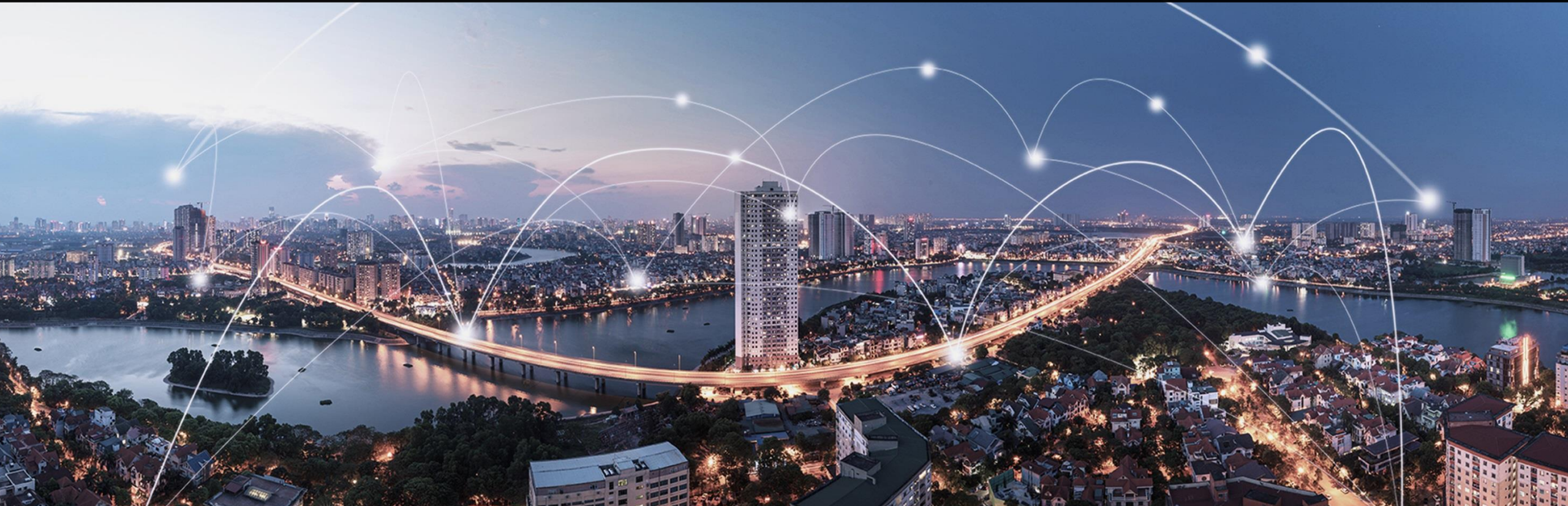




Magnachip Semiconductor (NYSE: MX)

Q4 2023 Earnings Materials

February 28, 2024



Forward-Looking Statements

Information in this presentation regarding Magnachip's forecasts, business outlook, expectations and beliefs are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. All forward-looking statements included or incorporated by reference in this presentation, including expectations about estimated historical or future operating results and financial performance, outlook and business plans, including first quarter and full year 2024 revenue and gross profit margin expectations, future growth and revenue opportunities from new and existing products and customers, the timing and extent of future revenue contributions by our products and businesses, and the impact of market conditions associated with inflation and higher interest rates, remaining effects from the COVID-19 pandemic, geopolitical conflicts between Russia-Ukraine and between Israel-Hamas, sustained military action and conflict in the Red Sea, and trade tensions between the U.S. and China on Magnachip's first quarter and full year 2024 and future operating results, and the timing and extent of future revenue contributions by our products and businesses, are based upon information available to Magnachip as of the date of this presentation and the accompanying press release, which may change, and we assume no obligation to update any such forward-looking statements. These statements are not guarantees of future performance and actual results could differ materially from our current expectations. Factors that could cause or contribute to such differences include, among others: the impact of changes in macroeconomic conditions, including those caused by or related to inflation, potential recessions or other deteriorations, economic instability or civil unrest; remaining effects from the COVID-19 pandemic, the geopolitical conflicts between Russia-Ukraine and between Israel-Hamas, sustained military action and conflict in the Red Sea, and trade tensions between the U.S. and China; manufacturing capacity constraints or supply chain disruptions that may impact our ability to deliver our products or affect the price of components, which may lead to an increase in our costs and impact demand for our products from customers who are similarly affected by such capacity constraints or disruptions; the impact of competitive products and pricing; timely acceptance of our designs by customers; timely introduction of new products and technologies; our ability to ramp new products into volume production; industry-wide shifts in supply and demand for semiconductor products; overcapacity within the industry or at Magnachip; effective and cost-efficient utilization of manufacturing capacity; financial stability in foreign markets and the impact of foreign exchange rates; unanticipated costs and expenses or the inability to identify expenses that can be eliminated; compliance with U.S. and international trade and export laws and regulations by us, our customers and our distributors; change to or ratification of local or international laws and regulations, including those related to environment, health and safety; public health issues, including the remaining effects of the COVID-19 pandemic; other business interruptions that could disrupt supply or delivery of, or demand for, Magnachip's products; and other risks detailed from time to time in Magnachip's filings with the U.S. Securities and Exchange Commission (the "SEC"), including our Form 10-K filed on February 22, 2023, and subsequent registration statements, amendments or other reports that we may file from time to time with the SEC and/or make available on our website. Magnachip assumes no obligation and does not intend to update the forward-looking statements provided, whether as a result of new information, future events or otherwise.

This presentation also includes references to certain non-GAAP financial measures. Management believes that non-GAAP financial measures, when viewed in conjunction with GAAP results, can provide a meaningful understanding of the factors and trends affecting Magnachip's business and operations and assist in evaluating our core operating performance. However, such non-GAAP financial measures may have limitations and should not be considered as a substitute for net income (loss) or as a better indicator of our operating performance than measures that are presented in accordance with GAAP. Reconciliation of GAAP results to non-GAAP results is also included in this presentation.

Q4 and 2023 Financial Summary

Revenue

Fourth quarter revenue of \$50.8 million was near the low-end of our guidance range. Full-year revenue of \$230.1 million decreased 31.9% YoY.

OLED business continued to be impacted by slower-than-expected design-win progress. Power business in Q4 impacted from ongoing inventory correction in industrial end markets, particularly in China's e-bike market and solar sector.

Gross Profit Margin

Fourth quarter gross profit margin was 22.7%, near the low-end of our guidance range.

Full-year gross profit margin of 22.4% decreased 760 bps YoY primarily due to unfavorable product mix, lower fab utilization and higher fab costs.

EPS

GAAP diluted loss per share for the fourth quarter was \$0.16; Full-year GAAP diluted loss per share was \$0.89.

Non-GAAP diluted loss per share for the fourth quarter was \$0.21; Full-year non-GAAP diluted earnings per share was \$0.55.

Q4 and 2023 Report by Business Line

	Q4 2023	Q3 2023	Q/Q Change	Q4 2022	Y/Y Change	2023	2022	Y/Y change
Revenue	\$5.2 M	\$6.4 M	down 18.3%	\$7.6 M	down 30.8%	\$32.1 M	\$71.4 M	down 55.0%
OLED	\$4.7 M	\$3.5 M	up 34.4%	\$5.5 M	down 16.1%	\$22.0 M	\$59.3 M	down 62.8%

Display Solutions

- Q4 OLED revenue was in-line with our expectation despite a slower design-wins progress than expected due to longer OEM evaluation cycles.
- Obtained 1st design-win in China and received PO from the after-service market provider for the 1st OLED DDIC chip that we taped out in 2022.
- 3rd OLED DDIC chip completed design-in evaluation at a leading Chinese smartphone OEM and assigned a model for launch by Q2 2024, a design win with a pilot production PO, as a second source supplier for a high-volume OLED smartphone series.
 - Also selected on their fall model with a new next-generation chip, with samples available next quarter.
- Partnered with a watch solution provider in China to develop a new product targeting the OLED smartwatch display market, with the first sample expected to deliver in mid'24.

	Q4 2023	Q3 2023	Q/Q Change	Q4 2022	Y/Y change	2023	2022	Y/Y change
Revenue	\$36.0 M	\$45.2 M	down 20.5%	\$46.3 M	down 22.3%	\$163.6 M	\$230.5 M	down 29.0%

Power Solutions

- Power business results were down 20.5% sequentially, primarily due to the ongoing inventory correction in industrial end markets, particularly in e-bike market and solar.
- Secured two new smartphone designs wins for Low Voltage MOSFET family, which contributed to more than 20% sequential revenue growth in that product area.
- Continued our focus on developing and launching new products while maintaining our strong momentum in design-win activities:
 - Secured a new design-win and began mass production for a major U.S. automotive brand that will contribute to revenue growth in 2024.
 - Announced two new 650V SJ MOSFETs in October that reduce the overall footprint by nearly 60% as compared to products from competitors.
 - We will be releasing next generation 650V IGBT in 1H/24, followed by 6th generation Super Junction MOSFETs in Q3, 6th generation IGBTs in Q3, 8th generation MV MOSFETs and 8th generation LV MOSFETs in Q4. These next generation product families expect to match or surpass the performance of our Tier 1 competitors.

Q4 and 2023 Key Financials

(In \$ millions, except for share data and days calculation)

Profitability	Profitability	Q4 2023	Q3 2023	Q4 2022	2023	2022
	Adjusted Operating Income (Loss)	-\$14.1	-\$7.1	-\$8.6	-\$41.2	\$4.1
	Adjusted EBITDA	-\$10.0	-\$2.7	-\$4.8	-\$24.2	\$19.5
	Adjusted Net Income (Loss)	-\$8.0	-\$1.6	-\$15.8	-\$22.5	\$8.8
	Adjusted Earnings (Loss) per Common Share - Diluted	-\$0.21	-\$0.04	-\$0.36	-\$0.55	\$0.19

Balance Sheet	Balance Sheet	Q4 2023	Q3 2023	Q4 2022
	Cash and cash equivalents	\$158.1	\$166.6	\$225.5
	Days Sales Outstanding (DSO)	59 days	62 days	53 days
	Days in Inventory	77 days	61 days	82 days
	Total Stockholders' Equity	\$344.6	\$353.7	\$428.2

Q1 & 2024 Outlook

Beginning in Q1, the Company will begin reporting under its newly organized businesses: MSS (Mixed-Signal Solutions) and PAS (Power-Analog Solutions). While actual results may vary, Magnachip currently expects the following:

	Key Metrics	Guidance
Q1 2024	Revenue	<ul style="list-style-type: none"> Consolidated revenue to be in the range of \$46 to \$51 million, including approx. \$3 million of Transitional Foundry Services. MSS revenue to be in the range of \$8 to \$10 million. This compares with MSS equivalent revenue of \$8.6 million in Q4 2023. PAS revenue to be in the range of \$35 to \$38 million. This compares with PAS equivalent revenue of \$32.6 million in Q4 2023.
	Gross Profit Margin	<ul style="list-style-type: none"> Consolidated gross profit margin to be in the range of 17% to 20%. MSS gross profit margin to be in the range of 40% to 43%, which includes the positive impact of expected one-time non-recurring engineering revenue. This compares with MSS equivalent gross profit margin of 41.3% in Q4 2023, which also included one-time non-recurring engineering revenue. PAS gross profit margin to be in the range of 15% to 18% due primarily to the expected decline in Transitional Foundry Services revenue. This compares with PAS equivalent gross profit margin of 18.0% in Q4 2023.
Full-year 2024	Revenue	<ul style="list-style-type: none"> MSS revenue to grow double digits year-over-year as compared with MSS equivalent revenue of \$44.4 million in 2023. PAS revenue to grow double digits year-over-year as compared with PAS equivalent revenue of \$151.3 million in 2023. Consolidated revenue flat-to-up-slightly year-over-year as recovery in MSS and PAS is offset by the phase-out of Transitional Foundry Services.
	Gross Profit Margin	<ul style="list-style-type: none"> Consolidated gross profit margin between 17% to 20% due to idle capacity expected from the phase-out of Transitional Foundry Services. This compares with the consolidated gross profit margin of 22.4% in 2023.

Q4 2023 Financial Highlights

Q4 and 2023 Financial Highlights

	In thousands of U.S. dollars, except share data						
	GAAP						
	Q4 2023	Q3 2023	Q/Q change		Q4 2022	Y/Y change	
Revenues							
Standard Products Business							
Display Solutions	5,232	6,404	down	18.3%	7,556	down	30.8%
Power Solutions	35,950	45,215	down	20.5%	46,271	down	22.3%
Transitional Fab 3 foundry services ⁽¹⁾	9,640	9,626	up	0.1%	7,163	up	34.6%
Gross Profit Margin	22.7%	23.6%	down	0.9%pts	26.4 %	down	3.7%pts
Operating Loss	(15,935)	(9,235)	down	n/a	(10,117)	down	n/a
Net Income (Loss)	(6,040)	(5,165)	down	n/a	2,971	down	n/a
Basic Earnings (Loss) per Common Share	(0.16)	(0.13)	down	n/a	0.07	down	n/a
Diluted Earnings (Loss) per Common Share	(0.16)	(0.13)	down	n/a	0.07	down	n/a

	In thousands of U.S. dollars, except share data						
	Non-GAAP ⁽²⁾						
	Q4 2023	Q3 2023	Q/Q change		Q4 2022	Y/Y change	
Adjusted Operating Loss	(14,095)	(7,064)	down	n/a	(8,567)	down	n/a
Adjusted EBITDA	(9,972)	(2,735)	down	n/a	(4,768)	down	n/a
Adjusted Net Loss	(8,044)	(1,591)	down	n/a	(15,848)	up	n/a
Adjusted Loss per Common Share—Diluted	(0.21)	(0.04)	down	n/a	(0.36)	up	n/a

2023 Financial Highlights

	In thousands of U.S dollars, except share data			
	GAAP			Y/Y Change
	2023	2022		
Revenues				
Standard Products Business				
Display Solutions	32,134	71,432	down	55.0%
Power Solutions	163,556	230,464	down	29.0%
Transitional Fab 3 foundry services ⁽¹⁾	34,361	35,762	down	3.9%
Gross Profit Margin	22.4%	30.0%	down	7.6 pts
Operating Loss	(57,644)	(5,244)	down	n/a
Net Loss	(36,622)	(8,036)	down	n/a
Basic Loss per Common Share	(0.89)	(0.18)	down	n/a
Diluted Loss per Common Share	(0.89)	(0.18)	down	n/a

	In thousands of U.S dollars, except share data			
	Non-GAAP ⁽²⁾			Y/Y Change
	2023	2022		
Adjusted Operating Income (Loss)	(41,170)	4,091	down	n/a
Adjusted EBITDA	(24,174)	19,517	down	n/a
Adjusted Net Income (Loss)	(22,474)	8,752	down	n/a
Adjusted Earnings (Loss) per Common Share—Diluted	(0.55)	0.19	down	n/a

(1) Following the consummation of the sale of the Foundry Services Group business and Fab 4 in Q3 2020, we provided transitional foundry services to the buyer for foundry products manufactured in our fabrication facility located in Gumi, Korea, known as “Fab 3” (“Transitional Fab 3 Foundry Services”). The contractual obligation to provide the Transitional Fab 3 Foundry Services ended August 31, 2023, and we are planning to wind down these foundry services and convert portions of the idle capacity to Power Solutions standard products beginning around the second half of 2024. Because these foundry services during the wind-down period are still provided to the same buyer by us using our Fab 3 based on mutually agreed terms and conditions, we will continue to report our revenue from providing these foundry services and related cost of sales within the Transitional Fab 3 Foundry Services line in our consolidated statement of operations until such wind down is completed. Management believes that disclosing revenue of Transitional Fab 3 Foundry Services separately from the standard products business allows investors to better understand the results of our core standard products display solutions and power solutions businesses.

(2) Management believes that non-GAAP financial measures, when viewed in conjunction with GAAP results, can provide a meaningful understanding of the factors and trends affecting our business and operations and assist in evaluating our core operating performance. However, such non-GAAP financial measures have limitations and should not be considered as a substitute for net income (loss) or as a better indicator of our operating performance than measures that are presented in accordance with GAAP. A reconciliation of GAAP results to non-GAAP results is included in this press release.

Appendix: GAAP to Non-GAAP Reconciliation

(In thousands of U.S. dollars)	Three Months Ended			Year Ended	
	December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Operating loss	\$ (15,935)	\$ (9,235)	\$ (10,117)	\$ (57,644)	\$ (5,244)
Adjustments:					
Equity-based compensation expense	1,840	2,171	1,550	7,223	6,037
Early termination and other charges, net	—	—	—	9,251	3,298
Adjusted Operating Income (Loss)	\$ (14,095)	\$ (7,064)	\$ (8,567)	\$ (41,170)	\$ 4,091

We present Adjusted Operating Income (Loss) as a supplemental measure of our performance. We define Adjusted Operating Income (Loss) for the periods indicated as operating loss adjusted to exclude (i) Equity-based compensation expense and (ii) Early termination and other charges, net.

For the year ended December 31, 2023, Early termination and other charges includes \$8,449 thousand of termination related charges in connection with the voluntary resignation program that we offered to certain employees during the first quarter of 2023 and \$802 thousand of one-time employee incentives.

For the year ended December 31, 2022, Early termination and other charges, net includes \$2,821 thousand of one-time employee incentives and professional service fees and expenses of \$1,014 thousand, incurred in connection with certain strategic evaluations, both of which were offset in part by a \$537 thousand gain on sale of certain legacy equipment of the closed back-end line in our fabrication facility in Gumi.

Appendix: GAAP to Non-GAAP Reconciliation

(In thousands of U.S. dollars, except share data)	Three Months Ended			Year Ended	
	December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Net Income (Loss)	\$ (6,040)	\$ (5,165)	\$ 2,971	\$ (36,622)	\$ (8,036)
Adjustments:					
Interest income	(2,519)	(2,382)	(2,420)	(10,435)	(5,980)
Interest expense	183	189	269	828	1,157
Income tax expense (benefit)	(2,360)	(4,373)	6,513	(10,937)	5,157
Depreciation and amortization	4,101	4,081	3,775	16,684	15,000
EBITDA	(6,635)	(7,650)	11,108	(40,482)	7,298
Equity-based compensation expense	1,840	2,171	1,550	7,223	6,037
Foreign currency loss (gain), net	(5,241)	2,583	(17,492)	(465)	3,019
Derivative valuation loss (gain), net	64	161	66	299	(135)
Early termination and other charges, net	—	—	—	9,251	3,298
Adjusted EBITDA	\$ (9,972)	\$ (2,735)	\$ (4,768)	\$ (24,174)	\$ 19,517
Net Income (Loss)	\$ (6,040)	\$ (5,165)	\$ 2,971	\$ (36,622)	\$ (8,036)
Adjustments:					
Equity-based compensation expense	1,840	2,171	1,550	7,223	6,037
Foreign currency loss (gain), net	(5,241)	2,583	(17,492)	(465)	3,019
Derivative valuation loss (gain), net	64	161	66	299	(135)
Early termination and other charges, net	—	—	—	9,251	3,298
Income tax effect on non-GAAP adjustments	1,333	(1,341)	(2,943)	(2,160)	4,569
Adjusted Net Income (Loss)	\$ (8,044)	\$ (1,591)	\$ (15,848)	\$ (22,474)	\$ 8,752
Adjusted Net Income (Loss) per common share—					
- Basic	\$ (0.21)	\$ (0.04)	\$ (0.36)	\$ (0.55)	\$ 0.20
- Diluted	\$ (0.21)	\$ (0.04)	\$ (0.36)	\$ (0.55)	\$ 0.19
Weighted average number of shares – basic	38,834,451	40,145,290	44,054,275	41,013,069	44,850,791
Weighted average number of shares – diluted	38,834,451	40,145,290	44,054,275	41,013,069	45,795,559

We present Adjusted EBITDA and Adjusted Net Income (Loss) as supplemental measures of our performance. We define Adjusted EBITDA for the periods indicated as EBITDA (as defined below), adjusted to exclude (i) Equity-based compensation expense, (ii) Foreign currency loss (gain), net, (iii) Derivative valuation loss (gain), net and (iv) Early termination and other charges, net. EBITDA for the periods indicated is defined as net income (loss) before interest income, interest expense, income tax expense (benefit) and depreciation and amortization.

We prepare Adjusted Net Income (Loss) by adjusting net income (loss) to eliminate the impact of a number of non-cash expenses and other items that may be either one time or recurring that we do not consider to be indicative of our core ongoing operating performance. We believe that Adjusted Net Income (Loss) is particularly useful because it reflects the impact of our asset base and capital structure on our operating performance. We define Adjusted Net Income (Loss) for the periods as net income (loss), adjusted to exclude (i) Equity-based compensation expense, (ii) Foreign currency loss (gain), net, (iii) Derivative valuation loss (gain), net, (iv) Early termination and other charges, net and (v) Income tax effect on non-GAAP adjustments.

For the year ended December 31, 2023, Early termination and other charges includes \$8,449 thousand of termination related charges in connection with the voluntary resignation program that we offered to certain employees during the first quarter of 2023 and \$802 thousand of one-time employee incentives.

For the year ended December 31, 2022, Early termination and other charges, net includes \$2,821 thousand of one-time employee incentives and professional service fees and expenses of \$1,014 thousand, incurred in connection with certain strategic evaluations, both of which were offset in part by a \$537 thousand gain on sale of certain legacy equipment of the closed back-end line in our fabrication facility in Gumi.