



Magnachip Semiconductor (NYSE: MX)

Q2 2024 Earnings Materials

July 31, 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 third 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 third 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.

Q2 2024 Financial Summary

| Revenue | Q2 2024 | | MX Guidance Range | Q/Q Change | Y/Y Change |
|---------|--------------|----------|-------------------|------------|------------|
| | Consolidated | \$53.2 M | \$49 – 54 M | up 8.4% | down 12.8% |
| | MSS | \$11.6 M | \$9.5 – 11.5 M | up 28.7% | down 6.2% |
| | PAS | \$39.2 M | \$38 – 41 M | up 7.4% | up 0.6% |

| Gross Profit Margin | Q2 2024 | | MX Guidance Range | Q/Q Change | Y/Y Change |
|---------------------|--------------|-------|-------------------|-----------------|-----------------|
| | Consolidated | 21.8% | 17 – 19% | up from 18.3% | down from 22.2% |
| | MSS | 34.6% | 30 – 33% | down from 44.6% | down from 36.4% |
| | PAS | 19.7% | 15 – 17% | up from 15.4% | down from 23.1% |

| EPS | Q2 2024 | | Q1 2024 | Q2 2023 | |
|-----|---------------------------------|--|---------|---------|--------|
| | GAAP Diluted Loss Per Share | | \$0.34 | \$0.40 | \$0.09 |
| | Non-GAAP Diluted Loss Per Share | | \$0.21 | \$0.28 | \$0.06 |

* 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.

Q2 2024 Report by Business

| | Q2 2024 | Q1 2024 | Q/Q Change | Q2 2023 | Y/Y Change |
|-----------------|-----------------|----------------|-----------------|-----------------|-------------------|
| Revenue | \$11.6 M | \$9.0 M | up 28.7% | \$12.4 M | down 6.2% |
| Display | \$6.8 M | \$5.6 M | up 20.3% | \$9.7 M | down 29.9% |
| Power IC | \$4.8 M | \$3.4 M | up 42.8% | \$2.7 M | up 78.7% |

MSS

- MSS revenue was slightly above the high-end of our guidance, the sequential growth was due to increased demand from OLED DDICs for China smartphone OEMs, as well as automotive, and Power IC for LED TV and OLED IT panels.
- Continued executing our China focused strategy and making steady inroads with top tier panel makers and major smartphone OEMs.
 - Held formal opening ceremony in China for newly formed subsidiary, Magnachip Technology Company, Ltd. (MTC).
 - Secured a purchase commitment for OLED driver targeted for a premium smartphone OEM; mass production and revenue currently expected to begin by year-end.
 - Delivered samples of our next-generation OLED driver to a panel supplier for a leading Chinese smartphone OEM's winter 2024 model, now in the final design validation phase.
 - Taped out a new OLED driver designed with next-generation IP including sub-pixel rendering (SPR), refined color enhancement, color filter, brightness uniformity control and more than 20% reduction in power consumption than previous generation. This chip, which is targeted for feature-rich smartphones in China, is expected to be sampled to a broad array of OLED panel makers in Q4.
 - Sampled our first OLED smartwatch DDIC in Q2 following a Q1 tape-out, demonstrating our expansion into new, adjacent markets.
 - Power IC revenue increased sequentially, driven primarily by demand for LCD TVs and OLED IT panels for notebooks.

| | Q2 2024 | Q1 2024 | Q/Q Change | Q2 2023 | Y/Y change |
|----------------|-----------------|-----------------|----------------|-----------------|----------------|
| Revenue | \$39.2 M | \$36.5 M | up 7.4% | \$39.0 M | up 0.6% |

PAS

- Sequential PAS revenue growth driven by industrial, communication and consumer applications.
- Breadth of demand to continue in Q3 driven by leaner distribution channels, as well as seasonality, and design wins for existing and new products.
- Launched new 75A/1200V IGBT for a design opportunity in solar applications; expected to begin mass production in the second half of the year.
- Automotive rebounded with new design wins in Japan and China.
- Strong Power product pipeline to contribute in 2025.

Q2 2024 Key Financials

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

| Profitability | Profitability | Q2 2024 | Q1 2024 | Q2 2023 |
|----------------------|--|----------------|----------------|----------------|
| | Adjusted Operating Loss | -\$11.6 | -\$12.6 | -\$7.8 |
| | Adjusted EBITDA | -\$7.6 | -\$8.4 | -\$3.6 |
| | Adjusted Net Loss | -\$8.1 | -\$10.9 | -\$2.5 |
| | Adjusted Loss per Common Share - Diluted | -\$0.21 | -\$0.28 | -\$0.06 |

| Balance Sheet | Balance Sheet | Q2 2024 | Q1 2024 | Q2 2023 |
|----------------------|----------------------------------|----------------|----------------|----------------|
| | Cash and Cash Equivalents | \$132.5 | \$171.6 | \$173.0 |
| | Short-term Financial Instruments | \$30.0 | – | – |
| | Days Sales Outstanding (DSO) | 53 days | 56 days | 52 days |
| | Days in Inventory | 76 days | 71 days | 62 days |
| | Total Stockholders' Equity | \$305.8 | \$321.9 | \$364.3 |

Q3 & Full-year 2024 Outlook

Beginning in Q1, the Company began 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 |
|-----------------------|---------------------|--|
| Q3 2024 | Revenue | <ul style="list-style-type: none"> Consolidated revenue to be in the range of \$61.5 to \$66.5 million, including approximately \$1.5 million of Transitional Foundry Services. <ul style="list-style-type: none"> MSS revenue to be in the range of \$14.5 to \$16.5 million, up 33.7% sequentially and 46.2% year-over-year at the mid-point. This compares with MSS equivalent revenue of \$11.6 million in Q2 2024 and \$10.6 million in Q3 2023. PAS revenue to be in the range of \$45.5 to \$48.5 million, up 19.8% sequentially and 14.6% year-over-year at the mid-point. This compares with PAS equivalent revenue of \$39.2 million in Q2 2024 and \$41.0 million in Q3 2023. |
| | Gross Profit Margin | <ul style="list-style-type: none"> Consolidated gross profit margin to be in the range of 22.5% to 24.5%. <ul style="list-style-type: none"> MSS gross profit margin to be in the range of 36.5% to 39.5%. This compares with MSS equivalent gross profit margin of 34.6% in Q2 2024 and 28.8% in Q3 2023. PAS gross profit margin to be in the range of 18.5% to 20.5%. This compares with PAS equivalent gross profit margin of 19.7% in Q2 2024 and 28.6% in Q3 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, consistent with what we communicated at the beginning of the year. PAS revenue to grow double digits year-over-year as compared with PAS equivalent revenue of \$151.3 million in 2023, consistent with what we communicated at the beginning of the year. Transitional Foundry Services revenue will decline in 2024, as expected. We expect this revenue to phase out by the end of the year. Consolidated revenue flattish-to-slightly down, compared to prior expectation of flat-to-up-slightly year-over-year. |
| | Gross Profit Margin | <ul style="list-style-type: none"> Consolidated gross profit margin between 19% to 22%, above our prior expectation of 17% to 20%. This compares with the consolidated gross profit margin of 22.4% in 2023. |

Q2 2024 Financial Highlights

In thousands of U.S. dollars, except share data

| | GAAP | | | | | | |
|--|----------|----------|------------|----------|----------|------------|---------|
| | Q2 2024 | Q1 2024 | Q/Q change | | Q2 2023 | Y/Y change | |
| Consolidated Revenues | 53,171 | 49,067 | up | 8.4% | 60,979 | down | 12.8% |
| Standard Products Business | 50,835 | 45,541 | up | 11.6% | 51,375 | down | 1.1% |
| Mixed-Signal Solutions | 11,595 | 9,006 | up | 28.7% | 12,357 | down | 6.2% |
| Power Analog Solutions | 39,240 | 36,535 | up | 7.4% | 39,018 | up | 0.6% |
| Transitional Fab 3 foundry services ⁽¹⁾ | 2,336 | 3,526 | down | 33.7% | 9,604 | down | 75.7% |
| Consolidated Gross Profit Margin | 21.8% | 18.3% | up | 3.5%pts | 22.2% | down | 0.4%pts |
| Standard Products Business | 23.1% | 21.2% | up | 1.9%pts | 26.3% | down | 3.2%pts |
| Mixed-Signal Solutions | 34.6% | 44.6% | down | 10.0%pts | 36.4% | down | 1.8%pts |
| Power Analog Solutions | 19.7% | 15.4% | up | 4.3%pts | 23.1% | down | 3.4%pts |
| Operating Loss | (12,824) | (13,459) | up | n/a | (10,656) | down | n/a |
| Net Loss | (12,997) | (15,417) | up | n/a | (3,947) | down | n/a |
| Basic Loss per Common Share | (0.34) | (0.40) | up | n/a | (0.09) | down | n/a |
| Diluted Loss per Common Share | (0.34) | (0.40) | up | n/a | (0.09) | down | n/a |

In thousands of U.S. dollars, except share data

| | Non-GAAP ⁽²⁾ | | | | | | |
|---|-------------------------|----------|------------|-----|---------|------------|-----|
| | Q2 2024 | Q1 2024 | Q/Q change | | Q2 2023 | Y/Y change | |
| Adjusted Operating Loss | (11,608) | (12,559) | up | n/a | (7,762) | down | n/a |
| Adjusted EBITDA | (7,569) | (8,441) | up | n/a | (3,594) | down | n/a |
| Adjusted Net Loss | (8,134) | (10,884) | up | n/a | (2,472) | down | n/a |
| Adjusted Loss per Common Share—Diluted | (0.21) | (0.28) | up | n/a | (0.06) | 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 | | | Six Months Ended | |
|---------------------------------------|--------------------------|---------------------------|--------------------------|---------------------------|---------------------------|
| | June 30, 2024 | March 31, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 |
| (In thousands of U.S. dollars) | | | | | |
| Operating loss | \$(12,824) | \$ (13,459) | \$ (10,656) | \$ (26,283) | \$ (32,474) |
| Adjustments: | | | | | |
| Equity-based compensation expense | 1,216 | 900 | 2,092 | 2,116 | 3,212 |
| Early termination and other charges | — | — | 802 | — | 9,251 |
| Adjusted Operating Income Loss | <u>\$(11,608)</u> | <u>\$ (12,559)</u> | <u>\$ (7,762)</u> | <u>\$ (24,167)</u> | <u>\$ (20,011)</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 and other charges.

For the six months ended June 30, 2023, we recorded in our consolidated statement of operations \$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. For the three and six months ended June 30, 2023, we recorded \$802 thousand of one-time employee incentives.

Appendix: GAAP to Non-GAAP Reconciliation

| (In thousands of U.S. dollars, except share data) | Three Months Ended | | | Six Months Ended | |
|---|--------------------|-------------------|------------------|------------------|------------------|
| | June 30, 2024 | March 31, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 |
| Net loss | \$ (12,997) | \$ (15,417) | \$ (3,947) | \$ (28,414) | \$ (25,417) |
| Adjustments: | | | | | |
| Interest income | (2,228) | (2,213) | (2,692) | (4,441) | (5,534) |
| Interest expense | 554 | 238 | 200 | 792 | 456 |
| Income tax benefit | (1,602) | (1,024) | (2,977) | (2,626) | (4,204) |
| Depreciation and amortization | 4,016 | 4,099 | 4,145 | 8,115 | 8,502 |
| EBITDA | (12,257) | (14,317) | (5,271) | (26,574) | (26,197) |
| Equity-based compensation expense | 1,216 | 900 | 2,092 | 2,116 | 3,212 |
| Foreign currency loss (gain), net | 3,557 | 5,001 | (1,237) | 8,558 | 2,193 |
| Derivative valuation loss (gain), net | (85) | (25) | 20 | (110) | 74 |
| Early termination and other charges | — | — | 802 | — | 9,251 |
| Adjusted EBITDA | \$ (7,569) | \$ (8,441) | \$ (3,594) | \$ (16,010) | \$ (11,467) |
| Net loss | \$ (12,997) | \$ (15,417) | \$ (3,947) | \$ (28,414) | \$ (25,417) |
| Adjustments: | | | | | |
| Equity-based compensation expense | 1,216 | 900 | 2,092 | 2,116 | 3,212 |
| Foreign currency loss (gain), net | 3,557 | 5,001 | (1,237) | 8,558 | 2,193 |
| Derivative valuation loss (gain), net | (85) | (25) | 20 | (110) | 74 |
| Early termination and other charges | — | — | 802 | — | 9,251 |
| Income tax effect on non-GAAP adjustments | 175 | (1,343) | (202) | (1,168) | (2,152) |
| Adjusted Net Loss | \$ (8,134) | \$ (10,884) | \$ (2,472) | \$ (19,018) | \$ (12,839) |
| Adjusted Net Loss per common share— | | | | | |
| - Basic | \$ (0.21) | \$ (0.28) | \$ (0.06) | \$ (0.50) | \$ (0.30) |
| - Diluted | \$ (0.21) | \$ (0.28) | \$ (0.06) | \$ (0.50) | \$ (0.30) |
| Weighted average number of shares – basic | 38,174,920 | 38,544,781 | 41,741,310 | 38,359,851 | 42,561,514 |
| Weighted average number of shares – diluted | 38,174,920 | 38,544,781 | 41,741,310 | 38,359,851 | 42,561,514 |

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 and other 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 and other charges and (v) Income tax effect on non-GAAP adjustments.

For the six months ended June 30, 2023, we recorded in our consolidated statement of operations \$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. For the three and six months ended June 30, 2023, we recorded \$802 thousand of one-time employee incentives.