

11th January 2016

TMT

Dialog Semiconductor

Price EUR26.55

Dialog expects a single-digit revenue growth for FY16 due to sluggish smartphone market

Fair Value EUR37 (+39%)

NEUTRAL

Bloomberg	DLG GR
Reuters	DLGS.DE
12-month High / Low (EUR)	53.3 / 26.6
Market Cap (EURm)	2,068
Avg. 6m daily volume (000)	18.20

	1 M	3 M	6 M	31/12/14
Absolute perf. Semiconductor	-23.4%	-29.1%	-45.8%	-9.4%
s	-12.5%	-0.7%	-11.5%	-15.3%
DJ Stoxx 600	-7.0%	-4.0%	-7.0%	1.2%
	2014	2015e	2016e	2017e
P/E	11.7x	9.7x	7.8x	6.5x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- **Dialog reported preliminary Q4-15 sales of USD397m and FY15 sales of USD1,355m, in line with the company's guidance of USD390m-USD400m updated in December.** As a result, sales are up 20.1% sequentially in Q4-15 and 17.2% in FY15. This is slightly above our estimates of USD394.4m (+19.4% seq.) for Q4-15 and USD1,752.4m (+17.0% yoy). The group adds that the gross cash position should be close to USD567m. We recall that the group updated its FY15 guidance on 15 December due to lower volume at the company's first customer, namely Apple. Dialog's new guidance was USD390m-USD400m, down 11% vs the previous guidance of USD430m-USD460m, but the group maintained its gross margin guidance of c. 46%-46.5%.
- **Dialog expects a single-digit yoy revenue growth for FY16.** The group also anticipates a new year of strong momentum in revenue terms for connectivity and power conversion products but expects the current softening of the smartphone market to continue during the first half of 2016. As a result, the group anticipates a single-digit revenue growth for FY16, i.e. sales lower than USD1,488m (representing a 10% growth yoy) vs. consensus expectations at USD1,570m (BG. ests 1,573m).

VALUATION

- Dialog's shares trade at a 2016e P/E ratio of 7.8x and 2016e EV/EBIT ratio of 3.9x.

NEXT CATALYSTS

- During week commencing 7 March 2016, FY15 results.

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Dorian Terral, dterral@bryangarnier.com

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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London	Paris	New York	Geneva	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	rue de Grenus 7	The Imperial Hotel
15 St. Botolph Street	75008 Paris	New York, NY 10022	CP 2113	Janpath
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Genève 1, CH 1211	New Delhi 110 001
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	Tel +4122 731 3263	Tel +91 11 4132 6062
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member	Fax+4122731 3243	+91 98 1111 5119
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