



# Magnachip Semiconductor (NYSE: MX)

## Q1 2024 Earnings Materials

May 2, 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 second 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, 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 second 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; 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; 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 March 8, 2024, 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.

# Q1 2024 Financial Summary

Revenue	Q1 2024		MX Guidance Range	Q/Q Change	Y/Y Change
	Consolidated	\$49.1 M	\$46 – 51 M	down 3.5%	down 13.9%
	MSS	\$9.0 M	\$8 – 10 M	up 5.2%	down 29.7%
	PAS	\$36.5 M	\$35 – 38 M	up 12.0%	down 5.6%

Gross Profit Margin	Q1 2024		MX Guidance Range	Q/Q Change	Y/Y Change
	Consolidated	18.3%	17 – 20%	down from 22.7%	down from 21.2%
	MSS	44.6%	40 – 43%	up from 41.3%	up from 30.2%
	PAS	15.4%	15 – 18%	down from 18.1%	down from 26.7%

EPS	Q1 2024		Q4 2023	Q1 2023	
	GAAP Diluted Loss Per Share		\$0.40	\$0.16	\$0.49
	Non-GAAP Diluted Loss Per Share		\$0.28	\$0.21	\$0.24

\* MSS consists of historical Display and Power IC business, which is operated by Magnachip Mixed-Signal, Ltd., a limited liability company incorporated in Korea. PAS business is operated by Magnachip Semiconductor, Ltd., the existing limited liability company incorporated in Korea prior to the establishment of Magnachip Mixed-Signal, Ltd.

# Q1 2024 Report by Business

	Q1 2024	Q4 2023	Q/Q Change	Q1 2023	Y/Y Change
Revenue	\$9.0 M	\$8.6 M	up 5.2%	\$12.8 M	down 29.7%
Display	\$5.6 M	\$5.2 M	up 7.6%	\$10.8 M	down 48.1%
Power IC	\$3.4 M	\$3.4 M	up 1.5%	\$2.0 M	up 71.8%

## MSS

- MSS revenue was in-line with our guidance, the sequential growth was due to increased demand from automotive LCD and OLED products.
- Continued executing our China focused strategy and making steady inroads with top tier panel makers and major smartphone OEMs.
  - Secured a new design-in of a high-end OLED smartphone for a top-tier Chinese smartphone vendor, with sample delivered in Q1.
  - Started initial ramp in Q1 for our first-generation OLED DDIC chip in China's after-service market, now expanding to other China panel makers.
  - Selected to collaborate on a fall 2024 model of leading Chinese smartphone OEM, following a pilot PO as their second source supplier; sampling expected in Q2.
  - Taped-out in Q1 and expect to sample in Q2 our first smartwatch OLED DDIC with a smartwatch solution provider in China.
- Secured a new OLED design win in EV that has commenced production in Q2 targeted for a leading European automaker.
- Continued to secure new design wins with a major Korea customer for our Power IC business.

	Q1 2024	Q4 2023	Q/Q Change	Q1 2023	Y/Y change
Revenue	\$36.5 M	\$32.6 M	up 12.0%	\$38.7 M	down 5.6%

## PAS

- PAS revenue of \$36.5 million was in line with our earlier expectation for a gradual recovery in our Power business during the first half of 2024 and are further supported initial signs of inventory reductions in the distribution channel for our PAS products.
- Optimistic for the growth trajectory in 2024 with the addition of new products and streamlined channel inventory.
  - Secured an IGBT design win at 650V from a major Korean appliance company.
  - Secured our first medium voltage MOSFET design win for an electric cooling fan with a China-based SUV supplier, as well as an additional power steering related win in Korea.
  - Strong product pipeline for power in 2024 remains on track: the new 650V IGBT has finished qualification and is expected to sample this month; 6th Gen IGBT and SJ MOSFET samples will begin in Q2; 8th generation LV MOSFET sample is ready and 8th generation MV MOSFET sample will be ready in Q2/24.

# Q1 2024 Key Financials

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

<b>Profitability</b>	<b>Profitability</b>	<b>Q1 2024</b>	<b>Q4 2023</b>	<b>Q1 2023</b>
	Adjusted Operating Loss	-\$12.6	-\$14.1	-\$12.2
	Adjusted EBITDA	-\$8.4	-\$10.0	-\$7.9
	Adjusted Net Loss	-\$10.9	-\$8.0	-\$10.4
	Adjusted Loss per Common Share - Diluted	-\$0.28	-\$0.21	-\$0.24

<b>Balance Sheet</b>	<b>Balance Sheet</b>	<b>Q1 2024</b>	<b>Q4 2023</b>	<b>Q1 2023</b>
	Cash and cash equivalents	\$171.6	\$158.1	\$212.1
	Days Sales Outstanding (DSO)	56 days	59 days	51 days
	Days in Inventory	71 days	77 days	73 days
	Total Stockholders' Equity	\$321.9	\$344.6	\$393.4

# Q2 & 2024 Outlook

Beginning in Q1, the Company begins 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
<b>Q2 2024</b>	Revenue	<ul style="list-style-type: none"> <li>Consolidated revenue to be in the range of \$49 to \$54 million, including approximately \$1.5 million of Transitional Foundry Services.</li> <li>MSS revenue to be in the range of \$9.5 to \$11.5 million. This compares with MSS equivalent revenue of \$9.0 million in Q1 2024 and \$12.4 million in Q2 2023.</li> <li>PAS revenue to be in the range of \$38 to \$41 million. This compares with PAS equivalent revenue of \$36.5 million in Q1 2024 and \$39 million in Q2 2023.</li> </ul>
	Gross Profit Margin	<ul style="list-style-type: none"> <li>Consolidated gross profit margin to be in the range of 17% to 19%.</li> <li>MSS gross profit margin to be in the range of 30% to 33%. This compares with MSS equivalent gross profit margin of 44.6% in Q1 2024, which included non-recurring engineering revenue, and 36.4% in Q2 2023.</li> <li>PAS gross profit margin to be in the range of 15% to 17% due primarily to the expected decline in Transitional Foundry Services revenue. This compares with PAS equivalent gross profit margin of 15.4% in Q1 2024 and 23.1% in Q2 2023.</li> </ul>

	Key Metrics	Guidance
<b>Full-year 2024</b>	Revenue	<ul style="list-style-type: none"> <li>MSS revenue to grow double digits year-over-year as compared with MSS equivalent revenue of \$44.4 million in 2023.</li> <li>PAS revenue to grow double digits year-over-year as compared with PAS equivalent revenue of \$151.3 million in 2023.</li> <li>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.</li> </ul>
	Gross Profit Margin	<ul style="list-style-type: none"> <li>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.</li> </ul>

# Q1 2024 Financial Highlights

	In thousands of U.S. dollars, except share data							
	GAAP							
	Q1 2024	Q4 2023	Q/Q change		Q1 2023	Y/Y change		
<b>Consolidated Revenues</b>	49,067	50,822	down	3.5%	57,005	down	13.9%	
Standard Products Business	45,541	41,182	up	10.6%	51,514	down	11.6%	
Mixed-Signal Solutions	9,006	8,558	up	5.2%	12,807	down	29.7%	
Power Analog Solutions	36,535	32,624	up	12.0%	38,707	down	5.6%	
Transitional Fab 3 foundry services <sup>(1)</sup>	3,526	9,640	down	63.4%	5,491	down	35.8%	
<b>Consolidated Gross Profit Margin</b>	18.3%	22.7%	down	4.4%pts	21.2%	down	2.9%pts	
Standard Products Business	21.2%	22.9%	down	1.7%pts	27.6%	down	6.4%pts	
Mixed-Signal Solutions	44.6%	41.3%	up	3.3%pts	30.2%	up	14.4%pts	
Power Analog Solutions	15.4%	18.1%	down	2.7%pts	26.7%	down	11.3%pts	
<b>Operating Loss</b>	(13,459)	(15,935)	up	n/a	(21,818)	up	n/a	
<b>Net Loss</b>	(15,417)	(6,040)	down	n/a	(21,470)	up	n/a	
<b>Basic Loss per Common Share</b>	(0.40)	(0.16)	down	n/a	(0.49)	up	n/a	
<b>Diluted Loss per Common Share</b>	(0.40)	(0.16)	down	n/a	(0.49)	up	n/a	

	In thousands of U.S. dollars, except share data							
	Non-GAAP <sup>(2)</sup>							
	Q1 2024	Q4 2023	Q/Q change		Q1 2023	Y/Y change		
<b>Adjusted Operating Loss</b>	(12,559)	(14,095)	up	n/a	(12,249)	down	n/a	
<b>Adjusted EBITDA</b>	(8,441)	(9,972)	up	n/a	(7,873)	down	n/a	
<b>Adjusted Net Loss</b>	(10,884)	(8,044)	down	n/a	(10,367)	down	n/a	
<b>Adjusted Loss per Common Share—Diluted</b>	(0.28)	(0.21)	down	n/a	(0.24)	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 winding down these foundry services and planning to convert portions of the idle capacity to PAS 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 MSS and PAS 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 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

	Three Months Ended		
	March 31, 2024	December 31, 2023	March 31, 2023
(In thousands of U.S. dollars)			
Operating loss	\$ (13,459)	\$ (15,935)	\$ (21,818)
Adjustments:			
Equity-based compensation expense	900	1,840	1,120
Early termination charges	—	—	8,449
Adjusted Operating Loss	<u>\$ (12,559)</u>	<u>\$ (14,095)</u>	<u>\$ (12,249)</u>

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

For the three months ended March 31, 2023, we recorded in our consolidated statement of operations \$8,449 thousand of early termination charges in connection with the voluntary resignation program offered to the employees during the first quarter of 2023.

# Appendix: GAAP to Non-GAAP Reconciliation

(In thousands of U.S. dollars, except share data)	Three Months Ended		
	March 31, 2024	December 31, 2023	March 31, 2023
Net loss	\$ (15,417)	\$ (6,040)	\$ (21,470)
Adjustments:			
Interest income	(2,213)	(2,519)	(2,842)
Interest expense	238	183	256
Income tax benefit	(1,024)	(2,360)	(1,227)
Depreciation and amortization	4,099	4,101	4,357
EBITDA	(14,317)	(6,635)	(20,926)
Equity-based compensation expense	900	1,840	1,120
Foreign currency loss (gain), net	5,001	(5,241)	3,430
Derivative valuation loss (gain), net	(25)	64	54
Early termination charges	—	—	8,449
Adjusted EBITDA	\$ (8,441)	\$ (9,972)	\$ (7,873)
Net loss	\$ (15,417)	\$ (6,040)	\$ (21,470)
Adjustments:			
Equity-based compensation expense	900	1,840	1,120
Foreign currency loss (gain), net	5,001	(5,241)	3,430
Derivative valuation loss (gain), net	(25)	64	54
Early termination charges	—	—	8,449
Income tax effect on non-GAAP adjustments	(1,343)	1,333	(1,950)
Adjusted Net Loss	\$ (10,884)	\$ (8,044)	\$ (10,367)
Adjusted Net Loss per common share—			
- Basic	\$ (0.28)	\$ (0.21)	\$ (0.24)
- Diluted	\$ (0.28)	\$ (0.21)	\$ (0.24)
Weighted average number of shares – basic	38,544,781	38,834,451	43,390,832
Weighted average number of shares – diluted	38,544,781	38,834,451	43,390,832

We present Adjusted EBITDA and Adjusted Net 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 charges. EBITDA for the periods indicated is defined as net loss before interest income, interest expense, income tax benefit and depreciation and amortization.

We prepare Adjusted Net Loss by adjusting net 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 Loss is particularly useful because it reflects the impact of our asset base and capital structure on our operating performance. We define Adjusted Net Loss for the periods as net loss, adjusted to exclude (i) Equity-based compensation expense, (ii) Foreign currency loss (gain), net, (iii) Derivative valuation loss (gain), net, (iv) Early termination charges and (v) Income tax effect on non-GAAP adjustments.

For the three months ended March 31, 2023, we recorded in our consolidated statement of operations \$8,449 thousand of early termination charges in connection with the voluntary resignation program offered to the employees during the first quarter of 2023.