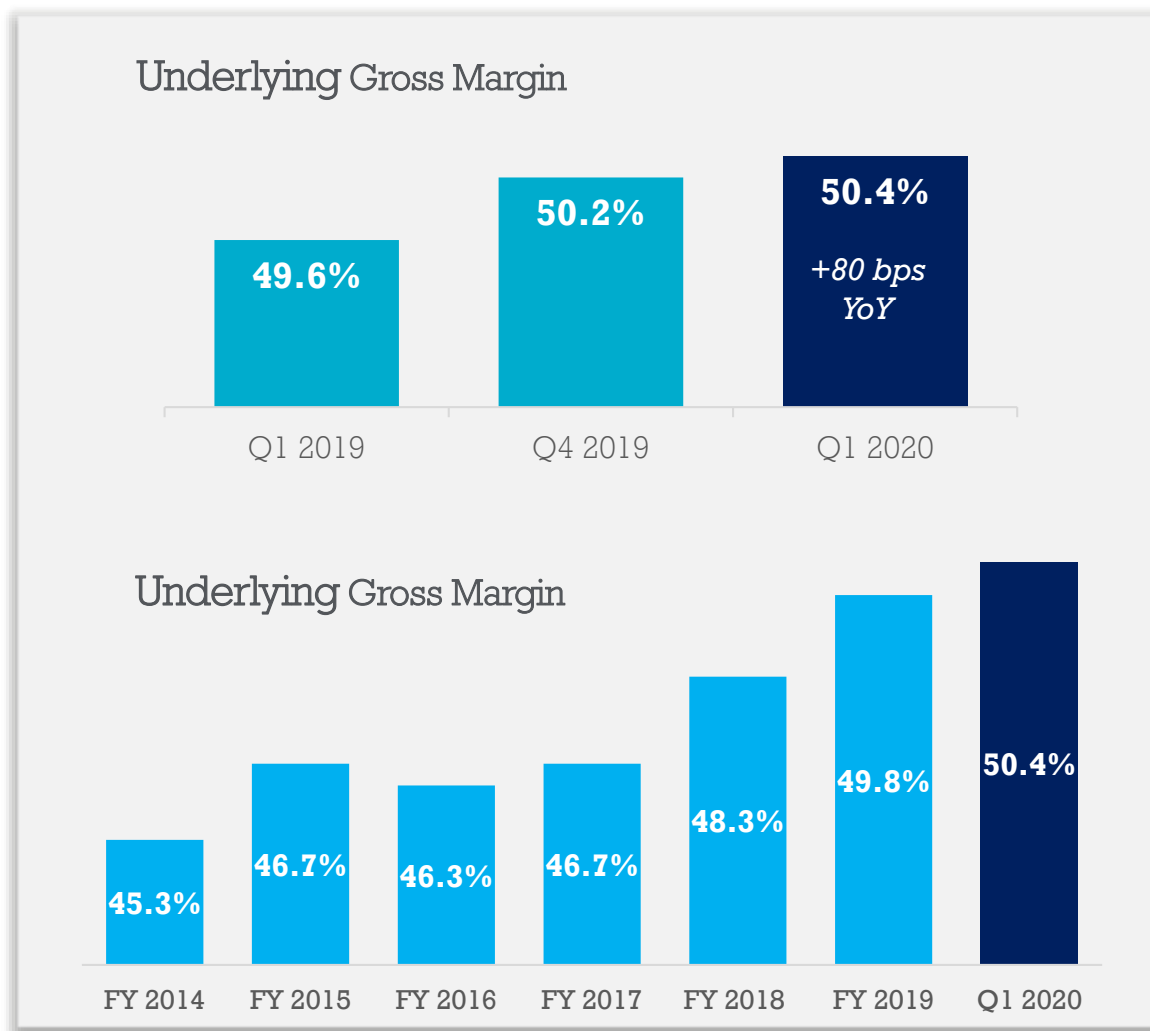


Revenue by Segment \$M



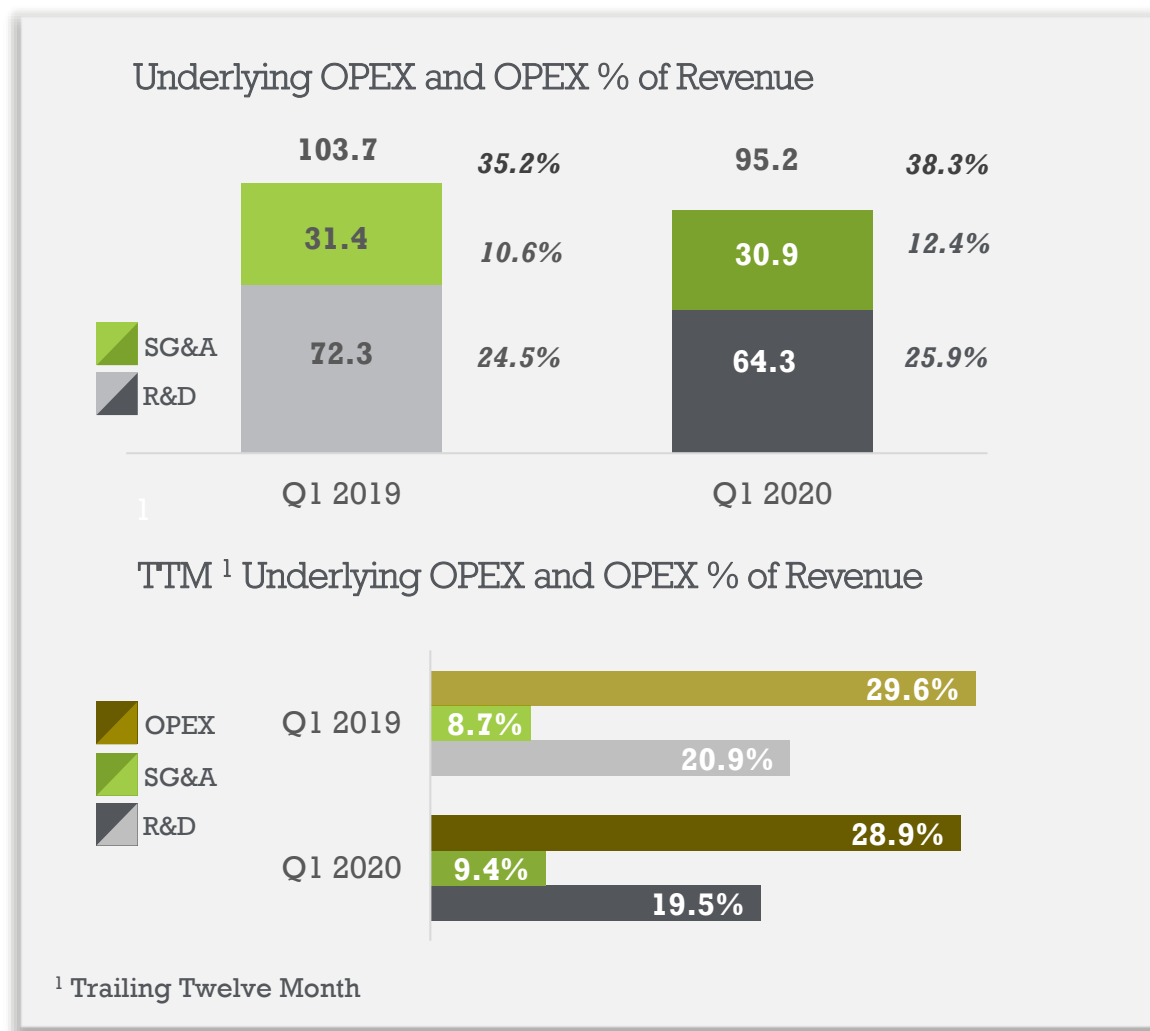
# Increased Underlying Gross Margin Year-on-Year

- Q1 2020 underlying gross margin at 50.4%, 80bps higher than Q1 2019
  - Excluding 80 bps movement from non-recurring items, up 160 bps year-on-year
  - Positive contribution from license revenue
  - Ongoing manufacturing cost savings
- Focus on gross margin expansion
- Fabless business model provides the operational and financial flexibility to successfully navigate economic uncertainty



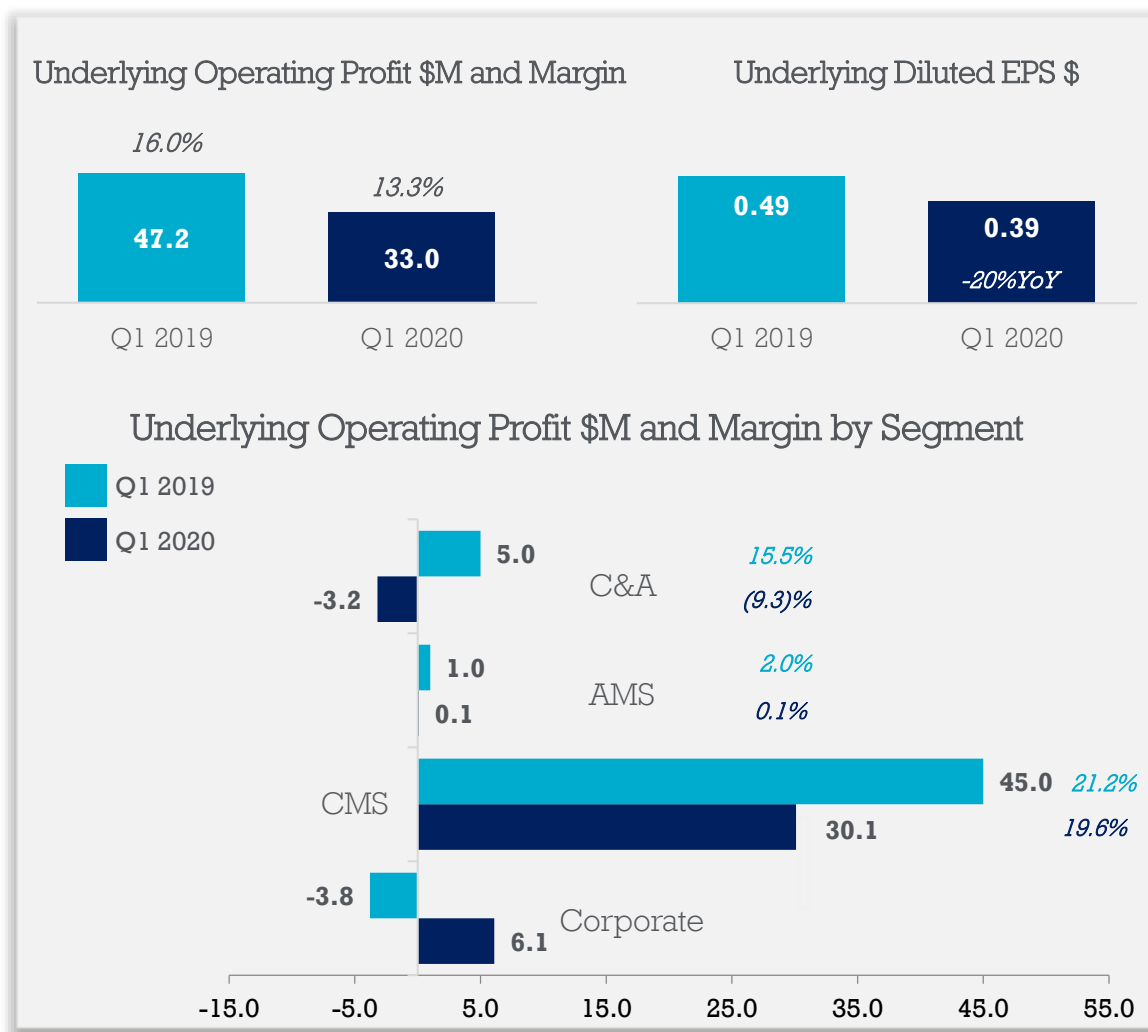
# Disciplined Approach to OPEX Management

- Q1 2020 underlying OPEX decreased by 8% year-on-year while:
  - Investing in growth
  - Consolidating FCI and Creative Chips
- Underlying SG&A expenses 2% below Q1 2019
- Underlying R&D expenses decreased by 11% year-on-year
  - Transfer of over 300 employees in April 2019
  - Investing in the development of new products in AMS and C&A
  - Absorbing FCI and Creative Chips
- Q1 2020 TTM underlying OPEX% at 28.9%, 70 bps below Q1 2019



# Increased Profitability and Operating Margin

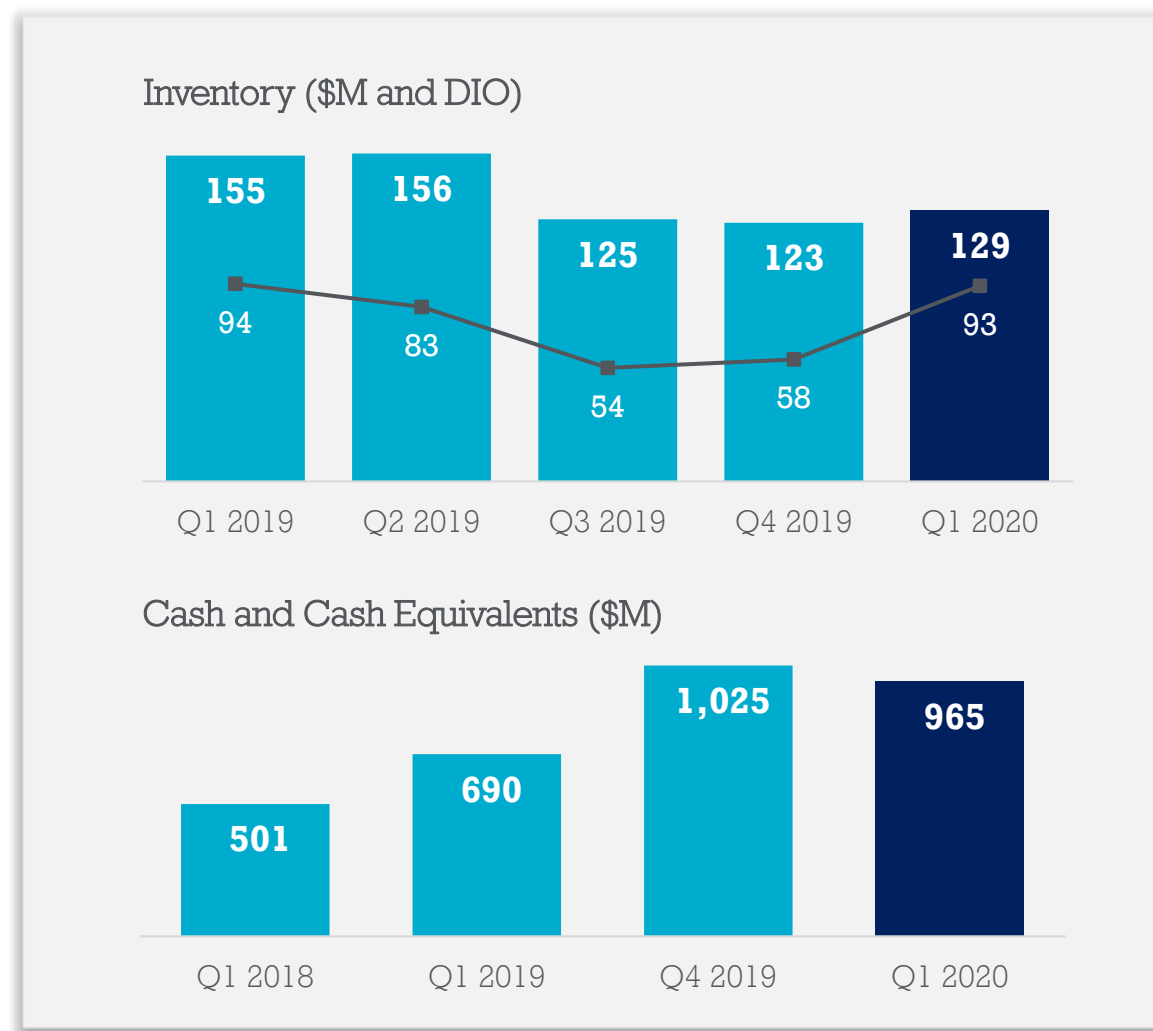
- Q1 2020 underlying operating profit \$33.0m
  - Lower revenue
  - Higher gross margin
  - Lower OPEX while:
    - Investing in growth
    - Absorbing costs from FCI and Creative Chips
- Q1 2020 underlying effective tax rate 80bps below Q1 2019 at 19.7% (Q1 2019: 20.5%)





# Strong Balance Sheet and Additional Liquidity

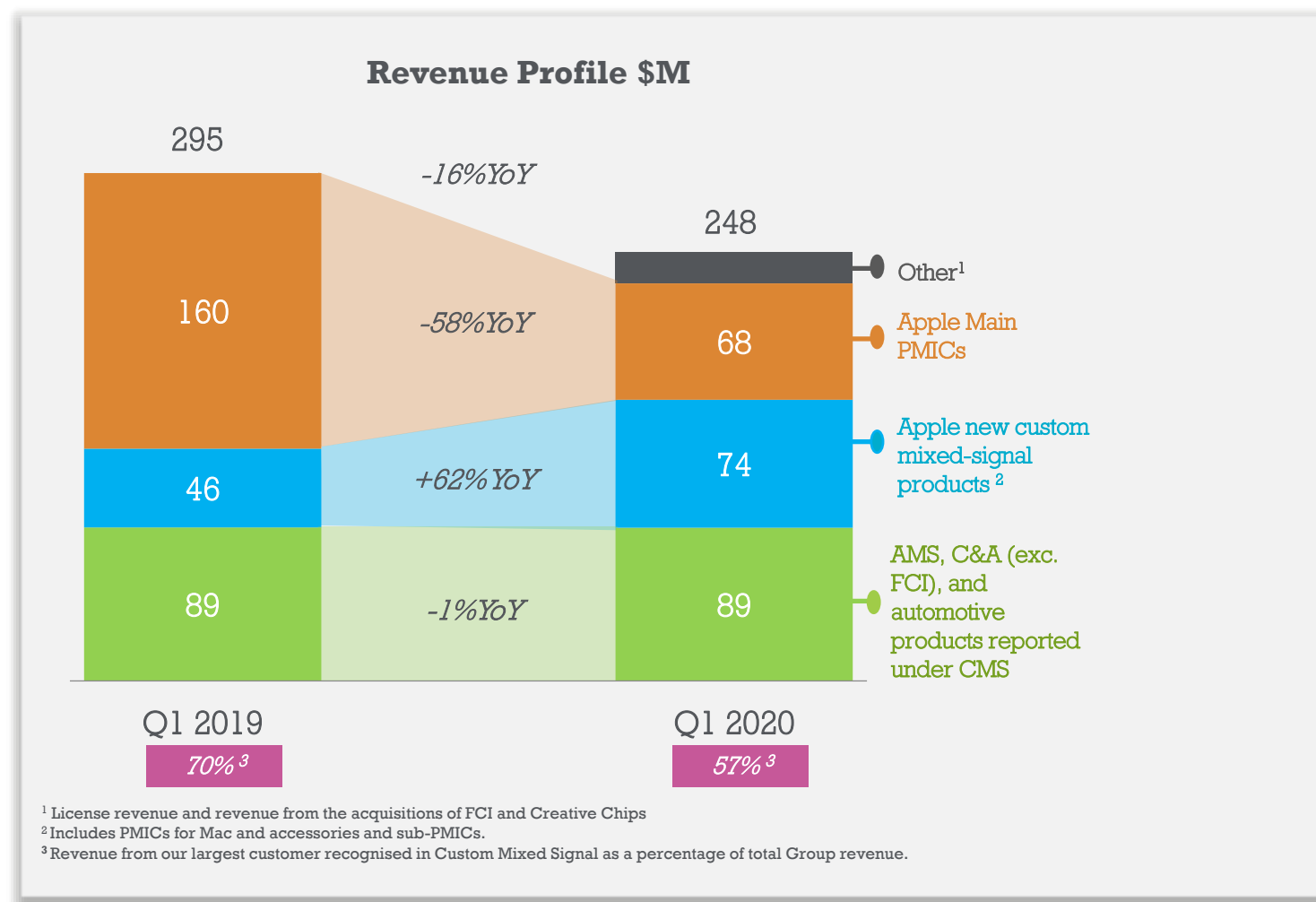
- Inventory value 5% above Q4 2019 and 17% below Q1 2019
- \$965 million cash and cash equivalents
- Undrawn \$150 million RCF
- Key items driving the YoY decrease in cash flow from operating activities:
  - \$50 million recoupment of prepayment
  - Higher income tax paid
  - Working capital movements
- Second tranche of the 2019 Share Buyback programme for an amount of €70-€90 million



# Appendix



# Q1 2020 Revenue Profile



# Underlying Reconciliation

For the three months ended 27 March 2020

US\$000	IFRS basis	Share-based compensation and related expenses	Accounting for business combinations	Integration costs	Strategic investments	Underlying basis
<b>Revenue</b>	<b>248,481</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>248,481</b>
<b>Gross profit</b>	<b>123,805</b>	<b>598</b>	<b>712</b>	<b>–</b>	<b>–</b>	<b>125,115</b>
<b>SG&amp;A expenses</b>	<b>(42,411)</b>	<b>4,100</b>	<b>7,353</b>	<b>77</b>	<b>–</b>	<b>(30,881)</b>
<b>R&amp;D expenses</b>	<b>(72,345)</b>	<b>5,534</b>	<b>2,466</b>	<b>–</b>	<b>–</b>	<b>(64,345)</b>
<b>Other operating income</b>	<b>8,467</b>	<b>–</b>	<b>(5,347)</b>	<b>–</b>	<b>–</b>	<b>3,120</b>
<b>Operating profit</b>	<b>17,516</b>	<b>10,232</b>	<b>5,184</b>	<b>77</b>	<b>–</b>	<b>33,009</b>
<b>Net finance income</b>	<b>2,026</b>	<b>–</b>	<b>218</b>	<b>–</b>	<b>(361)</b>	<b>1,883</b>
<b>Profit before income taxes</b>	<b>19,542</b>	<b>10,232</b>	<b>5,402</b>	<b>77</b>	<b>(361)</b>	<b>34,892</b>
<b>Income tax expense</b>	<b>(5,943)</b>	<b>448</b>	<b>(1,442)</b>	<b>(13)</b>	<b>69</b>	<b>(6,881)</b>
<b>Net income</b>	<b>13,599</b>	<b>10,680</b>	<b>3,960</b>	<b>64</b>	<b>(292)</b>	<b>28,011</b>

# Underlying Reconciliation

For the three months ended 29 March 2019

US\$000	IFRS basis	Share-based compensation and related expenses	Accounting for business combinations	Strategic investments	Corporate transaction costs	Underlying basis
Revenue	294,886	–	–	–	–	294,886
Gross profit	145,478	668	–	–	–	146,146
SG&A expenses	(44,219)	5,179	4,616	–	3,048	(31,376)
R&D expenses	(80,633)	6,039	2,268	–	–	(72,326)
Other operating income	4,715	–	(8)	–	–	4,707
Operating profit	25,341	11,886	6,876	–	3,048	47,151
Net finance income	959	–	315	(268)	–	1,006
Profit before income taxes	26,300	11,886	7,191	(268)	3,048	48,157
Income tax expense	(7,942)	(853)	(782)	51	(352)	(9,878)
Net income	18,358	11,033	6,409	(217)	2,696	38,279

# Business Segment Breakdown

Underlying \$M	Revenue			Operating profit/(loss)			Operating margin	
	Q1 2020	Q1 2019	Change	Q1 2020	Q1 2019	Change	Q1 2020	Q1 2019
Custom Mixed Signal	153.4	211.6	-28%	30.1	45.0	-33%	19.6%	21.2%
Advanced Mixed Signal	51.5	50.9	+1%	0.1	1.0	-95%	0.1%	2.0%
Connectivity & Audio	34.7	32.4	+7%	(3.3)	5.0	-165%	(9.3)%	15.5%
<b>Total segments</b>	<b>239.6</b>	<b>294.9</b>	<b>-19%</b>	<b>26.9</b>	<b>51.0</b>	<b>-47%</b>	<b>11.2%</b>	<b>17.3%</b>
Corporate and other activities	8.9	0.0	nm	6.1	(3.8)	nm	68.4%	nm
<b>Total Group</b>	<b>248.5</b>	<b>294.9</b>	<b>-16%</b>	<b>33.0</b>	<b>47.2</b>	<b>-30%</b>	<b>13.3%</b>	<b>16.0%</b>



# Condensed Consolidated Statement of Income

		Three months ended 27 March 2020 US\$000 (Unaudited)	Three months ended 29 March 2019 US\$000 (Unaudited)
	Note		
Revenue	2, 14	248,481	294,886
Cost of sales		(124,676)	(149,408)
<b>Gross profit</b>		<b>123,805</b>	<b>145,478</b>
Selling and marketing expenses		(23,206)	(21,210)
General and administrative expenses		(19,205)	(23,009)
Research and development expenses		(72,345)	(80,633)
Other operating income	3	8,467	4,715
<b>Operating profit</b>	14	<b>17,516</b>	<b>25,341</b>
Interest income		3,842	3,914
Interest expense		(2,992)	(1,490)
Other finance income/(expense)		1,176	(1,465)
<b>Profit before income taxes</b>		<b>19,542</b>	<b>26,300</b>
Income tax expense		(5,943)	(7,942)
<b>Net income</b>		<b>13,599</b>	<b>18,358</b>
<b>Earnings per share (US\$)</b>	4		
Basic		0.20	0.25
Diluted		0.19	0.23
<b>Weighted average number of ordinary shares (in thousands)</b>	4		
Basic		68,545	73,871
Diluted		72,383	78,349

# Consolidated Balance Sheet – Total Assets

	Note	As at 27 March 2020 US\$000 (Unaudited)	As at 31 December 2019* US\$000 (Audited)
<b>Assets</b>			
Cash and cash equivalents	6	964,895	1,024,544
Trade and other receivables		95,995	134,079
Other current financial assets		1,153	1,056
Inventories	7	129,169	122,624
Income tax receivables		8,185	1,052
Other current assets		24,030	22,532
<b>Total current assets</b>		<b>1,223,427</b>	<b>1,305,887</b>
Goodwill	8	480,958	482,134
Other intangible assets	8	261,670	272,068
Property, plant and equipment – owned	9	57,190	61,138
Property, plant and equipment – leased	9	38,768	41,423
Investments		1,389	3,110
Other non-current financial assets		2,195	2,202
Other non-current assets		679	780
Deferred tax assets		5,982	8,242
<b>Total non-current assets</b>		<b>848,831</b>	<b>871,097</b>
<b>Total assets</b>		<b>2,072,258</b>	<b>2,176,984</b>

\* Extracted from the Company's audited consolidated financial statements for the year ended 31 December 2019.

# Consolidated Balance Sheet – Total Liabilities and Equity

	Note	As at 27 March 2020 US\$000 (Unaudited)	As at 31 December 2019* US\$000 (Audited)
<b>Liabilities and equity</b>			
Trade and other payables		84,481	104,620
Lease liabilities		8,772	8,972
Other current financial liabilities	10	190,814	124,373
Provisions		3,733	4,162
Income taxes payable		3,682	18,491
Other current liabilities		93,183	112,804
<b>Total current liabilities</b>		<b>384,665</b>	<b>373,422</b>
Lease liabilities		31,382	34,072
Other non-current financial liabilities	10	63,720	80,963
Provisions		3,018	3,102
Net defined benefit liability		1,813	1,727
Deferred tax liabilities		25,361	23,070
Other non-current liabilities		78,214	88,044
<b>Total non-current liabilities</b>		<b>203,508</b>	<b>230,978</b>
Ordinary shares		14,204	14,204
Share premium account		403,660	403,660
Retained earnings		1,365,609	1,451,582
Other reserves	12	(282,965)	(274,729)
Dialog shares held by employee benefit trusts		(16,423)	(22,133)
<b>Total equity</b>		<b>1,484,085</b>	<b>1,572,584</b>
<b>Total liabilities and equity</b>		<b>2,072,258</b>	<b>2,176,984</b>

\* Extracted from the Company's audited consolidated financial statements for the year ended 31 December 2019.

# Consolidated Cash Flow Statement

	Note	Three months ended 27 March 2020 US\$000 (Unaudited)	Three months ended 29 March 2019 US\$000 (Unaudited)
<b>Cash flow from operating activities</b>			
Net income		13,599	18,358
Non-cash items within net income:			
– Depreciation of property, plant and equipment		8,434	10,166
– Amortisation of intangible assets		13,097	11,716
– Addition to inventory reserve, net		1,294	3,218
– Share-based compensation expense		11,407	11,520
– Deferred licence revenue		(8,927)	–
– Other non-cash items		(7,001)	1,359
Interest income, net		(850)	(2,424)
Income tax expense		5,943	7,942
<b>Cash generated from operations before changes in working capital</b>		<b>36,996</b>	<b>61,855</b>
Changes in working capital:			
– (Increase)/decrease in trade and other receivables		(11,919)	44,960
– Increase in inventories		(7,839)	(8,795)
– Increase in prepaid expenses		(5,155)	(2,294)
– Decrease in trade and other payables		(20,554)	(32,621)
– Decrease in provisions		(446)	(611)
– Change in other assets and liabilities		(16,646)	(8,019)
<b>Cash (absorbed by)/generated from operations</b>		<b>(25,563)</b>	<b>54,475</b>
Interest paid		(958)	(1,095)
Interest received		4,325	3,759
Income taxes paid		(26,834)	(15,567)
<b>Cash (outflow)/inflow from operating activities</b>		<b>(49,030)</b>	<b>41,572</b>

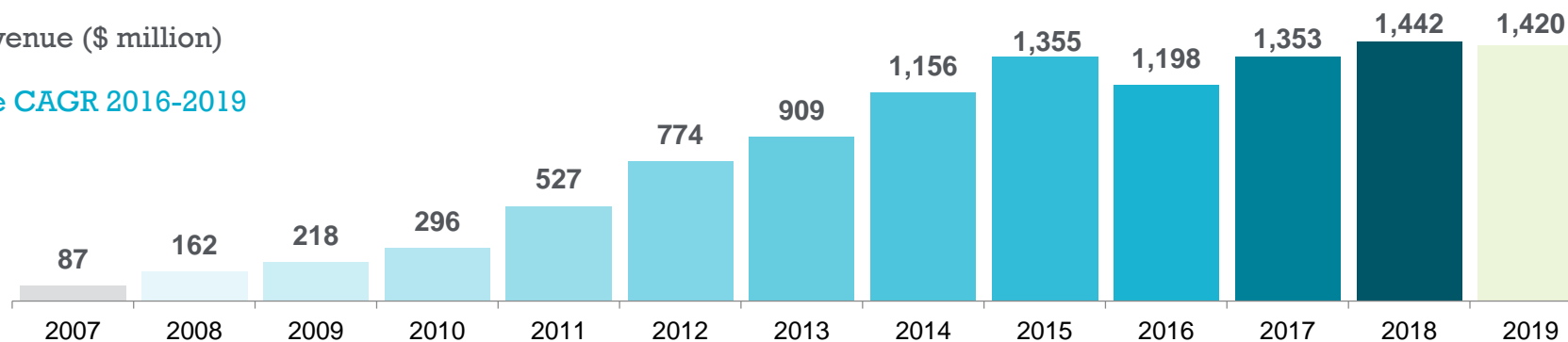
# Consolidated Cash Flow Statement – Continued

	Note	Three months ended 27 March 2020 US\$000 (Unaudited)	Three months ended 29 March 2019 US\$000 (Unaudited)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(2,492)	(4,961)
Purchase of intangible assets		(1,564)	(1,124)
Payments for capitalised development costs		(3,887)	(4,557)
Purchase of businesses	5	(457)	(17,575)
<b>Cash outflow from investing activities</b>		<b>(8,400)</b>	<b>(28,217)</b>
<b>Cash flows from financing activities</b>			
Capital element of lease payments		(2,028)	(2,922)
Repayment of bank loans		(132)	–
Sale of shares by employee benefit trusts		27	1,283
<b>Cash outflow from financing activities</b>		<b>(2,133)</b>	<b>(1,639)</b>
<b>Net cash (outflow)/inflow during the period</b>		<b>(59,563)</b>	<b>11,716</b>
Cash and cash equivalents at beginning of period		1,024,544	677,848
Currency translation differences		(86)	(32)
<b>Cash and cash equivalents at end of period</b>	6	<b>964,895</b>	<b>689,532</b>

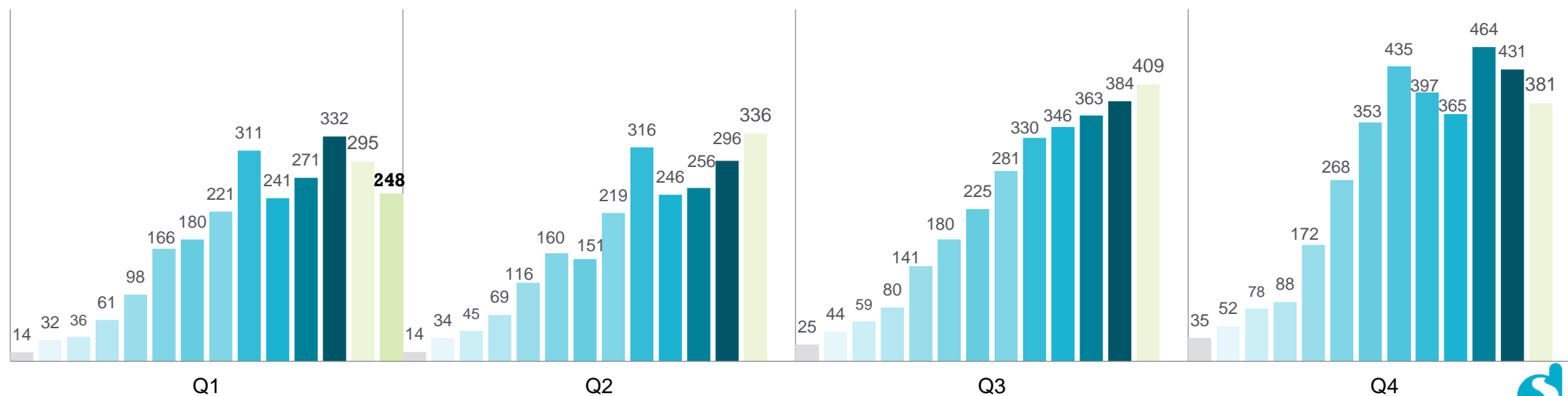
# Underlying Revenue – Historical Data

Full year revenue (\$ million)

6% Revenue CAGR 2016-2019



Quarterly revenue (\$ million)

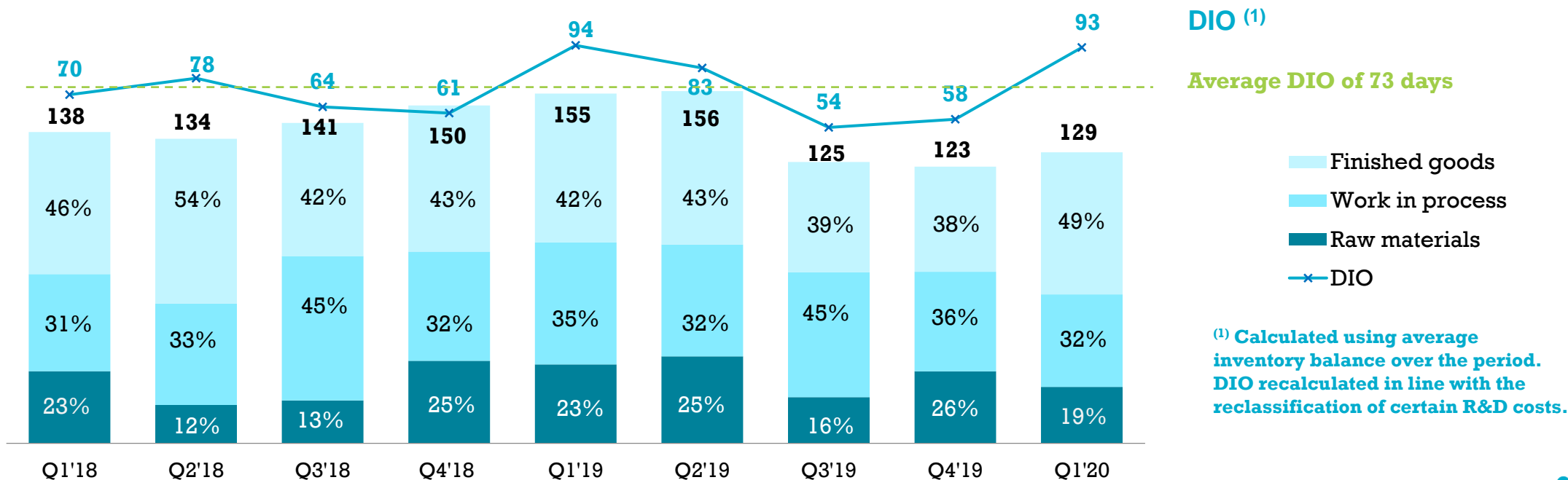




# Effective Inventory Management

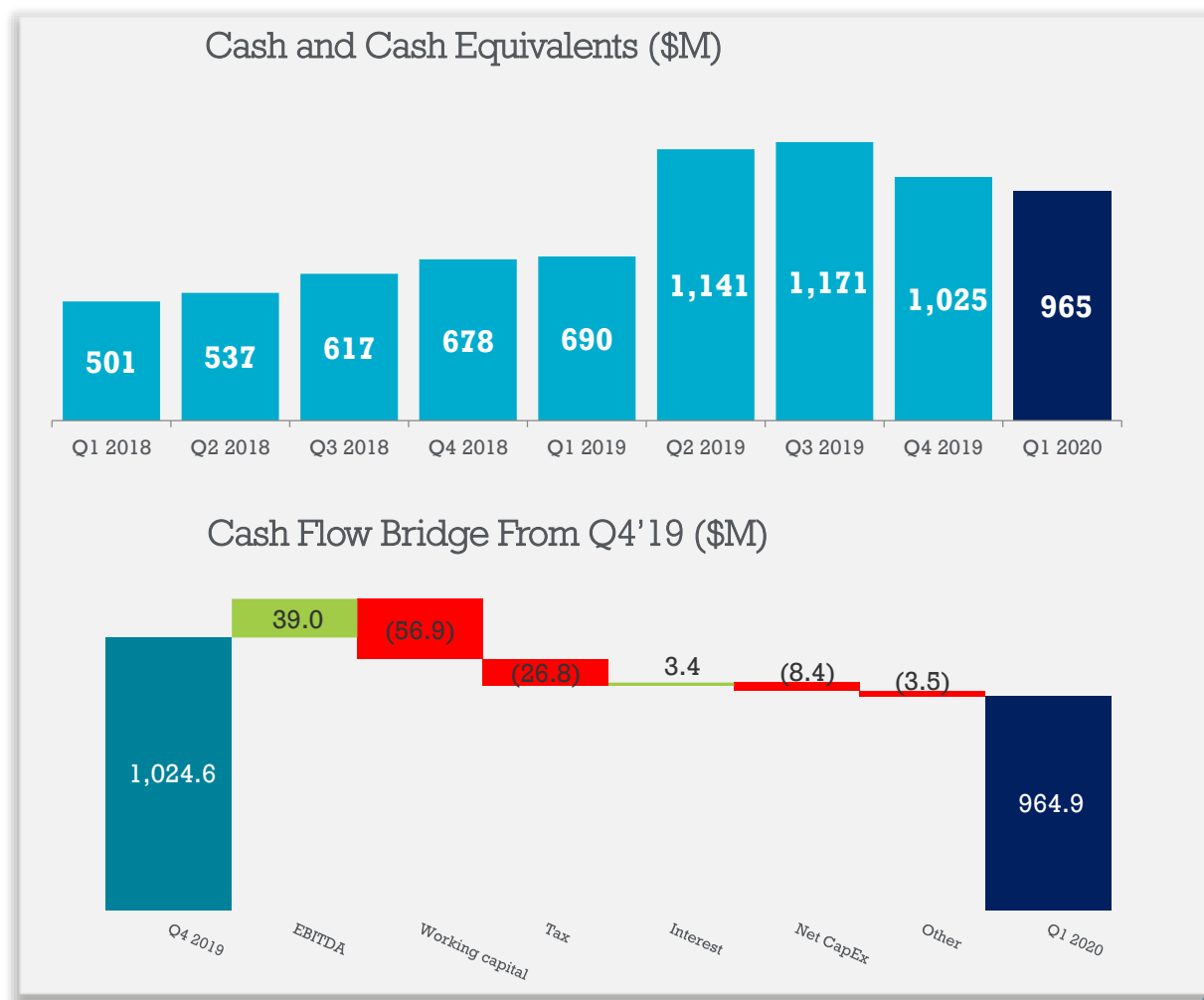
- At the end of Q1 2020 inventory value was 5% above the previous quarter
- In Q2 2020, we expect inventory value to remain broadly in line with Q1 2020 and days of inventory to be below Q1 2020

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



# Strong Cash Flow Generation

- \$965 million cash and cash equivalents balance as at 27 March 2020
- Q1 2020 cash outflow from operating activities of \$49 million (Q1 2019: inflow \$42 million)
  - \$50 million recoupment of prepayment
  - Higher income tax paid
  - Working capital movements



# Investor Information

## Analyst coverage

<b>Alphavalue</b>	Hugo Paternoster
<b>Bank of America Merrill Lynch</b>	Adithya Metuku
<b>Bankhaus Lampe</b>	Dr. Karsten Iltgen
<b>Barclays Capital</b>	Andrew Gardiner
<b>Bloomberg</b>	Woo Jin Ho
<b>Bryan, Garnier &amp; Co</b>	Frédéric Yoboué
<b>Credit Suisse</b>	Achal Sultania
<b>Deutsche Bank</b>	Rob Sanders
<b>DZ Bank</b>	Harald Schnitzer
<b>Exane BNP Paribas</b>	David O'Connor
<b>Hauck &amp; Aufhauser</b>	Christian Sandherr
<b>JP Morgan Cazenove</b>	Sandeep Deshpande
<b>Kepler Cheuvreux</b>	Sebastien Sztabowicz
<b>MainFirst Bank AG</b>	Juergen Wagner
<b>ODDO BHF</b>	Stephane Houri
<b>RBC</b>	Mitch Steves
<b>UBS</b>	Francois-Xavier Bouvignies

## Financial Calendar

5 August 2020 – Q2 Earnings Call

5 November 2020 – Q3 Earnings Call

## Key Events

NDR London - DB

6 May 2020

NDR Frankfurt - Stifel

7 May 2020

JPMorgan Global TMT Conference

11-12 May 2020

NDR Paris - Oddo

13 May 2020

JPMorgan EMEA CEO Conference

20 May 2020

## Contacts

Jose Cano

Head of Investor Relations

T: +44 (0)1793 756 961

jose.cano@diasemi.com

Financial PR/IR Advisers:

FTI Consulting – London

Matt Dixon

T: +44 (0)20 7831 3113

matt.dixon@fticonsulting.com

FTI Consulting – Frankfurt

Anja Meusel

T: +49 (0)69 9203 7120

anja.meusel@fticonsulting.com



# Powering the Smart Connected Future

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