

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): May 10, 2021

Magnachip Semiconductor Corporation
(Exact name of Registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-34791
(Commission
File Number)

83-0406195
(IRS Employer
Identification No.)

c/o MagnaChip Semiconductor S.A.
1, Allée Scheffer, L-2520
Luxembourg, Grand Duchy of Luxembourg
(Address of Principal Executive Offices)

Not Applicable
(Zip Code)

Registrant's telephone number, including area code: (352) 45-62-62

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading symbol(s) | Name of each exchange on which registered |
|---|----------------------|--|
| Common Stock, par value \$0.01 per share | MX | New York Stock Exchange |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

Attached hereto as Exhibit 99.1 and incorporated by reference herein is financial information for Magnachip Semiconductor Corporation and its consolidated subsidiaries for the first quarter ended March 31, 2021, as presented in a press release dated May 10, 2021.

The information disclosed under this Item 2.02, including Exhibit 99.1 hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be deemed incorporated by reference into any filing made under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit is furnished as part of this report:

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 99.1 | Press release for Magnachip Semiconductor Corporation dated May 10, 2021, announcing the results for the first quarter ended March 31, 2021. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MAGNACHIP SEMICONDUCTOR CORPORATION

Dated: May 10, 2021

By: /s/ Theodore Kim
Theodore Kim
Chief Compliance Officer, Executive Vice President, General
Counsel and Secretary



Magnachip Reports Results for First Quarter 2021

- **First quarter revenue of \$123.0 million was down 13.9% sequentially and up 2.1% year-over-year (YoY).**
- **Gross profit margin for the first quarter was 27.9%, up 100 bps sequentially and up 370 bps YoY.**
- **GAAP diluted loss per share for the first quarter was \$0.19.**
- **Non-GAAP diluted earnings per share was 0.22 cents.**

SEOUL, South Korea, May 10, 2021 — Magnachip Semiconductor Corporation (NYSE: MX) (“Magnachip” or the “Company”) today announced financial results for the first quarter 2021.

“Magnachip delivered solid quarterly results despite the industry-wide supply constraints. Our revenue came in above the midpoint of the company’s Q1 revenue guidance range, driven by strong growth in the Power solutions business. Gross profit margin exceeded the high-end of our expectations due to the improved product mix and higher utilization,” said YJ Kim, Magnachip’s chief executive officer.

Due to the pending merger with an investment vehicle formed by an affiliate of Wise Road Capital LTD pursuant to a definitive agreement executed on March 25, 2021, Magnachip will not be hosting a quarterly earnings conference call and has suspended the practice of providing forward-looking guidance. Please review the ‘Investors’ section of the Company’s website for the quarterly financial results and SEC filings for the latest updates on the pending transaction.

Q1 2021 Financial Highlights

| | In thousands of US dollars, except share data | | | | | | | |
|---|---|---------|------------|---------|----------|------------|---------|--|
| | GAAP | | | | | | | |
| | Q1 2021 | Q4 2020 | Q/Q change | | Q1 2020 | Y/Y change | | |
| Revenues | | | | | | | | |
| Standard Products Business | | | | | | | | |
| Display Solutions | 58,895 | 82,705 | down | 28.8% | 77,593 | down | 24.1% | |
| Power Solutions | 54,011 | 46,861 | up | 15.3% | 33,143 | up | 63.0% | |
| Transitional Fab 3 Foundry Services(1) | 10,113 | 13,379 | down | 24.4% | 9,737 | up | 3.9% | |
| Gross Profit Margin | 27.9% | 26.9% | up | 1.0%pts | 24.2% | up | 3.7%pts | |
| Operating Income (Loss) (2) | (2,091) | 9,206 | down | 122.7% | 5,965 | down | 135.1% | |
| Net Income (Loss) (3) | (7,473) | 66,581 | down | 111.2% | (23,749) | up | 68.5% | |
| Basic Earnings (Loss) per Common Share | (0.19) | 1.87 | down | 110.2% | (0.68) | up | 72.1% | |
| Diluted Earnings (Loss) per Common Share | (0.19) | 1.45 | down | 113.1% | (0.68) | up | 72.1% | |

| | In thousands of US dollars, except share data | | | | | | | |
|---|---|---------|------------|-------|---------|------------|--------|--|
| | Non-GAAP(3) | | | | | | | |
| | Q1 2021 | Q4 2020 | Q/Q change | | Q1 2020 | Y/Y change | | |
| Adjusted Operating Income | 9,971 | 15,355 | down | 35.1% | 7,281 | up | 36.9% | |
| Adjusted EBITDA | 13,504 | 18,582 | down | 27.3% | 9,895 | up | 36.5% | |
| Adjusted Net Income | 9,346 | 17,268 | down | 45.9% | 1,092 | up | 755.9% | |
| Adjusted Earnings per Common Share—Diluted | 0.22 | 0.40 | down | 45.0% | 0.03 | up | 633.3% | |

- (1) Following the consummation of the sale of the Foundry Services Group business and Fab 4 in Q3 2020, and for a period of up to three years, the Company will provide transitional foundry services to the buyer for foundry products manufactured in the Company's fabrication facility located in Gumi ("Transitional Fab 3 Foundry Services"). 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) In Q1 2021, operating loss of \$2.1 million included non-recurring professional fees and certain transaction related expenses of \$9.8 million in connection with a definitive agreement (the "Merger Agreement") that the Company entered into with South Dearborn Limited, an exempted company incorporated in the Cayman Islands with limited liability ("Parent"), formed by an affiliate of Wise Road Capital LTD, and Michigan Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of the Parent ("Merger Sub"). The Merger Agreement provides that, among other things, Merger Sub will be merged with and into the Company (the "Merger"), with the Company continuing its corporate existence as the surviving corporation in the Merger and becoming a wholly owned subsidiary of Parent.
- (3) In Q4 2020, total net income of \$66.6 million included one-time recognition of deferred tax benefits of \$43.9 million.
- (4) Non-GAAP financial measures are calculated based on the results from continuing operations. 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 have limitations and should not be considered as a substitute for net income from continuing operations 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.

Safe Harbor for Forward-Looking Statements

Information in this release 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 in this release are based upon information available to Magnachip as of the date of this 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 the possibility that any or all of the conditions precedent to the consummation of the pending merger may not be satisfied or waived; unanticipated difficulties or expenditures relating to the proposed merger; that the merger may not be completed in a timely manner or at all; the diversion of and attention of Magnachip's management on merger-related issues; legal proceedings, judgments or settlements following the announcement of the proposed merger; disruptions of current plans and operations caused by the announcement and pendency of the proposed merger; potential difficulties in employee retention due to the announcement and pendency of the proposed merger; the response of customers, suppliers, business partners and regulators to the announcement of the proposed merger; the impact of changes in macroeconomic and/or general economic conditions, including those caused by or related to the COVID-19 outbreak, recessions, economic instability and the outbreak of disease; the impact of competitive products and pricing; timely design acceptance by our customers; timely introduction of new products and technologies; ability to ramp new products into volume production; industry wide shifts in supply and demand for semiconductor products; industry and/or company overcapacity; 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 which can be eliminated; compliance with U.S. and international trade and export laws and regulations by us and our distributors; change or ratification of local or international laws and regulations, including those related to environment, health and safety; public health issues, including the COVID-19 pandemic; other business interruptions that could disrupt supply or delivery of, or demand for, Magnachip's products, including uncertainties regarding the impacts of the COVID-19 pandemic that may result in factory closures, reduced workforces, scarcity of raw materials and goods produced in infected areas, as well as reduced consumer and business spending affecting demand for Magnachip's products due to government and private sector mandatory business closures, travel restrictions or the like to prevent the spread of disease; and other risks detailed from time to time in Magnachip's filings with the SEC, including our Form 10-K filed on March 9, 2021 (including that the impact of the COVID-19 pandemic, trade tensions and supply constraints may also exacerbate the risks discussed therein) and subsequent registration statements, amendments or other reports that we may file from time to time with the Securities and Exchange Commission 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.

About Magnachip Semiconductor

Magnachip is a designer and manufacturer of analog and mixed-signal semiconductor platform solutions for communications, IoT, consumer, industrial and automotive applications. The Company provides a broad range of standard products to customers worldwide. Magnachip, with more than 40 years of operating history, owns a portfolio of approximately 1,200 registered patents and pending applications, and has extensive engineering, design and manufacturing process expertise. For more information, please visit www.magnachip.com. Information on or accessible through Magnachip's website is not a part of, and is not incorporated into, this release.

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MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars, except share data)
(Unaudited)

| | Three Months Ended | | |
|--|--------------------|----------------------|--------------------|
| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
| Revenues: | | | |
| Net sales – standard products business | \$ 112,906 | \$ 129,566 | \$ 110,736 |
| Net sales – transitional Fab 3 foundry services | 10,113 | 13,379 | 9,737 |
| Total revenues | <u>123,019</u> | <u>142,945</u> | <u>120,473</u> |
| Cost of sales: | | | |
| Cost of sales – standard products business | 79,247 | 92,503 | 81,606 |
| Cost of sales – transitional Fab 3 foundry services | 9,390 | 11,981 | 9,737 |
| Total cost of sales | <u>88,637</u> | <u>104,484</u> | <u>91,343</u> |
| Gross profit | 34,382 | 38,461 | 29,130 |
| Gross profit as a percentage of standard products business net sales | 29.8% | 28.6% | 26.3% |
| Gross profit as a percentage of total revenues | 27.9% | 26.9% | 24.2% |
| Operating expenses: | | | |
| Selling, general and administrative expenses | 12,634 | 12,576 | 12,102 |
| Research and development expenses | 13,423 | 11,604 | 10,509 |
| Early termination and other charges | 10,416 | 5,075 | 554 |
| Total operating expenses | <u>36,473</u> | <u>29,255</u> | <u>23,165</u> |
| Operating income (loss) | (2,091) | 9,206 | 5,965 |
| Interest expense | (1,041) | (1,625) | (5,607) |
| Foreign currency gain (loss), net | (4,671) | 13,256 | (30,971) |
| Loss on early extinguishment of borrowings, net | — | (766) | — |
| Other income, net | 620 | 767 | 838 |
| Income (loss) from continuing operations before income tax expense | (7,183) | 20,838 | (29,775) |
| Income tax expense (benefit) | 290 | (47,064) | 1,303 |
| Income (loss) from continuing operations | (7,473) | 67,902 | (31,078) |
| Income (loss) from discontinued operations, net of tax | — | (1,321) | 7,329 |
| Net income (loss) | <u>\$ (7,473)</u> | <u>\$ 66,581</u> | <u>\$ (23,749)</u> |
| Basic earnings (loss) per common share— | | | |
| Continuing operations | \$ (0.19) | \$ 1.91 | \$ (0.89) |
| Discontinued operations | — | (0.04) | 0.21 |
| Total | <u>\$ (0.19)</u> | <u>\$ 1.87</u> | <u>\$ (0.68)</u> |
| Diluted earnings (loss) per common share— | | | |
| Continuing operations | \$ (0.19) | \$ 1.47 | \$ (0.89) |
| Discontinued operations | — | (0.02) | 0.21 |
| Total | <u>\$ (0.19)</u> | <u>\$ 1.45</u> | <u>\$ (0.68)</u> |
| Weighted average number of shares— | | | |
| Basic | <u>40,292,838</u> | <u>35,582,966</u> | <u>34,893,157</u> |
| Diluted | <u>40,292,838</u> | <u>47,062,903</u> | <u>34,893,157</u> |

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars, except share data)
(Unaudited)

| | March 31, 2021 | December 31, 2020 |
|--|-------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 290,194 | \$ 279,940 |
| Accounts receivable, net | 52,250 | 64,390 |
| Inventories, net | 29,964 | 39,039 |
| Other receivables | 5,649 | 4,338 |
| Prepaid expenses | 9,136 | 7,332 |
| Hedge collateral | 5,250 | 5,250 |
| Other current assets | 2,435 | 9,321 |
| Total current assets | 394,878 | 409,610 |
| Property, plant and equipment, net | 91,014 | 96,383 |
| Operating lease right-of-use assets | 4,592 | 4,632 |
| Intangible assets, net | 2,602 | 2,727 |
| Long-term prepaid expenses | 5,993 | 4,058 |
| Deferred income taxes | 42,906 | 44,541 |
| Other non-current assets | 9,422 | 9,739 |
| Total assets | \$ 551,407 | \$ 571,690 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 43,357 | \$ 52,164 |
| Other accounts payable | 8,261 | 2,531 |
| Accrued expenses | 17,867 | 16,241 |
| Accrued income taxes | 1,224 | 12,398 |
| Operating lease liabilities | 2,352 | 2,210 |
| Current portion of long-term borrowings, net | — | 83,479 |
| Other current liabilities | 6,558 | 4,595 |
| Total current liabilities | 79,619 | 173,618 |
| Accrued severance benefits, net | 39,070 | 40,462 |
| Non-current operating lease liabilities | 2,240 | 2,422 |
| Other non-current liabilities | 10,131 | 9,588 |
| Total liabilities | 131,060 | 226,090 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Common stock, \$0.01 par value, 150,000,000 shares authorized, 55,469,375 shares issued and 46,257,413 outstanding at March 31, 2021 and 44,943,854 shares issued and 35,783,347 outstanding at December 31, 2020 | 555 | 450 |
| Additional paid-in capital | 250,829 | 163,010 |
| Retained earnings | 279,361 | 286,834 |
| Treasury stock, 9,211,962 shares at March 31, 2021 and 9,160,507 shares at December 31, 2020, respectively | (109,407) | (108,397) |
| Accumulated other comprehensive income (loss) | (991) | 3,703 |
| Total stockholders' equity | 420,347 | 345,600 |
| Total liabilities and stockholders' equity | \$ 551,407 | \$ 571,690 |

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)
(Unaudited)

| | Three Months Ended | |
|--|---------------------------|---------------------------|
| | March 31, 2021 | March 31, 2020 |
| Cash flows from operating activities | | |
| Net loss | \$ (7,473) | \$ (23,749) |
| Adjustments to reconcile net loss to net cash provided by operating activities | | |
| Depreciation and amortization | 3,448 | 7,935 |
| Provision for severance benefits | 1,771 | 5,071 |
| Amortization of debt issuance costs and original issue discount | 261 | 598 |
| Loss on foreign currency, net | 14,873 | 38,480 |
| Restructuring and other charges | 9,504 | 2,138 |
| Provision for inventory reserves | 1,504 | 570 |
| Stock-based compensation | 1,646 | 885 |
| Deferred income tax assets | 30 | 23 |
| Others, net | 124 | 107 |
| Changes in operating assets and liabilities | | |
| Accounts receivable, net | 9,794 | (10,430) |
| Unbilled accounts receivable, net | — | 6,937 |
| Inventories | 6,071 | (4,863) |
| Other receivables | (1,438) | 1,982 |
| Other current assets | 5,427 | 909 |
| Accounts payable | (7,701) | 1,988 |
| Other accounts payable | (2,009) | (1,817) |
| Accrued expenses | (3,532) | (6,611) |
| Accrued income taxes | (10,700) | (274) |
| Other current liabilities | 1,087 | 1,336 |
| Other non-current liabilities | 18 | 1,808 |
| Payment of severance benefits | (1,493) | (2,080) |
| Others, net | 12 | 125 |
| Net cash provided by operating activities | 21,224 | 21,068 |
| Cash flows from investing activities | | |
| Proceeds from settlement of hedge collateral | — | 4,239 |
| Payment of hedge collateral | — | (7,841) |
| Purchase of property, plant and equipment | (1,082) | (3,351) |
| Payment for intellectual property registration | (171) | (229) |
| Payment of guarantee deposits | (76) | — |
| Others, net | (35) | 55 |
| Net cash used in investing activities | (1,364) | (7,127) |
| Cash flows from financing activities | | |
| Proceeds from exercise of stock options | 2,538 | — |
| Acquisition of treasury stock | (1,540) | (1,021) |
| Repayment of financing related to water treatment facility arrangement | (144) | (135) |
| Repayment of principal portion of finance lease liabilities | (16) | (60) |
| Net cash provided by (used in) financing activities | 838 | (1,216) |
| Effect of exchange rates on cash and cash equivalents | (10,444) | (7,089) |
| Net increase in cash and cash equivalents | 10,254 | 5,636 |
| Cash and cash equivalents | | |
| Beginning of the period | 279,940 | 151,657 |
| End of the period | <u>\$290,194</u> | <u>\$157,293</u> |

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
RECONCILIATION OF OPERATING INCOME TO ADJUSTED OPERATING INCOME
(In thousands of U.S. dollars)
(Unaudited)

| | Three Months Ended | | |
|---|---------------------------|------------------------------|---------------------------|
| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
| Operating income (loss) | \$ (2,091) | \$ 9,206 | \$ 5,965 |
| Adjustments: | | | |
| Equity-based compensation expense | 1,646 | 1,945 | 762 |
| Early termination and other charges | 10,416 | 5,075 | 554 |
| Inventory reserve related to Huawei impact of downstream trade restrictions | — | (871) | — |
| Adjusted operating income | <u>\$ 9,971</u> | <u>\$ 15,355</u> | <u>\$ 7,281</u> |

We present Adjusted Operating Income as a supplemental measure of our performance. We define Adjusted Operating Income for the periods indicated as operating income (loss) adjusted to exclude (i) Equity-based compensation expense, (ii) Early termination and other charges and (iii) Inventory reserve related to Huawei impact of downstream trade restrictions.

For the three months ended March 31, 2021, early termination and other charges eliminate \$10,416 thousand, of which \$9,831 thousand related to non-recurring professional fees and certain transaction related expenses incurred in connection with the Merger. For the three months ended March 31, 2020, early termination and other charges eliminate \$554 thousand of non-recurring professional service fees and expenses incurred in connection with certain treasury and finance initiatives.

For the three months ended December 31, 2020, early termination and other charges eliminate \$5,075 thousand, of which \$4,422 thousand related to the reduction of workforce under a voluntary resignation program and non-recurring professional service fees, and \$653 thousand related to non-recurring professional fees and certain transaction related expenses incurred in connection with the Merger.

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA AND ADJUSTED NET INCOME
(In thousands of U.S. dollars, except share data)
(Unaudited)

| | Three Months Ended | | |
|---|--------------------|----------------------|-------------------|
| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
| Income (loss) from continuing operations | \$ (7,473) | \$ 67,902 | \$ (31,078) |
| Adjustments: | | | |
| Interest expense, net | 420 | 863 | 4,930 |
| Income tax expense (benefit) | 290 | (47,064) | 1,303 |
| Depreciation and amortization | 3,448 | 3,148 | 2,570 |
| EBITDA | (3,315) | 24,849 | (22,275) |
| Equity-based compensation expense | 1,646 | 1,945 | 762 |
| Early termination and other charges | 10,416 | 5,075 | 554 |
| Foreign currency loss (gain), net | 4,671 | (13,256) | 30,971 |
| Derivative valuation loss (gain), net | 86 | 74 | (117) |
| Loss on early extinguishment of borrowings, net | — | 766 | — |
| Inventory reserve related to Huawei impact of downstream trade restrictions | — | (871) | — |
| Adjusted EBITDA | <u>\$ 13,504</u> | <u>\$ 18,582</u> | <u>\$ 9,895</u> |
| Income (loss) from continuing operations | \$ (7,473) | \$ 67,902 | \$ (31,078) |
| Adjustments: | | | |
| Equity-based compensation expense | 1,646 | 1,945 | 762 |
| Early termination and other charges | 10,416 | 5,075 | 554 |
| Foreign currency loss (gain), net | 4,671 | (13,256) | 30,971 |
| Derivative valuation loss (gain), net | 86 | 74 | (117) |
| Loss on early extinguishment of borrowings, net | — | 766 | — |
| Inventory reserve related to Huawei impact of downstream trade restrictions | — | (871) | — |
| GAAP and cash tax expense difference | — | (43,874) | — |
| Income tax effect on non-GAAP adjustments | — | (493) | — |
| Adjusted Net Income | <u>\$ 9,346</u> | <u>\$ 17,268</u> | <u>\$ 1,092</u> |
| Adjusted Net Income per common share— | | | |
| - Basic | <u>\$ 0.23</u> | <u>\$ 0.49</u> | <u>\$ 0.03</u> |
| - Diluted | <u>\$ 0.22</u> | <u>\$ 0.40</u> | <u>\$ 0.03</u> |
| Weighted average number of shares – basic | <u>40,292,838</u> | <u>35,582,966</u> | <u>34,893,157</u> |
| Weighted average number of shares – diluted | <u>47,470,416</u> | <u>47,062,903</u> | <u>35,883,200</u> |

We present Adjusted EBITDA and Adjusted Net Income 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) Early termination and other charges, (iii) Foreign currency loss (gain), net, (iv) Derivative valuation loss (gain), net, (v) Loss on early extinguishment of borrowings, net and (vi) Inventory reserve related to Huawei impact of downstream trade restrictions. EBITDA for the periods indicated is defined as Income (loss) from continuing operations before interest expense, net, income tax expense (benefit) and depreciation and amortization.

We present Adjusted Net Income by adjusting income (loss) from continuing operations 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 is particularly useful because it reflects the impact of our asset base and capital structure on our operating performance. We define Adjusted Net Income for the periods as income (loss) from continuing operations, adjusted to exclude (i) Equity-based compensation expense, (ii) Early termination and other charges, (iii) Foreign currency loss (gain), net, (iv) Derivative valuation loss (gain), net, (v) Loss on early extinguishment of borrowings, net, (vi) Inventory reserve related to Huawei impact of downstream trade restrictions, (vii) GAAP and cash tax expense difference and (viii) Income tax effect on non-GAAP adjustments.

For the three months ended March 31, 2021, early termination and other charges eliminate \$10,416 thousand, of which \$9,831 thousand related to non-recurring professional fees and certain transaction related expenses incurred in connection with the Merger. For the three months ended March 31, 2020, early termination and other charges eliminate \$554 thousand of non-recurring professional service fees and expenses incurred in connection with certain treasury and finance initiatives.

For the three months ended December 31, 2020, early termination and other charges eliminate \$5,075 thousand, of which \$4,422 thousand related to the reduction of workforce under a voluntary resignation program and non-recurring professional service fees, and \$653 thousand related to non-recurring professional fees and certain transaction related expenses incurred in connection with the Merger.