

15th January 2016

TMT

## Dialog Semiconductor

Price EUR27.25

DLG won't revise its offer for Atmel

Fair Value EUR38 (+39%)

NEUTRAL

Bloomberg	DLG GR
Reuters	DLGS.DE
12-month High / Low (EUR)	53.3 / 26.4
Market Cap (EURm)	2,122
Avg. 6m daily volume (000)	18.30

### ANALYSIS

- As [expected](#), Dialog announced last night that the group will not revise its offer on ATMEL. Indeed, two days ago, the target determined that the unsolicited acquisition proposal received from Microchip was higher than Dialog's. Dialog has four days to sweeten its offer but the DLG board considers a revision of the original offer not to be in the best interests of Dialog's shareholders.
- As a result, the group is to receive USD137m from Atmel. Since Atmel chose to favour Microchip's proposal and to terminate the merger agreement with Dialog, the target will have to pay breakup fees of about USD137m to Dialog.

	1 M	3 M	6 M	31/12/14
Absolute perf. Semiconductor	-15.6%	-26.4%	-47.3%	-7.0%
s	-7.1%	-0.3%	-16.5%	-17.4%
DJ Stoxx 600	-2.9%	-4.6%	-14.8%	-0.9%

	2014	2015e	2016e	2017e
P/E	12.0x	10.0x	9.1x	7.2x
Div yield (%)	NM	NM	NM	NM

### VALUATION

- Yesterday, [we updated our FV to EUR38](#) (vs. EUR34) in order to withdraw the impact of the Atmel acquisition in our valuation. However, given the current weak momentum in 1/ the core business and especially the Apple value chain, 2/ the particularly unsupportive global smartphone market, and 3/ a new potentially dilutive deal motivated by strong pressure to dilute the group's first client Apple (c. 80% of sales), we are maintaining a Neutral recommendation.
- Dialog's shares trade at a 2016e P/E ratio of 9.1x.

### NEXT CATALYSTS

- FY15 results to be published during the week commencing 7th March 2016.

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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