



## **DIALOG SEMICONDUCTOR TO ACQUIRE IWATT, A LEADING PROVIDER OF DIGITAL POWER MANAGEMENT ICs**

*Acquisition provides market leadership in Smartphone and Tablet AC/DC charger adaptors and extends entry into high growth LED solid state lighting markets*

**Kirchheim/Teck, Germany, – July 2, 2013** – Dialog Semiconductor Plc (FWB: DLG), a provider of highly integrated power management, audio and short-range wireless technologies, is pleased to announce that it has entered into an agreement to acquire iWatt Inc. (“iWatt”), a leading provider of digital power management integrated circuits (ICs), for a cash payment of approximately \$310 million, with additional contingent consideration of up to \$35 million.

### **Acquisition highlights:**

- **Enhances Dialog’s leadership** in power management for Tablets and Smartphones by adding iWatt’s complementary AC/DC digital power management technology
- **Diversifies Dialog’s product portfolio**, adding two high growth product families; AC/DC charger adaptor ICs and a broad range of LED Solid State Lighting ICs
- **Adds new Tier-1 customers** and expands Dialog’s business opportunities at existing Smartphone Tier-1 OEMs
- **Expands Dialog’s addressable market** into the adjacent digital power management space, unlocking new growth opportunities and increasing TAM by a potential \$1.8 billion to \$5.9 billion by 2015
- **Adds a portfolio** of more than 110 patents
- **Brings a high growth business** with FY2012 revenue of \$74 million (growth of 46% over FY2011) and FY2012 gross margin of 49%(\*)
- **Expected to be accretive in the first quarter** after closing to underlying EPS

Headquartered in Silicon Valley, California, with approximately 180 employees worldwide, iWatt is a leading provider of digital power management integrated circuits. iWatt has a strong design and application engineering presence in Asia. Its innovative PrimAccurate™ technology platform enables high performance, energy-efficient, small form-factor and cost-effective solutions for markets such as AC/DC power conversion and LED Solid State Lighting (SSL). The company’s solutions are designed into the products of leading global OEMs and it has shipped more than one billion power management ICs since 2007.

The overall global power management semiconductor market is expected to grow to \$11.5 billion by 2015, according to Gartner. The acquisition of iWatt provides Dialog with an entry into the following high growth segments of this market:

**AC/DC power conversion:** The vast majority of the world's electronic devices that plug into an electric wall outlet require the conversion of high-voltage AC power to low-voltage DC. Robust growth in portable device markets including Smartphones, Tablets and Ultrabooks is driving the increased need for a new generation of intelligent AC/DC chargers that will be more power efficient, enable a quicker charge time and be available in a smaller form factor.

**LED solid state lighting (SSL):** The general lighting market is undergoing a transition from traditional incandescent light sources to more energy-efficient technologies, such as LED SSL. LED SSL has many advantages over competing light sources, including lower energy consumption, longer lifetime, reduced form factor, quality of light emitted and reduced environmental impact. LED SSL adoption is expected to accelerate due to emerging global regulatory mandates and incentives, as well as falling costs from improvement in technology and manufacturing yields. According to McKinsey, total LED SSL global shipments are expected to grow from 440 million units in 2012 to 2.7 billion units by 2016, resulting in increased demand for iWatt LED SSL ICs.

Under the terms of the acquisition agreement, the shareholders of iWatt will receive an up-front payment of approximately \$310 million in cash, plus up to approximately \$35 million in contingent consideration. The contingent consideration is based on achieving future revenue targets. The acquisition is being funded from both Dialog's existing cash resources and additional debt facilities of \$125 million. The transaction on an underlying (\*\*) basis is expected to be accretive in the first quarter after closing and on an IFRS basis by the end of 2014. The boards of directors of both companies have approved the acquisition, with the transaction expected to be completed by the end of July 2013.

In financial year 2012, iWatt generated revenue of \$74 million (growth of 46% over 2011), with an associated gross margin of 49%(\*) (compared to 45% in 2011). Revenue growth for the acquired business in the order of approximately 20% per year - in line with anticipated market growth projections - is expected to be achieved in the medium term. Additional financial details and guidance will be provided in Dialog's second quarter earnings call planned for July 23, 2013.

*Dialog's CEO Jalal Bagherli commented, "This acquisition underscores Dialog's strategy to diversify our markets and growth opportunities through select strategic acquisitions. We see the acquisition as highly complementary to our existing PMIC business enabling Dialog to address adjacent emerging power management segments, including cutting-edge AC/DC solutions for next generation fast portable chargers as well as ICs for LED solid state lighting."*

*"iWatt has been shipping products to numerous top-tier customers and is expected to increase our future business opportunities with market leading customers such as Samsung, HTC and Nokia in the portable segment, and GE, Osram and Philips in the fast growing solid state lighting market." concluded Bagherli.*

*Ron Edgerton, iWatt's CEO and President and Chairman, commented, "The iWatt team is excited to join forces with Dialog. Our digital power management technology has allowed iWatt to become a leader in both AC/DC power conversion and the emerging high growth LED solid state lighting market.*

*The combined company will be in a stronger position to provide the complete end-to-end solution for next-generation rapid and intelligent charging for portable devices." added Edgerton.*

RBC Capital Markets LLC acted as financial advisor and Davis Polk & Wardwell LLP in the US and RPC in the UK acted as legal advisors to Dialog.

### **Conference Call Information**

Dialog Semiconductor invites you today at 2pm (UK) / 3pm (CET) to take part in a live conference call to hear management's discussion of the acquisition. To access the call please use the following dial-in numbers: Germany: 0800 101 4960, UK: 0800 694 0257, US: 1 866 9669 439, ROW: +44 (0) 1452 555 566 with no access code required. An instant replay facility will be available for 30 days after the call and can be accessed at +44 (0)1452 550 000 with access code 10245206. An audio replay of the conference call will also be posted soon thereafter on the Company's website at:

<http://www.diasemi.com/investor-relations>

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### **Accompanying notes:**

(\*) Financials audited according to US GAAP

(\*\*) Underlying result (per diluted share) exclude share-based compensation charges and amortization of intangible assets. The term "underlying" is not defined in IFRS and therefore may not be comparable with similarly titled measures reported by other companies. Underlying measures are not intended as a substitute for, or a superior measure to, IFRS measures

Gartner report reference: Semiconductor Forecast Database, worldwide, 2Q 2013 update, June 2013

Mc.Kinsey Report reference: Lighting the Way; Perspective on the Global Lighting Market, August 2012 2<sup>nd</sup> edition

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**Note to Editors:****About Dialog Semiconductor**

Dialog Semiconductor creates highly integrated, mixed-signal integrated circuits (ICs) optimised for personal portable, low energy short-range wireless, lighting, display and automotive applications. The company provides flexible and dynamic support, world-class innovation and the assurance of dealing with an established business partner.

With its focus and expertise in energy efficient system power management, and with a technology portfolio including audio, short range wireless and VoIP technology, Dialog brings decades of experience to the rapid development of ICs for personal portable applications including Smartphones, Tablet PCs, digital cordless and gaming applications.

Dialog's power management processor companion chips are essential for enhancing both the performance in terms of extended battery lifetime and the consumers' multimedia experience. With world-class manufacturing partners, Dialog operates a fabless business model.

Dialog Semiconductor Plc is headquartered near Stuttgart with a global sales, R&D and marketing organisation. In 2012, it had \$774 million in revenue and was one of the fastest growing European public semiconductor companies. At the end of 2012 it had approximately 850 employees. 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. It also has convertible bonds listed on the Euro MTF Market on the Luxemburg Stock Exchange (ISIN XS0757015606).

**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 "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.

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