

Magnachip Semiconductor

Prepared Remarks for Q1 2026 Investor Conference Call

Mike Bishop

Thank you. Hello everyone. Thank you for joining us to discuss Magnachip's financial results for the first quarter, ended March 31 2026. The first quarter earnings release that was issued today after the market closed can be found on the company's Investor Relations website. The webcast replay of today's call will be archived on our website shortly afterwards.

Joining me today are Camillo Martino, Magnachip's Chief Executive Officer; and Shinyoung Park, our Chief Financial Officer. Camillo will discuss the company's recent operating performance and business overview, and Shinyoung will review financial results for the quarter and provide guidance for the second quarter of 2026. There will be a Q&A session following the prepared remarks.

During the course of this conference call, we may make forward-looking statements about Magnachip's business outlook and expectations. Our forward-looking statements and all other statements that are not historical facts reflect our beliefs and predictions as of today, and therefore, are subject to risks and uncertainties as described in the safe harbor statement found in our SEC filing. Such statements are based upon information available to the company as of the date hereof and are subject to change for future developments. Except as required by law, the company does not undertake any obligation to update these statements.

During the call, we'll also discuss non-GAAP financial measures. The non-GAAP measures are not prepared in accordance with generally accepted accounting principles, but are intended as supplemental measures of Magnachip's operating performance that may be useful to investors. A reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures can be found in our first quarter earnings release in the investor relations section of our website.

With that, I'll now turn the call over to Camillo Martino. Camillo?

Camillo Martino:

Good afternoon, everyone, and thank you for joining us.

I am happy to be here today for my third earnings call with Magnachip.

Let me reiterate a point that I have made consistently over the past several quarters: specifically Magnachip has a strong technical foundation with a long history in power semiconductors, and deep relationships with important customers. We are building on that foundation to execute a multi-year transformation to return the company to profitable growth.

Although we are in the early stages of this transition, I believe that we are making progress.

Let me address the quarter directly.

From a revenue standpoint, Q1 came in stronger than typical seasonality would suggest, with both sequential and year-over-year growth. However, allow me to provide some clarity on how to interpret that result.

A portion of this strength was driven by actions we took in prior quarters — specifically, our previously communicated one-time sales incentive program to reduce channel inventory. This action was necessary to improve the health of the sales channel, but it also creates some short-term variability in revenue.

While the top-line growth is encouraging, we are still operating in a challenging competitive environment.

Consistent with our communications in prior quarters, we continue to face pricing pressure on legacy products, particularly in China.

And as we have said before, product competitiveness is the key to winning. Where we have competitive products, we can win. Where we do not, it is difficult to win in the market.

On gross margin, we saw sequential improvement. We feel good about our progress, and we are at the beginning of a multi-year journey to substantially improve gross margin.

Let me now step back and reconnect this quarter to our broader strategy.

As you may recall, last quarter we articulated a new strategy comprising six foundational pillars for the company's longer term recovery and profitable growth. We are actively executing on all of them.

I will not go through each one of them in detail today, but I would like to reinforce a few key points.

As we have consistently said, at the center of everything we are doing is improving product competitiveness by developing new generation products — these are all critical to our long term success. We have focused on accelerating our R&D efforts and launching products. We launched 55 new generation products in 2025, and we are now aiming for another 55 new generation products in 2026, after launching only 4 products in 2024 and zero in 2023. We believe that the launch of many new generation products on a consistent basis will have a meaningful contribution to our financial recovery efforts.

Some of these new generation products include those we mentioned in our recent press releases, including our newest 8th generation of products for the BatteryFET as well as the MV MOSFETs.

While it takes some time for our customers to qualify a new product, and subsequently drive revenue, we believe that over time these new products will return the company to revenue growth and improve margins. Consistent with our comments last quarter, we expect new-generation products to comprise approximately 10% of our total revenue in the fourth quarter of 2026, up from 2% for the full-year 2025.

In parallel, we expect to continue deepening our relationships with important industry leaders in our target market segments. This will be crucial to returning to growth.

I would like to address our Power IC business, as that is an area of opportunity and is also critical to our long term success. It is a smaller portion of our business right now and we expect it to remain so through 2026... at the same time, we see significant opportunity for our Power IC business in the coming years. We continue to align our power IC products as well as our future gate-driver IC products with our power discrete product roadmap, such as MOSFETs and IGBTs. The longer-term alignment of our discrete MOSFET products and our Power IC products will enable Magnachip to launch higher value-added integrated power modules as well.

We believe Magnachip's longer term potential is substantial and the accelerated launch of new generation products are building initial successes. So while we are confident in the direction, the financial improvement will be gradual.

Thank you. Shinyoung?

Shinyoung Park:

Thank you, Camillo, and welcome everyone on the call. Let's start with key financial metrics for Q1.

Total Q1 consolidated revenue from continuing operations (which includes Power Analog Solutions (PAS) and Power IC) was \$46.2 million, around the mid-point of our guidance range of \$44.0 to \$48.0 million. This was up 3.3% year-over-year, and up 13.9% sequentially, compared to \$44.7 million in Q1 2025 and \$40.6 million in Q4 2025.

- Revenue from Power Analog Solutions in Q1 was \$41.6 million, up 4.5% year-over-year, and up 13.1% sequentially. The sequential improvement was primarily driven by the \$2.7 million of one-time sales incentive that was recognized as a reduction in revenue in Q4 2025, as part of our efforts to reduce elevated channel inventory.
- Revenue from Power IC in Q1 was \$4.6 million, down 6.2% year-over-year but up 21.3% sequentially.

In Q1, consolidated gross profit margin from continuing operations was 15.6%, above the mid-point of our guidance range of 14% to 16%. This compares to 20.9% in Q1 2025, and 9.3% in Q4 2025. The year-over-year decline was primarily attributable to an unfavorable product mix, driven mainly by ASP erosion, particularly in China. As a reminder, the \$2.7 million one-time

sales incentive was recorded in Q4 2025. Excluding this item, Q4 gross profit margin would have been 15%. On that basis, gross profit margin improved by 60 basis points quarter-over-quarter, primarily due to higher utilization rates.

Moving to operating expenses:

- SG&A was \$7.7 million in Q1, compared to \$9.2 million in Q1 2025 and \$8.6 million in Q4 2025. As mentioned in our prior earnings call, we expect to see annual OPEX savings of approximately \$2.5 million beginning in Q4 2025 from our cost reduction efforts, primarily related to the voluntary resignation program implemented in Q3 last year. Stock-based compensation charges included in SG&A were \$0.6 million in Q1, compared to \$0.8 million in Q1 2025 and \$0.4 million in Q4 2025.
- R&D expenses were \$6.7 million in Q1, compared to \$5.4 million in Q1 2025 and \$7.6 million in Q4 2025. The year-over-year increase reflects the acceleration of investment in new product development. As Camillo noted earlier, we are now aiming for 55 new generation products in 2026.

Before turning to our non-GAAP results, please note that our GAAP financial results are available in our Form 8-K filing with our first quarter earnings release.

Our non-GAAP results are as follows:

- Adjusted Operating Loss was \$6.5 million in Q1, compared to a loss of \$4.4 million in Q1 2025 and a loss of \$11.9 million in Q4 2025. Adjusted EBITDA was negative \$3.6 million in Q1, compared to negative \$1.2 million in Q1 2025 and negative \$8.9 million in Q4 2025.
- The quarter-over-quarter improvement in both Adjusted Operating Loss and Adjusted EBITDA was primarily driven by higher gross profit, along with lower operating expenses, as discussed earlier.

Q1 non-GAAP diluted loss per share was 11 cents, compared to a loss per share of eight cents in both Q1 2025 and Q4 2025. Weighted average non-GAAP diluted shares outstanding for the quarter were 36.4 million, compared to 36.9 million in Q1 2025, and 36 million in Q4 2025.

Moving to the balance sheet:

We ended Q1 with cash of \$94.6 million, compared to \$103.8 million at the end of Q4 2025. The decrease was primarily driven by \$3.9 million in capital expenditures (CAPEX), with the remaining change largely attributable to operating cash outflows.

At the end of Q1, total borrowings were \$42.3 million, including \$15.9 million of the equipment loan. Of this amount, \$26.4 million associated with the term loan was reclassified to short-term during the quarter due to its maturity in March, 2027. While this is standard accounting treatment, our lender is aware of the maturity profile and we expect to be able to extend the maturity date beyond March 2027 and we will address it in the ordinary course of business, consistent with typical market practice in Korea.

Now moving to our second quarter 2026 guidance:

Consistent with Camillo's earlier comment, Q1 revenue came in stronger than typical seasonality due to the one-time sales incentive program.

While actual results may vary, for Q2 2026, Magnachip currently expects:

- Consolidated revenue from continuing operations (which includes Power Analog Solutions and Power IC businesses) to be in the range of \$44.5 million to \$48.5 million, roughly flat sequentially and a decrease of 2.3% year-over-year at the mid-point. This compares with \$46.2 million in Q1 2026 and \$47.6 million in Q2 2025.
- Consolidated gross profit margin from continuing operations to be in the range of 17% to 19%, up from 15.6% in Q1 2026 but down from 20.4% in Q2 2025.

Finally, I would like to note that a planned upgrade to the electrical substation by a service provider in Gumi is expected in Q3 and will have an impact on our Fab 3 operations. To mitigate any potential customer disruptions, we plan to build some additional inventory in Q2 and into Q3. As a result, we would expect our factory utilization rate to be somewhat higher in Q2, followed by lower utilization in Q3. Since utilization is a main driver of gross margin, we expect our gross margin in Q2 will likely be higher, as implied by our guidance. Gross margins are expected to decline in Q3 and decline further in Q4 as a result of the planned upgrade.

Thank you and now I will turn the call over to Camillo for his final remarks. Camillo?

Camillo Martino:

Thank you, Shinyoung.

We are committed to executing on our turn around strategy, and in particular, the six foundational pillars we articulated a quarter ago.

While we proceed through this multi-year journey, we are pleased to see the initial signs of success. Ultimately, this new strategy should drive long-term shareholder value.

I want to thank our employees for their continued hard work and dedication, and our investors and partners for their patience and support as we return the company to growth.

We will continue to be transparent, disciplined, and focused on execution.

I will turn the call to the operator to open the call for questions?

Operator?

Mike Bishop:

Thank you everyone for participating on our call today. We appreciate your support of Magnachip. Operator?