Dialog Semiconductor Announces Licensing Agreement with Apple

Dialog Entering Next Phase of Market Leadership in Custom and Configurable Mixed-Signal ICs

OCTOBER 11, 2018
Forward Looking Statements

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 under the new contract with Apple. Forward-looking 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 supersede any previous statement.
Dialog Semiconductor Announces Licensing Agreement with Apple

Dialog to receive $600 million for the license of certain Power Management Integrated Circuit (PMIC) technologies, transfer of certain assets and employees, and the prepayment of future product purchases by Apple.

**Strategic Rationale**

- Strengthens Dialog and Apple’s long-standing partnership and fosters deeper collaboration between the two companies.
- Delivers immediate value from certain PMIC technologies and assets being licensed to Apple.

**Dialog Entering Next Phase of Market Leadership in Custom and Configurable Mixed-Signal ICs**

- Increased focus on fast-growing segments of IoT, Mobile, Automotive and Computing & Storage markets.
- Building on leadership positions in highly integrated power management, power conversion, CMIC and Bluetooth® low energy technologies.
- Leveraging power-efficient technologies to provide high-volume, custom and configurable mixed-signal ICs.
- Strong balance sheet to support strategic growth initiatives, including M&A.
Dialog to receive $300 million in cash for the license of certain PMIC technologies and the transfer of certain PMIC assets and employees, payable upon closing

Apple to prepay $300 million upon closing for products to be delivered over the next three years

Awarded a broad range of new contracts for the development and supply of power management, audio subsystem, charging and other mixed-signal integrated circuits

Dialog to retain revenue and gross profit from all in-production products shipping to Apple

Transfer of over 300 employees—representing 16% of Dialog’s global workforce—from Livorno (Italy), Swindon (U.K.), Nabern and Germering/Neuaubing (Germany) sites to Apple

Apple will assume certain Dialog facilities in Livorno, Swindon, Nabern and Neuaubing.

Upon closing, Dialog will have approximately 1800 employees globally

Expected to close in the first half of 2019

Subject to customary closing conditions and certain regulatory approvals
Extending Dialog and Apple’s Long-Standing Partnership

New Contracts

- Awarded a broad range of new contracts:
  - Projects include the development and supply of power management, audio subsystem, charging and other mixed-signal integrated circuits for high-volume applications
  - Revenue from new contracts is expected to be realized starting in 2019 and accelerate in 2020
  - Employee transfer to foster deeper collaboration between Dialog and Apple
Financial Implications and Long-Term Revenue Profile

**Financial Implications**

- No change to 2018 revenue
- Dialog to continue shipping current generation of main PMICs to Apple
- Dialog expects to continue shipping current and future generations of sub-PMICs for all platforms to Apple
- Revenue from new contracts is expected to be realized starting in 2019 and accelerate in 2020
- Dialog expects growth from collaboration on future projects with Apple beyond announced contracts
- No new revenue contribution expected from main PMICs for 2019 iPhone models and for 2020 iPad or Watch models
- No significant impact to gross margin expected
- Expected operating expense reduction estimated at $35 million annually

**Long-Term Revenue Profile¹**

<table>
<thead>
<tr>
<th>2018E</th>
<th>2022E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple ~75% of Revenue</td>
<td>Apple 35-40% of Revenue</td>
</tr>
<tr>
<td>Apple Main PMICs ~$875M</td>
<td>~$1.4B</td>
</tr>
<tr>
<td>Apple Sub-PMICs &amp; Other² ~$150M</td>
<td>Strategic Growth Initiatives &amp; Future Design Wins³</td>
</tr>
<tr>
<td>AMS, Connectivity, Automotive &amp; Industrial ~$400M</td>
<td>Apple Sub-PMICs⁴ &amp; Other +30-35% CAGR³</td>
</tr>
</tbody>
</table>

¹ Chart not drawn to scale.
² Other includes PMICs for Mac, accessories, audio subsystem and charging ICs.
³ New projects forecasted to be awarded in 2019 and 2020.
⁴ Sub-PMICs include newly awarded contracts.
⁵ Revenue CAGR from 2018E through 2022E based on company projections.
Building on Our DNA of Differentiated, Power-Efficient Mixed-Signal ICs

Combining the Flexibility of Custom & Configurable Design with Mixed-Signal IC Expertise

Custom…
Execution track record of delivering highly complex, custom mixed-signal devices for customers

…& Configurable
Products integrate configurability and programmability, including GreenPak™ CMICs, connectivity SoCs and rapid charge ICs
Well Positioned for Next Phase of Market Leadership

30+ Years of Mixed-Signal Expertise

World-Class Power-Efficient IP

Rapid Design Cycle

Fast Ramp to High-Volume Production

Increased Focus on Fast-Growing Segments of IoT, Mobile, Automotive and Computing & Storage Markets

- Dialog’s power conversion, connectivity, configurable mixed-signal, audio and charging ICs address markets that are expected to grow at a 13% CAGR to reach $13 billion by 2021
- Opportunities to participate in industry consolidation to enhance competitive advantages in target markets

Source: Gartner 2018; Dialog Internal Estimates
Comprehensive Suite of IoT Products

Market Opportunity

- TAM
- CAGR: 17%
- $1.7B in 2017, ~$3.1B in 2021

Dialog Technologies

- Audio Amplifier & CODECs
- Bluetooth low energy
- CMICs
- LED Backlighting
- Power Conversion
- Power Management
- USB Audio
- Wireless Audio

Customers & Applications

- Google
- Jabra
- Microsoft
- Samsung
- Sony
- Xiaomi

Source: Gartner 2018; Dialog Internal Estimates
## Diversified Mixed-Signal Mobile Portfolio

### Market Opportunity

<table>
<thead>
<tr>
<th>TAM</th>
<th>CAGR: 11%</th>
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<tbody>
<tr>
<td>$2.1B</td>
<td>$3.2B</td>
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<tr>
<td>2017</td>
<td>2021</td>
</tr>
</tbody>
</table>

### Dialog Technologies

- Audio
- Charging
- CMICs
- Haptics
- Power Conversion
- Power Management

### Customers & Applications

- Apple
- Huawei
- OPPO
- Samsung
- Vivo
- Xiaomi

Source: Gartner 2018; Dialog Internal Estimates
Capitalizing on Automotive Growth

**Market Opportunity**

<table>
<thead>
<tr>
<th>TAM</th>
<th>2017</th>
<th>2021</th>
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<tbody>
<tr>
<td>$780M</td>
<td>~$1.5B</td>
<td></td>
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</table>

**CAGR: 17%**

Source: Gartner 2018; Dialog Internal Estimates

**Dialog Technologies**

- Bluetooth low energy
- CMICs
- Haptics
- LED Backlighting
- Motor Control
- Power Management

**Customers & Applications**

- AISIN
- BOSCH
- DENSO
- FORYOU
- HARMAN
- MITSUBA
- Infotainment
- TPMS
- Wiper Motors
Growth Opportunities in Computing, Including Storage

**Market Opportunity**

<table>
<thead>
<tr>
<th>TAM</th>
<th>CAGR: 8%</th>
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<tbody>
<tr>
<td>$1.6B</td>
<td>$2.2B</td>
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</table>

| 2017 | 2021 |

**Dialog Technologies**

- Audio
- Charging
- CMICs
- LED Backlighting
- Power Conversion
- Power Management

**Customers & Applications**

1. Category includes video game platforms
2. Source: Gartner 2018; Dialog Internal Estimates
Strengthened Balance Sheet and Financial Flexibility

Ample Financial Flexibility to Pursue Growth Strategy and Create Shareholder Value

**Pro Forma Cash Flows and Balance Sheet**

- Cash proceeds of $300 million
- Prepayment of $300 million at closing
- Revenue growth outlook and margin profile support sustained cash flow generation
- Continued focus on cost structure and tight working capital management

**Disciplined Capital Allocation**

- Commitment to maintain a healthy balance sheet
- Prioritized growth investments in targeted markets, including value-enhancing M&A
- Intent to initiate share buyback program of up to 10% of its outstanding shares following its Q3 trading update
Summary

Milestone Agreement for Dialog

- Strengthens Dialog and Apple’s long-standing partnership
- Delivers immediate value from certain PMIC technologies and assets being licensed to Apple
- Dialog to enter next phase of market leadership in custom and configurable mixed-signal ICs
- Strong balance sheet and ample financial flexibility to drive organic and inorganic growth strategies
- Intent to initiate share buyback program of up to 10% of outstanding shares following Q3 trading update
Please Join Us

Capital Markets Day

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• 200 Aldersgate Street | London, U.K.
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