

Dialog Semiconductor

Price EUR36.26

Dialog partners invests USD10m in Energous for wireless charging**Fair Value EUR40 (+10%)****BUY**

Bloomberg	DLG GR
Reuters	DLGS.DE
12-month High / Low (EUR)	39.9 / 24.4
Market Cap (EURm)	2,775
Avg. 6m daily volume (000)	5.30

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.4%	21.3%	32.9%	16.1%
Semiconductors	-3.8%	0.9%	32.8%	20.3%
DJ Stoxx 600	-5.0%	-2.7%	-0.9%	-10.1%

	2015	2016e	2017e	2018e
P/E	13.4x	19.3x	13.7x	10.2x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- **Yesterday, Dialog announced an investment of USD10m in Energous, a company specialised in Wireless charging.** Energous has developed a technology which aims to provide an innovative wireless charging feature with an extended range of up to 4.5 meters. Energous is a listed company (IPO March 2014) with a market capitalisation of c. USD270m operating under a Licensing/Fabless Semiconductor revenue business model.
- **Dialog will be an exclusive component supplier of the WattUp IC.** Under the terms of the agreement, Dialog is to invest USD10m in Energous and become the exclusive component supplier of ICs for Energous' technology WattUp. In addition, Energous will be able to use Dialog's sales and distribution channels to accelerate market adoption.
- **Dialog has chosen sides and goes serious with RF-based wireless charging.** During the latest conference call, Dialog's management said that Wireless technology was still a domain where many different technologies were fighting and where there was no undisputed champion. Dialog's CEO added that the group would not go further until it had more confidence in a particular wireless charging technology. With this investment, Dialog indicates a certain confidence in RF-based technology compared with other methods such as magnetic resonance and inductive. In our view, the main advantage of Energous technology is that it is uncoupled (so any devices in the active field of the transmitter can benefit from wireless charging without any configuration/connection/pairing) and it works in a significantly longer range than competitive technology (4.5m vs. 0.2m at best). Both of these features make it a viable technology for top-up charging in consumer market applications.

VALUATION

- Based on our estimates, Dialog' shares are trading on 2017e P/E and PEG ratios of 13.7x and 1.4x respectively.

NEXT CATALYSTS

- 11th November 2016: Analyst day
- Late February/Early March 2017: Q4 and FY16 results (not confirmed yet)

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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