**Magnachip Semiconductor**
**Prepared Remarks for Q3 2026 Investor Conference Call**

## Mike Bishop

Thank you. Hello everyone. Thank you for joining us to discuss Magnachip's financial results for the third quarter, ended September 30, 2026. The third 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 after the conclusion of the call.

Joining me today are Chae Lee, Chief Executive Officer, and Shinyoung Park, our Chief Financial Officer. We will discuss the company's recent operating performance and business overview, followed by a review of the financial results for the quarter and provide guidance for the fourth 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 third quarter earnings release in the investor relations section of our website.

With that, it is my pleasure to turn the call to Magnachip's Chief Executive Officer, Chae Lee.

**Chae Lee:**

Thank you, Mike.

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

It has now been approximately four months since I joined Magnachip as CEO. During this time, I've spent significant time meeting with our customers, partners, and employees across all three of our major locations in Seoul, Cheongju, and Gumi.

I've had the opportunity to meet with virtually everyone in the organization, including our engineering, manufacturing, marketing, applications, and sales teams. After these extensive discussions, I am even more energized about Magnachip's future than I was when I first joined. Across all levels of the organization, I see our teams moving with greater clarity, focus, and speed.  This gives me increasing confidence in our ability to execute our transformation.

We have talented people, strong process technology expertise, well-managed manufacturing operations, supportive partners, and deep customer relationships. More importantly, I believe we have the right capabilities across the organization to develop differentiated and value-added solutions that create meaningful value for our customers, and our shareholders.

As I mentioned during our last earnings call, our objective is to transform Magnachip from a follower into a leader — competing through innovation and customer value rather than price alone.

Today, I'd like to share the positive progress we've made toward that objective.

**First, our engineering capabilities and track record of execution represents one of Magnachip’s greatest and most underappreciated asset of the company**

So far in 2026, we have announced 57 new generation products, and we are now projecting to announce approximately 85 products by the end of this year, an increase from our previous year of 55 announced products.

This represents a significant achievement by our engineering and product development teams and demonstrates our ability to execute against an aggressive product roadmap.  In context of a handful of new product introduced in 2024, the increase in pace has been dramatic, and our R&D employees rose to the challenge.

The acceleration of product rollouts in the last couple of years has been important in maintaining and expanding our customer relationships as well as providing a foundation for future revenue growth.

While these new product introductions have brought us in line with industry standards, most are still traditional products with limited differentiation. Our next priority is to develop higher-value solutions that address unmet customer needs and drive future growth.

Given our strong engineering capabilities and proven track record of execution, I am confident we have the talent and discipline to successfully develop these innovative and differentiated solutions.

**Second, we have made significant progress in establishing a sustainable differentiated product roadmap.**

One of my highest priorities since joining Magnachip has been to accelerate our transition toward products that deliver meaningful system-level benefits and value to customers.

We recognize that this transformation cannot take years before producing tangible results. Therefore, we have established both short-term and long-term differentiated product development roadmaps.

Our short-term roadmap leverages our existing silicon MOSFET and IGBT technologies while integrating intelligent sensing and monitoring capabilities. These products primarily address AI server, industrial, and high-margin consumer applications.

By harnessing our silicon technologies and manufacturing capabilities we can target initial product sampling within the next 12 months. These innovative products are designed to deliver meaningful system-level benefits, including improved power efficiency, reliability, diagnostics, and overall system performance, translating into significant added value for our customers.

Our longer-term roadmap targets demanding high-power and high-voltage applications by combining Navitas' differentiated high-voltage silicon carbide technology with Magnachip's silicon MOSFET technologies and advanced manufacturing capabilities. The combination of these two technologies materially expands our SAM in AI datacenter, energy and grid infrastructure, industrial, automotive, and robotics applications.

Within these markets, we are particularly excited about protection applications – approximately a $1 billion market and growing rapidly – which is driven by the datacenter and industrial 800V applications, in both sidecar and 800V native configurations. I am pleased to share that joint development of the first generation of these products, for which customer interest is growing rapidly, started a few months ago and sampling is expected in the second half of next year.

**I want to emphasize that our differentiated product roadmap represents a fundamental departure from our traditional second-source product strategy.**

Our objective is not simply to develop better versions of existing products. Instead, we intend to create unique, highly differentiated solutions that address difficult customer problems that conventional power semiconductor products cannot adequately solve. We are confident that we can execute this strategy by leveraging our existing engineering talent, technology platform, and manufacturing infrastructure, with our current R&D resources.

We believe these innovations will allow us to compete on differentiated technology and system-level value rather than price alone, while creating

opportunities for stronger customer relationships and sustainable and meaningful improvements in profitability.

Together, our short-term and long-term roadmaps provide us with a clear path to begin introducing differentiated and value added solutions in the near term while building a foundation for longer-term technology and industry leadership. Creating value for our customers is essential to improving our profitability, and Magnachip has all the ingredients to successfully achieve this goal.

**Third, we are expanding strategic partnerships to accelerate innovation, deliver differentiated system-level solutions and improve our cost structure.**

As you know, in July we announced a strategic partnership with Navitas Semiconductor. Following that, in September, we announced that Navitas made a $5 million strategic equity investment in Magnachip. This investment recognizes Magnachip's value creation potential and demonstrates our shared commitment to combining Navitas' silicon carbide technology with Magnachip's silicon technology to develop innovative next-generation power semiconductor solutions.

The partnership with Navitas will develop across several vectors, including resale of Navitas products, joint product development in high value markets, and porting Navitas' technology into our Gumi fab. Both companies see this partnership as mutually beneficial and a lever to unlock significant value for shareholders of both companies.

Looking ahead, we believe our compelling short-term and long-term product roadmaps will create additional opportunities to establish strategic partnerships with technology providers, customers, and suppliers.

Our objective is to combine Magnachip's core power semiconductor technologies and manufacturing expertise with complementary technologies and capabilities from our partners to develop more complete, differentiated system-level solutions while reducing overall cost.

Rather than simply supplying individual semiconductor components, we intend to work closely with strategic partners and key anchor customers to address their increasingly complex power management requirements with system solutions rather than discrete products.

We believe this collaborative approach will allow us to accelerate product innovation, strengthen customer relationships, and create new growth opportunities in our target markets.

**In closing, I am encouraged by the progress we have made over the past several months.**

We have demonstrated strong execution in new generation product development, established a clear roadmap for differentiated products, and strengthened our strategic partnerships with key partners.

Our transformation is underway, but I also recognize that our stock price and recent financial performance do not yet reflect the potential of our technologies and capabilities. We understand that shareholders expect tangible results, and we are committed to demonstrating our progress through disciplined execution and measurable milestones.

I am increasingly confident that we have the right people, the right technologies, and now a clear product roadmap to move Magnachip from being a follower to becoming a leader. Our focus is on delivering differentiated products that solve meaningful customer problems, strengthening our competitive position, and ultimately generating sustainable growth,meaningful profitability, and long-term shareholder value.

With that, I'll turn the call over to our Chief Financial Officer, Shinyoung Park, to review our financial results and provide current quarter outlook.

**Shinyoung Park:**

Thank you, Chae, and welcome everyone. Let me begin with our key financial results for the third quarter. I will follow with some comments on our near term outlook, and some industry comments.

Total Q3 consolidated revenue from continuing operations, which includes Power Analog Solutions (PAS) and Power IC, was $44.0 million, within our guidance range of $41.5 million to $45.5 million. Revenue was down 4.3% year-over-year and down 1.6% sequentially, compared with $45.9 million in Q3 2025 and $44.7 million in Q2 2026.

The revenue decline was primarily driven by lower customer volumes in certain Consumer applications, along with packaging constraints that have temporarily limited our ability to fully meet growing customer demand in certain product areas. We are already taking steps to address these bottlenecks and we expect to see benefits in the coming quarters.

Turning to gross profit margin:

In Q3, consolidated gross profit margin from continuing operations was 14.0%, below the low end of our guidance range of 17% to 19%. This compares with 18.6% in Q3 2025 and 19.3% in Q2 2026.

When we provided our Q3 guidance, we had already factored in much of the anticipated pricing pressure and product mix impact. The primary driver of the shortfall relative to our guidance was a sharper-than-anticipated appreciation of the Korean won against the U.S. dollar.

With a substantial portion of our costs denominated in Korean won and much of our revenue denominated in U.S. dollars, this currency movement had a significant adverse impact on our gross margin. While we do not normally comment on currency movements beyond their impact on our financial results, I would like to point out that the Korean won experienced its largest quarterly appreciation against U.S. dollar since Q4 1998, based on quarter-end exchange rates.

Moving to operating expenses, on a GAAP basis:

- SG&A expense was $8.8 million in Q3, compared with $8.3 million in Q3 2025 and $8.7 million in Q2 2026. Stock-based compensation included in SG&A was $1.6 million, compared with negative $28,000 in Q3 2025 and $0.8 million in Q2 2026. Excluding stock-based compensation, SG&A expense declined year-over-year, reflecting our continued focus on cost management.
- R&D expense was $8.4 million in Q3, compared with $7.8 million in Q3 2025 and $7.9 million in Q2 2026. We continue to prioritize R&D investments in product development while maintaining cost discipline across the organization.

Before turning to our non-GAAP results, please note that our GAAP financial results are in our third quarter earnings release, furnished on Form 8-K.

Our non-GAAP results are as follows:

Adjusted Operating Loss was $8.6 million in Q3, compared with a loss of $7.4 million in Q3 2025 and a loss of $7.0 million in Q2 2026.

Adjusted EBITDA was negative $3.5 million in Q3, compared with negative $4.0 million in Q3 2025 and negative $4.2 million in Q2 2026.

Q3 non-GAAP diluted loss per share was 29 cents, compared with a loss per share of one cent in Q3 2025 and a loss per share of 13 cents in Q2 2026. The higher loss per share was primarily attributable to a non-cash income tax expense resulting from a reduction in deferred tax assets following a Korean tax audit involving differences in the interpretation of tax laws.

Weighted average non-GAAP diluted shares outstanding for the quarter were 36.6 million, compared with 35.9 million in Q3 2025 and 36.5 million in Q2 2026.

Moving to the balance sheet:

We ended Q3 with $86.9 million in cash, compared with $87.9 million at the end of Q2, representing a decrease of $1.0 million during the quarter.

Despite negative Adjusted EBITDA of $3.5 million and capital expenditures of $2.3 million, the decline in our cash balance was limited to $1.0 million, as these outflows were partially offset by the $5.0 million strategic equity investment from Navitas Semiconductor, along with other cash movements.

We remain selective in investing in key strategic initiatives to improve profitability and efficiency while maintaining optionality on our cash uses.

At the end of Q3, total borrowings were $47.1 million, including $17.7 million of the equipment loan.

**Now moving to our fourth quarter 2026 guidance:**

While actual results may vary, for Q4 2026, we currently expect:

- Consolidated revenue from continuing operations (which includes Power Analog Solutions and Power IC businesses) to be in the range of $41.0 million to $45.0 million reflecting the typical seasonal softness in the fourth quarter. At the midpoint, this represents a decrease of 2.2% sequentially and an increase of 6.0% year-over-year, compared with $44.0 million in Q3 2026 and $40.6 million in Q4 2025.
- Consolidated gross profit margin from continuing operations to be in the range of 10% to 12%, compared with 14% in Q3 2026 and 9.3% in Q4 2025. The sequential decline is primarily due to lower utilization resulting from the previously announced planned shutdown of our

Gumi fab for a substation upgrade and the impact of Korean won appreciation.

Looking beyond Q4, we currently expect Q4 to represent the low point in our gross margin trajectory, as the normalization of fab operations should gradually help alleviate the manufacturing cost pressures.

Finally, I would also like to offer some comments on recent industry pricing dynamics. As observed by some of our peers, there have been widespread supply chain cost increases. In response to these dynamics, we have observed most of our peers implementing significant price increases in certain product lines to reflect these cost increases. With long-term customer relationships in mind, we will consider taking selective price actions to compensate for recent cost increases and allow us to continue to invest in innovation for the long-term benefit of our customers.

**In closing:**

We remain focused on maintaining financial discipline and preserving financial flexibility while navigating near-term headwinds.

As Chae discussed earlier, we are in a growing market with favorable dynamics and our strategic transformation initiatives are underway.

While it will take time for these initiatives to translate into meaningful financial improvements, our priority is to manage our resources while continuing to invest selectively in the technologies and differentiated products that we believe will drive our competitiveness and profitability.

Thank you, and I'll now turn the call over to Chae for his final remarks. Chae?

**Chae Lee:**

Thank you, Shinyoung.

As you've heard today, Magnachip remains in the early stages of an important transformation and has significant potential to create value for our customers and shareholders.

While our recent financial performance does not yet reflect the potential of our technologies and capabilities, I am encouraged by the tangible progress we are making in executing our strategy.

We have demonstrated our ability to accelerate product development, and we are now focused on translating that capability into differentiated solutions that create meaningful value for our customers.

Our priorities are clear: execute with discipline, deliver on our product development milestones, and ultimately translate our technology strengths into sustainable growth and improved profitability.

We understand that our shareholders expect results, not just promises. We are committed to earning their confidence through consistent execution and measurable progress.

With that, operator, we would now be happy to take your questions.

**Mike Bishop:**

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