

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 001-34791



**Magnachip Semiconductor Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**83-0406195**  
(I.R.S. Employer  
Identification No.)

c/o Magnachip Semiconductor, Ltd.  
15F, 76 Jikji-daero 436beon-gil, Heungdeok-gu  
Cheongju-si, Chungcheongbuk-do, Republic of Korea 28581  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: +82 (2) 6903-3000

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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

As of October 31, 2024, the registrant had 37,202,783 shares of common stock outstanding.

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**MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
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PART I—FINANCIAL INFORMATION

Item 1. Interim Consolidated Financial Statements (Unaudited)

MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS (Unaudited)

	September 30, 2024	December 31, 2023
(In thousands of U.S. dollars, except share data)		
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 121,095	\$ 158,092
Short-term financial instruments	30,000	—
Accounts receivable, net	28,693	32,641
Inventories, net	36,127	32,733
Other receivables	5,301	4,295
Prepaid expenses	11,614	7,390
Hedge collateral (Note 7)	1,000	1,000
Other current assets (Note 17)	8,208	9,283
Total current assets	242,038	245,434
Property, plant and equipment, net	92,383	100,122
Operating lease right-of-use assets	3,810	4,639
Intangible assets, net	1,353	1,537
Long-term prepaid expenses	615	5,736
Deferred income taxes	46,643	50,836
Other non-current assets	24,513	12,187
Total assets	\$ 411,355	\$ 420,491
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 24,644	\$ 24,443
Other accounts payable	11,768	5,292
Accrued expenses	9,133	10,457
Accrued income taxes	32	1,496
Operating lease liabilities	1,754	1,914
Other current liabilities	3,005	3,286
Total current liabilities	50,336	46,888
Long-term borrowing	30,312	—
Accrued severance benefits, net	17,347	16,020
Non-current operating lease liabilities	2,191	2,897
Other non-current liabilities	11,596	10,088
Total liabilities	111,782	75,893
Commitments and contingencies (Note 17)		
Stockholders' equity		
Common stock, \$0.01 par value, 150,000,000 shares authorized, 57,032,206 shares issued and 37,292,044 outstanding at September 30, 2024 and 56,971,394 shares issued and 38,852,742 outstanding at December 31, 2023	569	569
Additional paid-in capital	277,306	273,256
Retained earnings	260,853	298,884
Treasury stock, 19,740,162 shares at September 30, 2024 and 18,118,652 shares at December 31, 2023, respectively	(222,503)	(213,454)
Accumulated other comprehensive loss	(16,652)	(14,657)
Total stockholders' equity	299,573	344,598
Total liabilities and stockholders' equity	\$ 411,355	\$ 420,491

The accompanying notes are an integral part of these consolidated financial statements.

**MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	(In thousands of U.S. dollars, except share data)			
Revenues:				
Net sales – standard products business	\$ 64,020	\$ 51,619	\$ 160,396	\$ 154,508
Net sales – transitional Fab 3 foundry services	2,440	9,626	8,302	24,721
Total revenues	66,460	61,245	168,698	179,229
Cost of sales:				
Cost of sales – standard products business	48,400	36,829	123,401	112,008
Cost of sales – transitional Fab 3 foundry services	2,599	9,935	9,267	27,108
Total cost of sales	50,999	46,764	132,668	139,116
Gross profit	15,461	14,481	36,030	40,113
Operating expenses:				
Selling, general and administrative expenses	12,091	12,089	35,089	36,391
Research and development expenses	14,373	11,627	38,227	36,180
Early termination and other charges	—	—	—	9,251
Total operating expenses	26,464	23,716	73,316	81,822
Operating loss	(11,003)	(9,235)	(37,286)	(41,709)
Interest income	2,051	2,382	6,492	7,916
Interest expense	(574)	(189)	(1,366)	(645)
Foreign currency gain (loss), net	5,066	(2,583)	(3,492)	(4,776)
Other income (loss), net	(31)	87	121	55
Loss before income tax expense (benefit)	(4,491)	(9,538)	(35,531)	(39,159)
Income tax expense (benefit)	5,126	(4,373)	2,500	(8,577)
Net loss	\$ (9,617)	\$ (5,165)	\$ (38,031)	\$ (30,582)
Basic loss per common share—	\$ (0.26)	\$ (0.13)	\$ (1.00)	\$ (0.73)
Diluted loss per common share—	\$ (0.26)	\$ (0.13)	\$ (1.00)	\$ (0.73)
Weighted average number of shares—				
Basic	37,468,849	40,145,290	38,060,682	41,747,255
Diluted	37,468,849	40,145,290	38,060,682	41,747,255

*The accompanying notes are an integral part of these consolidated financial statements.*

**MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)**

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u> <u>2024</u>	<u>September 30,</u> <u>2023</u>	<u>September 30,</u> <u>2024</u>	<u>September 30,</u> <u>2023</u>
	(In thousands of U.S. dollars)			
Net loss	\$ (9,617)	\$ (5,165)	\$ (38,031)	\$ (30,582)
Other comprehensive income (loss)				
Foreign currency translation adjustments	2,866	(1,847)	(2,222)	(6,040)
Derivative adjustments				
Fair valuation of derivatives	935	(1,013)	(477)	(2,523)
Reclassification adjustment for loss on derivatives included in net loss	118	698	704	2,544
Total other comprehensive income (loss)	<u>3,919</u>	<u>(2,162)</u>	<u>(1,995)</u>	<u>(6,019)</u>
Total comprehensive loss	<u>\$ (5,698)</u>	<u>\$ (7,327)</u>	<u>\$ (40,026)</u>	<u>\$ (36,601)</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)**

(In thousands of U.S. dollars, except share data)	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
	Shares	Amount					
<b>Three Months Ended September 30, 2024:</b>							
<b>Balance at June 30, 2024</b>	37,799,482	\$ 569	\$275,329	\$270,470	\$(219,949)	\$ (20,571)	\$305,848
Stock-based compensation	—	—	1,977	—	—	—	1,977
Settlement of restricted stock units	16,637	0	(0)	—	—	—	—
Acquisition of treasury stock	(524,075)	—	—	—	(2,554)	—	(2,554)
Other comprehensive income, net	—	—	—	—	—	3,919	3,919
Net loss	—	—	—	(9,617)	—	—	(9,617)
<b>Balance at September 30, 2024</b>	<u>37,292,044</u>	<u>\$ 569</u>	<u>\$277,306</u>	<u>\$260,853</u>	<u>\$(222,503)</u>	<u>\$ (16,652)</u>	<u>\$299,573</u>
<b>Three Months Ended September 30, 2023:</b>							
<b>Balance at June 30, 2023</b>	40,133,898	\$ 564	\$269,297	\$310,089	\$(199,248)	\$ (16,410)	\$364,292
Stock-based compensation	—	—	2,171	—	—	—	2,171
Settlement of restricted stock units	205,595	2	(49)	—	—	—	(47)
Acquisition of treasury stock	(671,498)	—	—	—	(5,397)	—	(5,397)
Other comprehensive loss, net	—	—	—	—	—	(2,162)	(2,162)
Net loss	—	—	—	(5,165)	—	—	(5,165)
<b>Balance at September 30, 2023</b>	<u>39,667,995</u>	<u>\$ 566</u>	<u>\$271,419</u>	<u>\$304,924</u>	<u>\$(204,645)</u>	<u>\$ (18,572)</u>	<u>\$353,692</u>
<b>Nine Months Ended September 30, 2024:</b>							
<b>Balance at December 31, 2023</b>	38,852,742	\$ 569	\$273,256	\$298,884	\$(213,454)	\$ (14,657)	\$344,598
Stock-based compensation	—	—	4,093	—	—	—	4,093
Settlement of restricted stock units	60,812	0	(43)	—	—	—	(43)
Acquisition of treasury stock	(1,621,510)	—	—	—	(9,049)	—	(9,049)
Other comprehensive loss, net	—	—	—	—	—	(1,995)	(1,995)
Net loss	—	—	—	(38,031)	—	—	(38,031)
<b>Balance at September 30, 2024</b>	<u>37,292,044</u>	<u>\$ 569</u>	<u>\$277,306</u>	<u>\$260,853</u>	<u>\$(222,503)</u>	<u>\$ (16,652)</u>	<u>\$299,573</u>
<b>Nine Months Ended September 30, 2023:</b>							
<b>Balance at December 31, 2022</b>	43,824,575	\$ 564	\$266,058	\$335,506	\$(161,422)	\$ (12,553)	\$428,153
Stock-based compensation	—	—	5,383	—	—	—	5,383
Exercise of stock options	4,000	0	27	—	—	—	27
Settlement of restricted stock units	218,928	2	(49)	—	—	—	(47)
Acquisition of treasury stock	(4,379,508)	—	—	—	(43,223)	—	(43,223)
Other comprehensive loss, net	—	—	—	—	—	(6,019)	(6,019)
Net loss	—	—	—	(30,582)	—	—	(30,582)
<b>Balance at September 30, 2023</b>	<u>39,667,995</u>	<u>\$ 566</u>	<u>\$271,419</u>	<u>\$304,924</u>	<u>\$(204,645)</u>	<u>\$ (18,572)</u>	<u>\$353,692</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

	Nine Months Ended	
	September 30, 2024	September 30, 2023
(In thousands of U.S. dollars)		
<b>Cash flows from operating activities</b>		
Net loss	\$ (38,031)	\$ (30,582)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	12,171	12,583
Provision for severance benefits	4,552	5,358
Loss on foreign currency, net	6,140	14,532
Provision for inventory reserves	(1,615)	3,035
Stock-based compensation	4,093	5,383
Deferred income taxes	3,111	88
Others, net	552	592
Changes in operating assets and liabilities		
Accounts receivable, net	3,560	(6,409)
Inventories	(2,365)	3,635
Other receivables	(1,030)	4,993
Prepaid expenses	5,645	5,653
Other current assets	1,155	(7,944)
Accounts payable	619	6,066
Other accounts payable	(10,197)	(6,738)
Accrued expenses	(1,339)	619
Accrued income taxes	(1,459)	(3,014)
Other current liabilities	(240)	(741)
Other non-current liabilities	(345)	(279)
Payment of severance benefits	(1,889)	(6,183)
Others, net	(1,077)	(841)
Net cash used in operating activities	(17,989)	(194)
<b>Cash flows from investing activities</b>		
Proceeds from settlement of hedge collateral	627	3,335
Payment of hedge collateral	(612)	(3,154)
Purchase of property, plant and equipment	(4,175)	(2,280)
Payment for intellectual property registration	(263)	(230)
Collection of guarantee deposits	1,153	4,984
Payment of guarantee deposits	(2,090)	(7,276)
Increase in short-term financial instruments	(30,000)	—
Others, net	(37)	—
Net cash used in investing activities	(35,397)	(4,621)
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowing	30,059	—
Proceeds from exercise of stock options	—	27
Acquisition of treasury stock	(9,507)	(43,087)
Repayment of financing related to water treatment facility arrangement	(357)	(371)
Repayment of principal portion of finance lease liabilities	(104)	(69)
Net cash provided by (used in) financing activities	20,091	(43,500)
Effect of exchange rates on cash and cash equivalents	(3,702)	(10,518)
Net decrease in cash and cash equivalents	(36,997)	(58,833)
<b>Cash and cash equivalents</b>		
Cash and cash equivalents at beginning of period	158,092	225,477
Cash and cash equivalents at end of period	<u>\$ 121,095</u>	<u>\$ 166,644</u>
<b>Supplemental cash flow information</b>		
Cash paid for income taxes	\$ 788	\$ 4,000
<b>Non-cash investing activities</b>		
Property, plant and equipment additions in other accounts payable	\$ 2,324	\$ 1,029
<b>Non-cash financing activities</b>		
Unsettled common stock repurchases	\$ —	\$ 494

*The accompanying notes are an integral part of these consolidated financial statements.*



**MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(TABULAR DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)**

**1. Business, Basis of Presentation and Significant Accounting Policies**

***Business***

Magnachip Semiconductor Corporation (together with its subsidiaries, the “Company”) is a designer and manufacturer of analog and mixed-signal semiconductor platform solutions for communication, Internet of Things (“IoT”), consumer, computing, industrial and automotive applications.

The Company’s standard products business consists of two business lines: one is the Mixed-Signal Solutions (“MSS”) business line, which comprises the display integrated circuit (“IC”) and power IC businesses that are fabless, and the other is the Power Analog Solutions (“PAS”) business line, which comprises the power discrete business which is an integrated device manufacturing (“IDM”) business.

Display IC products provide panel display solutions to major suppliers of large and small rigid and flexible panel displays, and a wide range of applications, including smartphones, televisions, automotive and IT applications, such as monitors, notebook PCs and tablet PCs, as well as AR/VRs. Power IC products provide power IC solutions to major television suppliers and large panel display suppliers.

The PAS business line produces power management semiconductor products, including power discrete solutions for power management in communication, consumer, computing, servers, automotive and industrial applications.

On September 1, 2020, the Company completed the sale of the Company’s Foundry Services Group business and its fabrication facility located in Cheongju, Korea, known as “Fab 4”, to SK keyfoundry Inc., a Korean company (“SK keyfoundry”). Following the consummation of the sale, the Company provided SK keyfoundry with transitional foundry services associated with its fabrication facility located in Gumi, Korea, known as “Fab 3”, at an agreed upon cost plus mark-up (the “Transitional Fab 3 Foundry Services”). The contractual obligation to provide the Transitional Fab 3 Foundry Services ended on August 31, 2023, and the Company is winding down these foundry services and have begun to convert portions of the idle capacity to PAS standard products during the second half of 2024. Because these foundry services during the wind-down period are still being provided to SK keyfoundry by the Company using Fab 3 based on mutually agreed terms and conditions, the Company will continue to report its revenue from these foundry services and related cost of sales within the Transitional Fab 3 Foundry Services line in its consolidated statement of operations until such wind-down is completed.

On May 30, 2023, the Company announced a plan to regroup the business lines in its standard products business, originally grouped as Display Solutions and Power Solutions business lines, into MSS and PAS business lines to better align its product strategies (the “Reorganization”). On January 10, 2024, the Company transferred the MSS business line into a newly formed Korean limited liability company named “Magnachip Mixed-Signal, Ltd.” Currently, the MSS business line is primarily operated by Magnachip Mixed-Signal, Ltd., and the PAS business line is primarily operated by Magnachip Semiconductor, Ltd., Magnachip’s already existing Korean operating company. Both companies are indirect wholly owned subsidiaries of the Company.

***Basis of Presentation***

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). These interim consolidated financial statements include normal recurring adjustments and the elimination of all intercompany accounts and transactions which are, in the opinion of management, necessary to provide a fair statement of the Company’s financial condition and results of operations for the periods presented. These interim consolidated financial statements are presented in accordance with Accounting Standards Codification (“ASC”) 270, “Interim Reporting” and, accordingly, do not include all of the information and note disclosures required by U.S. GAAP for complete financial statements, except for the changes below. The results of operations for the three and nine months ended September 30, 2024 are not necessarily indicative of the results to be expected for a full year or for any other periods.

The December 31, 2023 balance sheet data was derived from the Company’s audited financial statements, but does not include all disclosures required by U.S. GAAP. The interim consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

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There have been no material changes to the Company's significant accounting policies as of and for the nine months ended September 30, 2024 as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

### ***Recent Accounting Pronouncements Not Yet Adopted***

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures", which will require an entity to provide more detailed information about its reportable segment expenses that are included within management's measurement of profit and loss and will require certain annual disclosures to be provided on an interim basis. The amendments in this ASU are effective for the Company in 2024 for annual reporting and in 2025 for interim reporting, with early adoption permitted beginning in 2024, and is required to be applied using the full retrospective method of transition. The Company is currently evaluating the impact of this accounting standard update on the Company's segment disclosures.

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09"), which intends to enhance the transparency and decision usefulness of income tax disclosures. It requires public business entities to disclose additional information in specified categories with respect to the reconciliation of the effective tax rate to the statutory rate for federal, state, and foreign income taxes. It also requires greater detail about individual reconciling items in the rate reconciliation to the extent the impact of those items exceeds a specified threshold. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, though early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its consolidated financial statements and related disclosures.

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### 2. Inventories

Inventories as of September 30, 2024 and December 31, 2023 consist of the following (in thousands):

	September 30, 2024	December 31, 2023
Finished goods	\$ 8,444	\$ 8,432
Semi-finished goods and work-in-process	31,562	29,339
Raw materials	4,404	5,543
Materials in-transit	74	18
Less: inventory reserve	(8,357)	(10,599)
Inventories, net	<u>\$ 36,127</u>	<u>\$ 32,733</u>

Changes in inventory reserve for the three and nine months ended September 30, 2024 and 2023 are as follows (in thousands):

	Three Months Ended September 30, 2024	Nine Months Ended	Three Months Ended September 30, 2023	Nine Months Ended
Beginning balance	\$ (8,541)	\$ (10,599)	\$ (14,745)	\$ (14,677)
Change in reserve				
Inventory reserve charged to costs of sales	(1,273)	(4,234)	(2,759)	(7,366)
Sale of previously reserved inventory	1,835	5,962	845	4,368
	562	1,728	(1,914)	(2,998)
Write off	63	390	187	669
Translation adjustments	(441)	124	393	927
Ending balance	<u>\$ (8,357)</u>	<u>\$ (8,357)</u>	<u>\$ (16,079)</u>	<u>\$ (16,079)</u>

Inventory reserve represents the Company's best estimate in value lost due to excessive inventory level, physical deterioration, obsolescence, changes in price levels, or other causes based on individual facts and circumstances. Inventory reserve relates to inventory items including finished goods, semi-finished goods, work-in-process and raw materials. Write off of this reserve is recognized only when the related inventory has been disposed or scrapped.

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### 3. Property, Plant and Equipment

Property, plant and equipment as of September 30, 2024 and December 31, 2023 are comprised of the following (in thousands):

	September 30, 2024	December 31, 2023
Buildings and related structures	\$ 24,314	\$ 24,532
Machinery and equipment	138,105	139,710
Finance lease right-of-use assets	597	902
Others	38,287	35,471
	<u>201,303</u>	<u>200,615</u>
Less: accumulated depreciation	(124,247)	(115,889)
Land	12,518	12,811
Construction in progress	2,809	2,585
Property, plant and equipment, net	<u>\$ 92,383</u>	<u>\$ 100,122</u>

Aggregate depreciation expenses totaled \$11,762 thousand and \$12,111 thousand for the nine months ended September 30, 2024 and 2023, respectively.

On March 26, 2024, Magnachip Semiconductor, Ltd., a Korean limited liability company (“MSK”) and indirect wholly owned subsidiary of the Company, executed a Standard Credit Agreement (together with its General Terms and Conditions, the “Loan Agreement”) with Korea Development Bank (“KDB”). In connection with the Loan Agreement, on March 26, 2024, MSK entered into a Kun-Pledge (Mortgage) Agreement (the “Pledge Agreement”) with KDB pursuant to which MSK pledged its real property and buildings located in Gumi, Korea in favor of KDB. See “Note 10. Long-Term Borrowing” to these consolidated financial statements below for more information regarding the Loan Agreement.

### 4. Intangible Assets

Intangible assets as of September 30, 2024 and December 31, 2023 are comprised of the following (in thousands):

	September 30, 2024		
	Gross amount	Accumulated amortization	Net amount
Intellectual property assets	\$9,114	\$ (7,761)	\$1,353
Intangible assets	<u>\$9,114</u>	<u>\$ (7,761)</u>	<u>\$1,353</u>
	December 31, 2023		
	Gross amount	Accumulated amortization	Net amount
Intellectual property assets	\$9,150	\$ (7,613)	\$1,537
Intangible assets	<u>\$9,150</u>	<u>\$ (7,613)</u>	<u>\$1,537</u>

Aggregate amortization expenses for intangible assets totaled \$409 thousand and \$472 thousand for the nine months ended September 30, 2024 and 2023, respectively.

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**5. Leases**

The Company has operating and finance leases for buildings and other assets such as vehicles and office equipment. The Company's leases have remaining lease terms ranging from 1 year to 5 years.

The tables below present financial information related to the Company's leases.

Supplemental balance sheets information related to leases as of September 30, 2024 and December 31, 2023 are as follows (in thousands):

Leases	Classification	September 30, 2024	December 31, 2023
<b>Assets</b>			
Operating lease	Operating lease right-of-use assets	\$ 3,810	\$ 4,639
Finance lease	Property, plant and equipment, net	395	511
<b>Total lease assets</b>		<u>\$ 4,205</u>	<u>\$ 5,150</u>
<b>Liabilities</b>			
Current			
Operating	Operating lease liabilities	\$ 1,754	\$ 1,914
Finance	Other current liabilities	150	146
Non-current			
Operating	Non-current operating lease liabilities	2,191	2,897
Finance	Other non-current liabilities	308	432
<b>Total lease liabilities</b>		<u>\$ 4,403</u>	<u>\$ 5,389</u>

The following table presents the weighted average remaining lease term and discount rate:

	September 30, 2024	December 31, 2023
<b>Weighted average remaining lease term</b>		
Operating leases	2.7 years	2.8 years
Finance leases	3.0 years	3.7 years
<b>Weighted average discount rate</b>		
Operating leases	7.1%	6.6%
Finance leases	7.4%	7.4%

The components of lease cost included in the Company's consolidated statements of operations are as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Operating lease cost	\$ 515	\$ 492	\$ 1,550	\$ 1,548
Finance lease cost				
Amortization of right-of-use assets	33	36	102	106
Interest on lease liabilities	8	8	27	23
<b>Total lease cost</b>	<u>\$ 556</u>	<u>\$ 536</u>	<u>\$ 1,679</u>	<u>\$ 1,677</u>

The above table does not include an immaterial cost of short-term leases for the three and nine months ended September 30, 2024 and 2023.

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Other lease information is as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<b>Cash paid for amounts included in the measurement of lease liabilities</b>				
Operating cash flows from operating leases	\$ 526	\$ 504	\$ 1,584	\$ 1,583
Operating cash flows from finance leases	8	8	27	23
Financing cash flows from finance leases	35	23	104	69

Non-cash transaction amounts of lease liabilities arising from obtaining right-of-use assets were \$733 thousand and \$1,535 thousand for the nine months ended September 30, 2024 and 2023, respectively.

The aggregate future lease payments for operating and finance leases as of September 30, 2024 are as follows (in thousands):

	Operating Leases	Finance Leases
Remainder of 2024	\$ 574	\$ 45
2025	1,698	178
2026	1,161	164
2027	772	125
2028	111	—
2029	28	—
Total future lease payments	4,344	512
Less: Imputed interest	(399)	(54)
Present value of future payments	<u>\$ 3,945</u>	<u>\$ 458</u>

## 6. Accrued Expenses

Accrued expenses as of September 30, 2024 and December 31, 2023 are comprised of the following (in thousands):

	September 30, 2024	December 31, 2023
Payroll, benefits and related taxes, excluding severance benefits	\$ 5,881	\$ 5,947
Withholding tax attributable to intercompany interest income	1,068	1,671
Outside service fees	1,129	1,953
Others	1,055	886
Accrued expenses	<u>\$ 9,133</u>	<u>\$ 10,457</u>

## 7. Derivative Financial Instruments

The Company's Korean subsidiary, Magnachip Semiconductor, Ltd., from time to time has entered into zero cost collar contracts to hedge the risk of changes in the functional-currency-equivalent cash flows attributable to currency rate changes on U.S. dollar denominated revenues.

Details of the zero cost collar contracts as of September 30, 2024 are as follows (in thousands):

<u>Date of transaction</u>	<u>Total notional amount</u>	<u>Month of settlement</u>
April 05, 2024	\$ 18,000	October 2024 to March 2025
July 09, 2024	\$ 18,000	April 2025 to September 2025

Details of the zero cost collar contracts as of December 31, 2023 are as follows (in thousands):

<u>Date of transaction</u>	<u>Total notional amount</u>	<u>Month of settlement</u>
April 03, 2023	\$ 18,000	January 2024 to June 2024
August 09, 2023	\$ 27,000	January 2024 to September 2024

The zero cost collar contracts qualify as cash flow hedges under ASC 815, "Derivatives and Hedging," since at both the inception of the contracts and on an ongoing basis, the hedging relationship was and is expected to be highly effective in achieving offsetting cash flows attributable to the hedged risk during the term of the contracts.

The fair values of the Company's outstanding zero cost collar contracts recorded as assets and liabilities as of September 30, 2024 and December 31, 2023 are as follows (in thousands):

<u>Derivatives designated as hedging instruments:</u>		<u>September 30, 2024</u>	<u>December 31, 2023</u>
<u>Asset Derivatives:</u>			
Zero cost collars	Other current assets	\$ 367	\$ 152
<u>Liability Derivatives:</u>			
Zero cost collars	Other current liabilities	\$ —	\$ 1

Offsetting of derivative assets as of September 30, 2024 is as follows (in thousands):

<u>As of September 30, 2024</u>	<u>Gross amounts of recognized Assets</u>	<u>Gross amounts offset in the balance sheets</u>	<u>Net amounts of assets presented in the balance sheets</u>	<u>Gross amounts not offset in the balance sheets</u>		<u>Net amount</u>
				<u>Financial instruments</u>	<u>Cash collateral pledged</u>	
<u>Asset Derivatives:</u>						
Zero cost collars	\$ 367	\$ —	\$ 367	\$ —	\$ —	\$ 367

Offsetting of derivative assets and liabilities as of December 31, 2023 is as follows (in thousands):

<u>As of December 31, 2023</u>	<u>Gross amounts of recognized assets/liabilities</u>	<u>Gross amounts offset in the balance sheets</u>	<u>Net amounts of assets/liabilities presented in the balance sheets</u>	<u>Gross amounts not offset in the balance sheets</u>		<u>Net amount</u>
				<u>Financial instruments</u>	<u>Cash collateral pledged</u>	
<u>Asset Derivatives:</u>						
Zero cost collars	\$ 152	\$ —	\$ 152	\$ —	\$ —	\$ 152
<u>Liability Derivatives:</u>						
Zero cost collars	\$ 1	\$ —	\$ 1	\$ —	\$ —	\$ 1

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For derivative instruments that are designated and qualify as cash flow hedges, gains or losses on the derivative aside from components excluded from the assessment of effectiveness are reported as a component of accumulated other comprehensive income or loss (“AOCI”) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative, representing hedge components excluded from the assessment of effectiveness, are recognized in current earnings.

The following table summarizes the impact of derivative instruments on the consolidated statements of operations for the three months ended September 30, 2024 and 2023 (in thousands):

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives		Location/Amount of Loss Reclassified from AOCI Into Statement of Operations		Location/Amount of Loss Recognized in Statement of Operations on Derivatives			
	Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,			
	2024	2023	2024	2023	2024	2023		
	Zero cost collars	\$ 935	\$ (1,013)	Net sales	\$ (118)	\$ (698)	Other income, net	\$ (52)
	<u>\$ 935</u>	<u>\$ (1,013)</u>		<u>\$ (118)</u>	<u>\$ (698)</u>		<u>\$ (52)</u>	<u>\$ (161)</u>

The following table summarizes the impact of derivative instruments on the consolidated statements of operations for the nine months ended September 30, 2024 and 2023 (in thousands):

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Loss Recognized in AOCI on Derivatives		Location/Amount of Loss Reclassified from AOCI Into Statement of Operations		Location/Amount of Gain (Loss) Recognized in Statement of Operations on Derivatives			
	Nine Months Ended September 30,		Nine Months Ended September 30,		Nine Months Ended September 30,			
	2024	2023	2024	2023	2024	2023		
	Zero cost collars	\$ (477)	\$ (2,523)	Net sales	\$ (704)	\$ (2,544)	Other income, net	\$ 58
	<u>\$ (477)</u>	<u>\$ (2,523)</u>		<u>\$ (704)</u>	<u>\$ (2,544)</u>		<u>\$ 58</u>	<u>\$ (235)</u>

As of September 30, 2024, the amount expected to be reclassified from accumulated other comprehensive income into earnings within the next 12 months is \$918 thousand.

The Company has set aside a cash deposit to the counterparty, Standard Chartered Bank Korea Limited (“SC”), as required for the zero cost collar contracts. This cash deposit is recorded as hedge collateral on the consolidated balance sheets. Cash deposits as of September 30, 2024 and December 31, 2023 are as follows (in thousands):

Counterparty	September 30, 2024	December 31, 2023
SC	\$ 1,000	\$ 1,000
Total	<u>\$ 1,000</u>	<u>\$ 1,000</u>

The Company is required to deposit additional cash collateral with Nomura Financial Investment (Korea) Co., Ltd. (“NFIK”) and SC for any exposure in excess of \$500 thousand, respectively, but no such excess exposure existed as of September 30, 2024 and December 31, 2023.

These zero cost collar contracts may be terminated by the counterparties if the Company’s total cash and cash equivalents is less than \$30,000 thousand at the end of a fiscal quarter, unless a waiver is obtained.



## 8. Fair Value Measurements

### *Fair Value of Financial Instruments*

As of September 30, 2024, the following table represents the Company's assets measured at fair value on a recurring basis and the basis for that measurement (in thousands):

	<u>Carrying Value</u> <u>September 30, 2024</u>	<u>Fair Value</u> <u>Measurement</u> <u>September 30, 2024</u>	<u>Quoted Prices in</u> <u>Active Markets</u> <u>for Identical</u> <u>Asset (Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
Assets:					
Derivative assets (other current assets)	\$ 367	\$ 367	—	\$ 367	—

As of December 31, 2023, the following table represents the Company's assets and liabilities measured at fair value on a recurring basis and the basis for that measurement (in thousands):

	<u>Carrying Value</u> <u>December 31, 2023</u>	<u>Fair Value</u> <u>Measurement</u> <u>December 31, 2023</u>	<u>Quoted Prices in</u> <u>Active Markets</u> <u>for Identical</u> <u>Asset/Liability</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
Assets:					
Derivative assets (other current assets)	\$ 152	\$ 152	—	\$ 152	—
Liabilities:					
Derivative liabilities (other current liabilities)	\$ 1	\$ 1	—	\$ 1	—

Items not reflected in the table above include cash equivalents, accounts receivable, other receivables, accounts payable, and other accounts payable, fair value of which approximate carrying values due to the short-term nature of these instruments. The fair value of assets and liabilities whose carrying value approximates fair value is determined using Level 2 inputs.

## 9. Accrued Severance Benefits

The majority of accrued severance benefits are for employees in the Company's Korean subsidiaries. Pursuant to the Employee Retirement Benefit Security Act of Korea, eligible employees and executive officers with one or more years of service are entitled to severance benefits upon the termination of their employment based on their length of service and rate of pay. As of September 30, 2024, 95% of all employees of the Company were eligible for severance benefits.

Changes in accrued severance benefits are as follows (in thousands):

	<u>Three Months Ended</u>		<u>Three Months Ended</u>	
	<u>September 30, 2024</u>		<u>September 30, 2023</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Beginning balance	44,198	45,932	45,121	48,496
Provisions	1,582	4,552	1,267	5,358
Severance payments	(527)	(1,889)	(455)	(6,183)
Translation adjustments	2,368	(974)	(1,092)	(2,830)
	47,621	47,621	44,841	44,841
Less: Cumulative contributions to severance insurance deposit accounts				
The National Pension Fund	(30,246)	(30,246)	(24,503)	(24,503)
Group severance insurance plan	(28)	(28)	(29)	(29)
	—	—	(149)	(149)
Accrued severance benefits, net	<u>\$ 17,347</u>	<u>\$ 17,347</u>	<u>\$ 20,160</u>	<u>\$ 20,160</u>

The severance benefits funded through the Company's National Pension Fund and group severance insurance plan have been and will be used exclusively for payment of severance benefits to eligible employees. These amounts have been deducted from the accrued severance benefit balance.

Beginning in July 2018, the Company contributes to certain severance insurance deposit accounts a certain percentage of severance benefits that are accrued for eligible employees for their services from January 1, 2018 pursuant to Employee Retirement Benefit Security Act of Korea. These accounts consist of time deposits and other guaranteed principal and interest, and are maintained at insurance companies, banks or security companies for the benefit of employees. The Company deducts the contributions made to these severance insurance deposit accounts from its accrued severance benefits.

The Company is liable to pay the following future benefits to its non-executive employees upon their normal retirement age (in thousands):

	<u>Severance benefit</u>
Remainder of 2024	\$ 311
2025	\$ 332
2026	\$ 564
2027	\$ 395
2028	\$ 3,214
2029	\$ 3,620
2030 – 2034	\$ 17,335

The above amounts were determined based on the non-executive employees' current salary rates and the number of service years that will be accumulated upon their retirement dates. These amounts do not include amounts that might be paid to non-executive employees that will cease working with the Company before their normal retirement ages.

Korea's mandatory retirement age is 60 years of age or older under the Employment Promotion for the Aged Act. The Company sets the retirement age of employees at 60.

## 10. Long-Term Borrowing

On March 26, 2024, Magnachip Semiconductor, Ltd., a Korean limited liability company (“MSK”) and indirect wholly owned subsidiary of the Company, executed a Standard Credit Agreement (together with its General Terms and Conditions, the “Loan Agreement”) with Korea Development Bank (“KDB”). In connection with the Loan Agreement, on March 26, 2024, MSK entered into a Kun-Pledge (Mortgage) Agreement (the “Pledge Agreement”) with KDB pursuant to which MSK pledged its real property and buildings located in Gumi, Korea (“Fab 3 properties”) in favor of KDB.

The Loan Agreement provides for a working capital term loan (the “Term Loan”) of KRW 40,000,000,000 (approximately \$29,835 thousand based on the KRW/USD exchange rate of 1,340.7:1 as of March 26, 2024 as quoted by KEB Hana Bank), which was funded in full to MSK on March 26, 2024.

The Term Loan bears interest at a variable rate equal to the 3-month CD rate quoted by KDB, plus 1.21%, which rate is adjusted quarterly. The initial interest rate on the Term Loan was 4.86% per annum. The Term Loan requires monthly interest-only payments and matures on March 26, 2027, at which time the full principal balance will be due and payable. All obligations of MSK under the Loan Agreement and the Term Loan are secured by the Fab 3 properties pursuant to the Pledge Agreement.

As of September 30, 2024, approximately \$30,312 thousand aggregate principal amount of the Term Loan was outstanding.

## 11. Foreign Currency Gain (Loss), Net

Net foreign currency gain or loss includes non-cash translation gain or loss associated with intercompany balances. A substantial portion of the Company’s net foreign currency gain or loss is non-cash translation gain or loss associated with intercompany long-term loans to MSK, one of the Company’s Korean subsidiaries. The loans are denominated in U.S. dollars and are affected by changes in the exchange rate between the Korean won and the U.S. dollar. As of September 30, 2024 and December 31, 2023, the outstanding intercompany loan balances including accrued interest between MSK and the Dutch subsidiary were \$259,716 thousand and \$285,136 thousand, respectively. The Korean won to U.S. dollar exchange rates were 1,319.6:1 and 1,289.4:1 using the first base rate as of September 30, 2024 and December 31, 2023, respectively, as quoted by the KEB Hana Bank.

## 12. Income Taxes

The Company and its subsidiaries file income tax returns in Korea, Japan, Taiwan, the U.S. and in various other jurisdictions. The Company is subject to income or non-income tax examinations by tax authorities of these jurisdictions for all open tax years.

For the three and nine months ended September 30, 2024, the Company recorded an income tax expense of \$5,126 thousand and \$2,500 thousand, respectively, primarily related to a decrease in tax benefits from pre-tax loss of one of its operating entities in Korea and a valuation allowance established against the deferred tax assets of the other operating entity in Korea, as a result of its assessment of realizability of the deferred tax assets in the future.

For the three and nine months ended September 30, 2023, the Company recorded an income tax benefit of \$4,373 thousand and \$8,577 thousand, respectively, primarily related to its then primary operating entity in Korea based on the estimated taxable loss for the respective period.

### 13. Geographic and Other Information

The Company operates within the operating segment, standard products business, and also reports Transitional Fab 3 Foundry Services revenue.

In previous reporting periods, the Company categorized revenues from two business lines in its standard products business: the Display Solutions business line and the Power Solutions business line. As part of the Reorganization, the Company regrouped its standard products business into the Mixed-Signal Solutions business line and the Power Analog Solutions business line. Accordingly, effective as of the first quarter of fiscal 2024, the Company categorizes its standard product business revenue by those two regrouped business lines. See “Note 1. Business, Basis of Presentation and Significant Accounting Policies — Business” for additional information regarding the Reorganization.

Revenues for the three months ended September 30, 2023 from its previous product categories have been reclassified in order to conform to the current period presentation as follows (in thousands):

		MSS	PAS	Total
Display Solutions	\$ 6,404	\$ 6,404	\$ —	\$ 6,404
Power Solutions	45,215	4,240	40,975	45,215
	<u>\$ 51,619</u>	<u>\$ 10,644</u>	<u>\$ 40,975</u>	<u>\$ 51,619</u>

Revenues for the nine months ended September 30, 2023 from its previous product categories have been reclassified in order to conform to the current period presentation as follows (in thousands):

		MSS	PAS	Total
Display Solutions	\$ 26,902	\$ 26,902	\$ —	\$ 26,902
Power Solutions	127,606	8,906	118,700	127,606
	<u>\$ 154,508</u>	<u>\$ 35,808</u>	<u>\$ 118,700</u>	<u>\$ 154,508</u>

The following sets forth information relating to the operating segment, standard products business, as well as the Transitional Fab 3 Foundry Services (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<b>Revenues</b>				
Standard products business				
Mixed-Signal Solutions	\$ 16,446	\$ 10,644	\$ 37,047	\$ 35,808
Power Analog Solutions	47,574	40,975	123,349	118,700
Total standard products business	64,020	51,619	160,396	154,508
Transitional Fab 3 foundry services	2,440	9,626	8,302	24,721
Total revenues	<u>\$ 66,460</u>	<u>\$ 61,245</u>	<u>\$ 168,698</u>	<u>\$ 179,229</u>

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<b>Gross Profit</b>				
Standard products business				
Mixed-Signal Solutions	\$ 6,371	\$ 3,069	\$ 14,397	\$ 11,431
Power Analog Solutions	9,249	11,721	22,598	31,069
Total standard products business	15,620	\$ 14,790	36,995	\$ 42,500
Transitional Fab 3 foundry services	(159)	(309)	(965)	(2,387)
Total gross profit	<u>\$ 15,461</u>	<u>\$ 14,481</u>	<u>\$ 36,030</u>	<u>\$ 40,113</u>

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The following is a summary of net sales—standard products business (which does not include the Transitional Fab 3 Foundry Services) by geographic region, based on the location to which the products are billed (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Korea	\$ 25,062	\$ 19,249	\$ 63,239	\$ 50,139
Asia Pacific (other than Korea)	37,046	29,859	91,933	96,784
United States	667	1,214	1,313	2,495
Europe	1,245	1,297	3,911	5,090
Total	<u>\$ 64,020</u>	<u>\$ 51,619</u>	<u>\$ 160,396</u>	<u>\$ 154,508</u>

For the three months ended September 30, 2024 and 2023, of the Company's net sales – standard products business in Asia Pacific (other than Korea), net sales – standard products business in China and Hong Kong together represented 76.5% and 73.3%, respectively. For the nine months ended September 30, 2024 and 2023, of the Company's net sales – standard products business in Asia Pacific (other than Korea), net sales – standard products business in China and Hong Kong represented 74.5% and 66.1%, respectively.

Net sales from the Company's top ten largest customers in the standard products business (which does not include the Transitional Fab 3 Foundry Services) accounted for 73% and 74% for the three months ended September 30, 2024 and 2023, respectively, and 72% and 70% for the nine months ended September 30, 2024 and 2023, respectively.

For the three months ended September 30, 2024, the Company had two customers that represented 20.1% and 14.6% of its net sales—standard products business, respectively. For the nine months ended September 30, 2024, the Company had two customers that represented 21.8% and 12.6% of its net sales—standard products business, respectively. For the three months ended September 30, 2023, the Company had one customer that represented 18.8% of its net sales—standard products business. For the nine months ended September 30, 2023, the Company had two customers that represented 15.9% and 13.3% of its net sales—standard products business, respectively.

As of September 30, 2024, one customer of the Company's standard products business accounted for 29.7% of its accounts receivable – standard products business (which does not include the Transitional Fab 3 Foundry Services). As of December 31, 2023, three customers of the Company's standard products business accounted for 34.9%, 14.4% and 13.9% of its accounts receivable – standard products business (which does not include the Transitional Fab 3 Foundry Services), respectively.

#### 14. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consists of the following as of September 30, 2024 and December 31, 2023, respectively (in thousands):

	September 30, 2024	December 31, 2023
Foreign currency translation adjustments	\$ (17,570)	\$ (15,348)
Derivative adjustments	918	691
Total	<u>\$ (16,652)</u>	<u>\$ (14,657)</u>

Changes in accumulated other comprehensive loss for the three months ended September 30, 2024 and 2023 are as follows (in thousands):

	Foreign currency translation adjustments	Derivative adjustments	Total
<b>Three Months Ended September 30, 2024</b>			
Beginning balance	\$ (20,436)	\$ (135)	\$(20,571)
Other comprehensive income before reclassifications	2,866	935	3,801
Amounts reclassified from accumulated other comprehensive loss	—	118	118
Net current-period other comprehensive income	2,866	1,053	3,919
Ending balance	<u>\$ (17,570)</u>	<u>\$ 918</u>	<u>\$(16,652)</u>
<b>Three Months Ended September 30, 2023</b>			
Beginning balance	\$ (15,521)	\$ (889)	\$(16,410)
Other comprehensive loss before reclassifications	(1,847)	(1,013)	(2,860)
Amounts reclassified from accumulated other comprehensive loss	—	698	698
Net current-period other comprehensive loss	(1,847)	(315)	(2,162)
Ending balance	<u>\$ (17,368)</u>	<u>\$ (1,204)</u>	<u>\$(18,572)</u>

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Changes in accumulated other comprehensive loss for the nine months ended September 30, 2024 and 2023 are as follows (in thousands):

	Foreign currency translation adjustments	Derivative adjustments	Total
<b>Nine Months Ended September 30, 2024</b>			
Beginning balance	\$ (15,348)	\$ 691	\$ (14,657)
Other comprehensive loss before reclassifications	(2,222)	(477)	(2,699)
Amounts reclassified from accumulated other comprehensive loss	—	704	704
Net current-period other comprehensive income (loss)	(2,222)	227	(1,995)
Ending balance	\$ (17,570)	\$ 918	\$ (16,652)
<b>Nine Months Ended September 30, 2023</b>			
Beginning balance	\$ (11,328)	\$ (1,225)	\$ (12,553)
Other comprehensive loss before reclassifications	(6,040)	(2,523)	(8,563)
Amounts reclassified from accumulated other comprehensive loss	—	2,544	2,544
Net current-period other comprehensive income (loss)	(6,040)	21	(6,019)
Ending balance	\$ (17,368)	\$ (1,204)	\$ (18,572)

## 15. Stock Repurchases

### *Expanded Stock Repurchase Program*

On August 31, 2022, the Board of Directors authorized an expansion of the Company's previously announced stock repurchase program from \$75 million to \$87.5 million of its common stock. The Company has already repurchased shares worth \$37.5 million under the program through an accelerated stock repurchase agreement on December 21, 2021 with JPMorgan Chase Bank, National Association. The remaining \$50 million of the expanded \$87.5 million program was planned to be repurchased in the open market or through privately negotiated transactions.

From September 2022 to December 2022, the Company repurchased 1,235,650 shares of its common stock in the open market for an aggregate purchase price of \$12.5 million and a weighted average price per share of \$10.13 under the stock repurchase program.

During the first half of 2023, the Company repurchased 3,705,443 shares of its common stock in the open market for an aggregate purchase price of \$37.4 million and a weighted average price per share of \$10.10 under the expanded stock repurchase program. As of the end of June 2023, the Company had completed the repurchase of its common stock under its expanded stock repurchase program.

### *New Stock Repurchase Program*

On July 19, 2023, the Board of Directors authorized a new \$50 million stock buyback program. Purchases have been and will be made in the open market or in privately negotiated transactions, depending upon market conditions and other factors.

From August 2023 to December 2023, the Company repurchased 1,730,173 shares of its common stock in the open market for an aggregate purchase price of \$13.6 million and a weighted average price per share of \$7.84 under the new stock repurchase program.

From January 2024 to September 2024, the Company repurchased 1,615,884 shares of its common stock in the open market for an aggregate purchase price of \$8.9 million and a weighted average price per share of \$5.53 under the new stock repurchase program.

In October 2024, the Company repurchased 89,261 shares of its common stock in the open market for an aggregate purchase price of \$0.4 million and a weighted average price per share of \$4.54 under the new stock repurchase program.

[Table of Contents](#)**16. Loss Per Share**

The following table illustrates the computation of basic and diluted loss per common share for the three and nine months ended September 30, 2024 and 2023:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u> <u>2024</u>	<u>September 30,</u> <u>2023</u>	<u>September 30,</u> <u>2024</u>	<u>September 30,</u> <u>2023</u>
	(In thousands of U.S. dollars, except share data)			
<b>Basic loss per share</b>				
Net loss	\$ (9,617)	\$ (5,165)	\$ (38,031)	\$ (30,582)
Basic weighted average common stock outstanding	37,468,849	40,145,290	38,060,682	41,747,255
Basic loss per common share	\$ (0.26)	\$ (0.13)	\$ (1.00)	\$ (0.73)
<b>Diluted loss per share</b>				
Net loss	\$ (9,617)	\$ (5,165)	\$ (38,031)	\$ (30,582)
Basic weighted average common stock outstanding	37,468,849	40,145,290	38,060,682	41,747,255
Net effect of dilutive equity awards	—	—	—	—
Diluted weighted average common stock outstanding	37,468,849	40,145,290	38,060,682	41,747,255
Diluted loss per share	\$ (0.26)	\$ (0.13)	\$ (1.00)	\$ (0.73)

Diluted loss per share adjusts basic loss per share for the potentially dilutive impact of stock options and restricted stock units. As the Company has reported loss for the three and nine months ended September 30, 2024 and 2023, all potentially dilutive securities are antidilutive and accordingly not considered, therefore basic net loss per share equals diluted net loss per share.

The following outstanding instruments were excluded from the computation of diluted loss per share, as they have an anti-dilutive effect on the calculation:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u> <u>2024</u>	<u>September 30,</u> <u>2023</u>	<u>September 30,</u> <u>2024</u>	<u>September 30,</u> <u>2023</u>
Options	757,158	902,858	757,158	902,858
Restricted Stock Units	2,383,189	1,321,794	2,383,189	1,321,794



**17. Commitments and Contingencies**

*Advances to Suppliers*

The Company, from time to time, may make advances in form of prepayments or deposits to suppliers, including external foundries, to meet its planned production. The Company recorded advances of \$2,628 thousand and \$3,883 thousand as other current assets as of September 30, 2024 and December 31, 2023, respectively.

**18. Subsequent Events**

*Derivative contracts*

In October 2024, the Company and NFIK entered into derivative contracts of zero cost collars for the period from October 2025 to December 2025. The total notional amounts are \$9,000 thousand.

## FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Report”) contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 27A of the Securities Act of 1933, as amended, that involve risks and uncertainties. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify these statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. All statements other than statements of historical facts included in this report that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements.

These forward-looking statements are largely based on our expectations and beliefs concerning future events, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Although we believe our estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management’s assumptions about future events may prove to be inaccurate. Management cautions all readers that the forward-looking statements contained in this report are not guarantees of future performance, and we cannot assure any reader that those statements will be realized or the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to the factors listed in this section, in “Part II: Item 1A. Risk Factors” herein and in “Part I: Item 1A. Risk Factors” in our Annual Report on Form 10-K for our fiscal year ended December 31, 2023 filed on March 8, 2024 (“2023 Form 10-K”).

All forward-looking statements speak only as of the date of this report. We do not intend to publicly update or revise any forward-looking statements as a result of new information or future events or otherwise, except as required by law. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

Statements made in this Report, unless the context otherwise requires, that include the use of the terms “we,” “us,” “our” and “Magnachip” refer to Magnachip Semiconductor Corporation and its consolidated subsidiaries. The term “Korea” refers to the Republic of Korea or South Korea.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and the related notes included elsewhere in this Report.*

### Overview

We are a designer and manufacturer of analog and mixed-signal semiconductor platform solutions for communication, Internet of Things (“IoT”), consumer, computing, industrial and automotive applications. We have a proven record with more than 40 years of operating history, a portfolio of approximately 1,050 registered patents and pending applications and extensive engineering and manufacturing process expertise.

On May 30, 2023, we announced a plan to regroup the business lines in our standard products business, originally grouped as Display Solutions and Power Solutions business lines, into the following two business lines to better align our product strategies (the “Reorganization”):

- (i) Our display integrated circuit (“IC”) and power IC businesses, which are fabless, became the Mixed-Signal Solutions (“MSS”) business line; and
- (ii) Our power discrete business, which is an integrated device manufacturing (“IDM”) business, became the Power Analog Solutions (“PAS”) business line.

On January 10, 2024, we transferred the MSS business line into a newly formed Korean limited liability company named “Magnachip Mixed-Signal, Ltd.” Following the Reorganization, our MSS business line is primarily operated by Magnachip Mixed-Signal, Ltd., and our PAS business line is primarily operated by Magnachip Semiconductor, Ltd., our already existing Korean operating entity. Both entities are indirect wholly owned subsidiaries of the Company.

Our MSS business line consist of display IC and power IC businesses. Our display IC products provide flat panel display solutions to major suppliers of large and small flat panel displays. These products include source and gate drivers and timing controllers that cover flat panel displays used in an array of applications, applied with liquid crystal display (“LCD”), organic light emitting diodes (“OLED”) or micro light emitting diode (“Micro LED”). Since 2007, we have designed and manufactured OLED display driver IC products. Our current portfolio of OLED solutions address various resolutions, ranging from HD (High Definition) to UHD (Ultra High Definition), for a wide range of applications, including smartphones, televisions, automotive and IT applications, such as monitors, notebook PCs and tablet PCs, as well as AR/VRs. Our power IC products provide power IC solutions to major television suppliers and large panel display suppliers. These products include AC-DC/DC-DC converters, LED drivers, regulators, power management integrated circuits (“PMICs”) and level shifter for a range of devices, including televisions, wearable devices, notebooks, tablet PCs and others consumer electronics, as well as automotive applications.

Our PAS business line produces power management semiconductor products, including power discrete solutions for power management in communication, consumer, computing, servers, automotive and industrial applications. These products include metal oxide semiconductor field effect transistors (“MOSFETs”) and insulated-gate bipolar transistors (“IGBTs”) for a range of devices, including televisions, smartphones, mobile phones, wearable devices, desktop PCs, notebook PCs, tablet PCs, other consumer electronics, as well as automotive and industrial applications such as power suppliers, e-bikes, solar inverters, LED lighting and motor drives.

Our wide variety of analog and mixed-signal semiconductor products combined with our mature technology platform allow us to address multiple high-growth end markets and rapidly develop and introduce new products and services in response to market demands. Our design center in Korea and substantial global manufacturing operations place us at the core of the global electronics device supply chain. We believe this enables us to quickly and efficiently respond to our customers’ needs, and allows us to better serve and capture additional demand from existing and new customers. Certain of our OLED display driver IC and power IC products are produced using external foundries. Through a strategic cooperation with external foundries, we manage to ensure outsourcing wafers at competitive price and produce quality products.

To maintain and increase our profitability, we must accurately forecast trends in demand for electronics devices that incorporate semiconductor products we produce. We must understand our customers' needs as well as the likely end market trends and demand in the markets they serve. We must also invest in relevant research and development activities and purchase necessary materials on a timely basis to meet our customers' demand while maintaining our target margins and cash flow.

The semiconductor markets in which we participate are highly competitive. The prices of our products tend to decrease regularly over their useful lives, and such price decreases can be significant as new generations of products are introduced by us or our competitors. We strive to offset the impact of declining selling prices for existing products through cost reductions and the introduction of new products that command selling prices above the average selling price of our existing products. In addition, we seek to manage our inventories and manufacturing capacity so as to mitigate the risk of losses from product obsolescence.

Demand for our products and services is driven by overall demand for communication, IoT, consumer, industrial and automotive products and can be adversely affected by periods of weak consumer and enterprise spending or by market share losses by our customers. In order to mitigate the impact of market volatility on our business, we continually strive to diversify our portfolio of products, customers, and target applications. We also expect that new competitors will emerge in these markets that may place increased pressure on the pricing for our products and services. While we believe we are well positioned competitively to compete in these markets and against these new competitors as a result of our long operating history, existing manufacturing capacity and our worldwide customer base, if we are not effective in competing in these markets, our operating results may be adversely affected.

Net sales for our standard products business are driven by design wins in which we are selected by an electronics original equipment manufacturer ("OEM") or other potential customer to supply its demand for a particular product. A customer will often have more than one supplier designed into multi-source components for a particular product line. Once we have design wins and the products enter into mass production, we often specify the pricing of a particular product for a set period of time, with periodic discussions and renegotiations of pricing with our customers. In any given period, our net sales depend heavily upon the end-market demand for the goods in which our products are used, the inventory levels maintained by our customers and, in some cases, allocation of demand for components for a particular product among selected qualified suppliers.

In contrast to completely fabless semiconductor companies, our internal manufacturing capacity provides us with greater control over certain manufacturing costs and the ability to implement process and production improvements for our internally manufactured products, which can favorably impact gross profit margins. Our internal manufacturing capacity also allows for better control over delivery schedules, improved consistency over product quality and reliability and improved ability to protect intellectual property from misappropriation on these internally manufactured products. However, having internal manufacturing capacity exposes us to the risk of under-utilization of manufacturing capacity that results in lower gross profit margins, particularly during downturns in the semiconductor industry.

Our standard products business requires investments in capital equipment. Analog and mixed-signal manufacturing facilities and processes are typically distinguished by the design and process implementation expertise rather than the use of the most advanced equipment. Many of these processes also tend to migrate more slowly to smaller geometries due to technological barriers and increased costs. For example, some of our products use high-voltage technology that requires larger geometries and that may not migrate to smaller geometries for several years, if at all. As a result, our manufacturing base and strategy do not require substantial investment in leading edge process equipment for those products, allowing us to utilize our facilities and equipment over an extended period of time with moderate required capital investments. In addition, we are less likely to experience significant industry overcapacity, which can cause product prices to decline significantly. In general, we seek to invest in manufacturing capacity that can be used for multiple high-value applications over an extended period of time. In addition, we outsource manufacturing of those products which do require advanced technology and 12-inch and 8-inch wafer capacity, such as OLED display driver IC and power IC products. We believe this balanced capital investment strategy enables us to optimize our capital investments and facilitates more diversified product and service offerings.

Since 2007, we had designed and manufactured OLED display driver ICs in our internal manufacturing facilities. As we expanded our design capabilities to products that require lower geometries unavailable at our existing manufacturing facilities, we began outsourcing manufacturing of certain OLED display driver ICs to external 12-inch foundries starting in the second half of 2015 and we have started outsourcing 8-inch wafer for OLED TV ICs and power ICs after the sale of our fabrication facility located in Cheongju, Korea in 2020. This additional source of manufacturing is an increasingly important part of our supply chain management. By outsourcing manufacturing of OLED display driver IC and power IC products to external foundries, we are able to adapt dynamically to changing customer requirements and address growing markets without substantial capital investments by us. However, relying on external foundries exposes us to the risk of being unable to secure manufacturing capacity, particularly during the global shortage of foundry services. Although we work strategically with external foundries to ensure long-term wafer capacity, if these efforts are at any time unsuccessful, our ability to deliver products to our customers may be negatively impacted, which would adversely affect our relationship with customers and opportunities to secure new design-wins.

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Our success going forward will depend upon our ability to adapt to future challenges such as the emergence of new competitors for our products and services or the consolidation of current competitors. Additionally, we must innovate to remain ahead of, or at least rapidly adapt to, technological breakthroughs that may lead to a significant change in the technology necessary to deliver our products and services. We believe that our established relationships and close collaboration with leading customers enhance our awareness of new product opportunities, market and technology trends and improve our ability to adapt and grow successfully.

## **Recent Developments**

### ***Loan Agreement***

On March 26, 2024, Magnachip Semiconductor, Ltd., a Korean limited liability company (“MSK”) and indirect wholly owned subsidiary of the Company, executed a Standard Credit Agreement (together with its General Terms and Conditions, the “Loan Agreement”) with Korea Development Bank (“KDB”). In connection with the Loan Agreement, on March 26, 2024, MSK entered into a Kun-Pledge (Mortgage) Agreement (the “Pledge Agreement”) with KDB pursuant to which MSK pledged its real property and buildings located in Gumi, Korea (“Fab 3 properties”) in favor of KDB.

The Loan Agreement provides for a working capital term loan (the “Term Loan”) of KRW 40,000,000,000 (approximately \$29.8 million based on the KRW/USD exchange rate of 1,340.7:1 as of March 26, 2024 as quoted by KEB Hana Bank), which was funded in full to MSK on March 26, 2024.

The Term Loan bears interest at a variable rate equal to the 3-month CD rate quoted by KDB, plus 1.21%, which rate is adjusted quarterly. The initial interest rate on the Term Loan was 4.86% per annum. The Term Loan requires monthly interest-only payments and matures on March 26, 2027, at which time the full principal balance will be due and payable. All obligations of MSK under the Loan Agreement and the Term Loan are secured by the Fab 3 properties pursuant to the Pledge Agreement.

### ***New Stock Repurchase Program***

On July 19, 2023, our Board of Directors authorized a new \$50 million stock buyback program. Purchases have been and will be made in the open market or in privately negotiated transactions, depending upon market conditions and other factors.

From August 2023 to December 2023, we repurchased 1,730,173 shares of our common stock in the open market for an aggregate purchase price of \$13.6 million and a weighted average price per share of \$7.84 under the new stock repurchase program.

From January 2024 to September 2024, we repurchased 1,615,884 shares of our common stock in the open market for an aggregate purchase price of \$8.9 million and a weighted average price per share of \$5.53 under the new stock repurchase program.

In October 2024, we repurchased 89,261 shares of our common stock in the open market for an aggregate purchase price of \$0.4 million and a weighted average price per share of \$4.54 under the new stock repurchase program.

### ***Macroeconomic Industry Conditions***

The semiconductor industry continues to face a number of macroeconomic challenges, including rising inflation, increased interest rates, supply chain disruptions, inventory corrections, shifting customer and end-user demand, fluctuations in currency rates, and geopolitical tensions, including without limitation ongoing conflicts involving Russia and Ukraine, Israel’s wars with Hezbollah and Hamas, sustained military action and conflict in the Red Sea and recent escalations between Iran and Israel, any one or more of which may cause volatility and unpredictability in the supply chain or market for semiconductor products and end-user demand. The length and severity of these macroeconomic events and their overall impact on our business, results of operations and financial condition remain uncertain.

### ***Developments in Export Control Regulations***

On October 7, 2022, the Bureau of Industry and Security (BIS) of the U.S. Department of Commerce published changes to U.S. export control regulations (U.S. Export Regulations), including new restrictions on Chinese entities’ ability to obtain advanced computing chips, develop and maintain supercomputers, and manufacture advanced semiconductors. Further, on October 12, 2022, a new rule went into effect requiring U.S. persons to obtain a license prior to engaging in certain activities that could “support” certain end-uses and end-users, including those related to weapons of mass destruction. Additionally, on October 21, 2022, BIS brought into effect a series of new Foreign Direct Product (FDP) rules and various new controls on advanced computing items, significantly expanding the scope of items that are subject to export control under the U.S. Export Regulations. More recently, on October 25, 2023, BIS published additional rules, which went into effect on November 17, 2023 to expand, clarify, and correct the rules published in October 2022. A further corrected and clarified version of these rules went into effect on April 4, 2024. Based on our understanding of the U.S. Export Regulations and related rules currently in effect, we do not anticipate that they will have a material impact on our current business, but we will continue reviewing and assessing these rules and regulations and their potential impact on our business. Additional changes to the U.S. Export Regulations are expected, such as recently proposed rule changes that may expand restrictions on export transactions involving end users or end uses with military connections; but the scope or timing of such changes is uncertain.

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We will continue to monitor such developments, including potential additional trade restrictions, and other regulatory or policy changes by the U.S. and foreign governments.

## Explanation and Reconciliation of Non-U.S. GAAP Measures

### Adjusted EBITDA, Adjusted Operating Income (Loss) and Adjusted Net Income (Loss)

We use the terms Adjusted EBITDA, Adjusted Operating Income (Loss) and Adjusted Net Income (Loss) (including on a per share basis) in this Report. Adjusted EBITDA, as we define it, is a non-U.S. GAAP measure. 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 income (loss) before interest income, interest expense, income tax expense (benefit), and depreciation and amortization.

See the footnotes to the table below for further information regarding these items. We present Adjusted EBITDA as a supplemental measure of our performance because:

- we believe that Adjusted EBITDA, by eliminating the impact of a number of items that we do not consider to be indicative of our core ongoing operating performance, provides a more comparable measure of our operating performance from period-to-period and may be a better indicator of future performance;
- we believe that Adjusted EBITDA is commonly requested and used by securities analysts, investors and other interested parties in the evaluation of a company as an enterprise level performance measure that eliminates the effects of financing, income taxes and the accounting effects of capital spending, as well as other one time or recurring items described above; and
- we believe that Adjusted EBITDA is useful for investors, among other reasons, to assess a company's period-to-period core operating performance and to understand and assess the manner in which management analyzes operating performance.

We use Adjusted EBITDA in a number of ways, including:

- for planning purposes, including the preparation of our annual operating budget;
- to evaluate the effectiveness of our enterprise level business strategies;
- in communications with our Board of Directors concerning our consolidated financial performance; and
- in certain of our compensation plans as a performance measure for determining incentive compensation payments.

We encourage you to evaluate each adjustment and the reasons we consider them appropriate. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. Adjusted EBITDA is not a measure defined in accordance with U.S. GAAP and should not be construed as an alternative to net income (loss) or any other performance measure derived in accordance with U.S. GAAP, or as an alternative to cash flows from operating activities as a measure of liquidity. A reconciliation of net loss to Adjusted EBITDA is as follows:

	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
	(Dollars in millions)			
Net loss	\$ (9.6)	\$ (38.0)	\$ (5.2)	\$ (30.6)
Interest income	(2.1)	(6.5)	(2.4)	(7.9)
Interest expense	0.6	1.4	0.2	0.6
Income tax expense (benefit)	5.1	2.5	(4.4)	(8.6)
Depreciation and amortization	4.1	12.2	4.1	12.6
EBITDA	\$ (1.9)	\$ (28.5)	\$ (7.7)	\$ (33.8)
Adjustments:				
Equity-based compensation expense(a)	2.0	4.1	2.2	5.4
Foreign currency loss (gain), net(b)	(5.1)	3.5	2.6	4.8
Derivative valuation loss (gain), net(c)	0.1	(0.1)	0.2	0.2
Early termination and other charges(d)	—	—	—	9.3
Adjusted EBITDA	<u>\$ (4.9)</u>	<u>\$ (21.0)</u>	<u>\$ (2.7)</u>	<u>\$ (14.2)</u>



- (a) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, these expenses do not generally require cash settlement, and, therefore, are not used by us to assess the profitability of our operations. We believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses as supplemental information.
- (b) This adjustment mainly eliminates the impact of non-cash foreign currency translation associated with intercompany debt obligations and foreign currency denominated receivables and payables, as well as the cash impact of foreign currency transaction gains or losses on collection of such receivables and payment of such payables. Although we expect to incur foreign currency translation gains or losses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these primarily non-cash gains or losses, which we cannot control. Additionally, we believe the isolation of this adjustment provides investors with enhanced comparability to prior and future periods of our operating performance results.
- (c) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents derivatives value changes excluded from the risk being hedged. We enter into derivative transactions to mitigate foreign exchange risks. As our derivative transactions are limited to a certain portion of our expected cash flows denominated in U.S. dollars, and we do not enter into derivative transactions for trading or speculative purposes, we do not believe that these charges or gains are indicative of our core operating performance.
- (d) For the nine months ended September 30, 2023, this adjustment eliminates the termination related charges of \$8.4 million in connection with the voluntary resignation program (the “Program”) that we offered to certain employees during the first quarter of 2023, and \$0.8 million of one-time employee incentives. As this adjustment meaningfully impacted our operating results and are not expected to represent an ongoing operating expense or income to us, we believe our operating performance results are more usefully compared if this adjustment is excluded.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA does not consider the potentially dilutive impact of issuing equity-based compensation to our management team and employees;
- Adjusted EBITDA does not reflect the costs of holding certain assets and liabilities in foreign currencies; and
- other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our U.S. GAAP results and using Adjusted EBITDA only supplementally.

We present Adjusted Operating Income (Loss) as supplemental measures of our performance. We prepare Adjusted Operating Income (Loss) by adjusting operating income (loss) to eliminate the impact of equity-based compensation 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 Operating Income (Loss) is useful to investors to provide a supplemental way to understand our underlying operating performance and allows investors to monitor and understand changes in our ability to generate income (loss) from ongoing business operations.

Adjusted Operating Income (Loss) is not a measure defined in accordance with U.S. GAAP and should not be construed as an alternative to operating income (loss) or any other performance measure derived in accordance with U.S. GAAP. We encourage you to evaluate each adjustment and the reasons we consider them appropriate. Other companies in our industry may calculate Adjusted Operating Income (Loss) differently than we do, limiting its usefulness as a comparative measure. In addition, in evaluating Adjusted Operating Income (Loss), you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. We define Adjusted Operating Income (Loss) for the periods indicated as operating income (loss) adjusted to exclude (i) equity-based compensation expense and (ii) early termination and other charges.

The following table summarizes the adjustments to operating loss that we make in order to calculate Adjusted Operating Loss for the periods indicated:

	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
	(Dollars in millions)			
Operating loss	\$ (11.0)	\$ (37.3)	\$ (9.2)	\$ (41.7)
Adjustments:				
Equity-based compensation expense(a)	2.0	4.1	2.2	5.4
Early termination and other charges(b)	—	—	—	9.3
Adjusted Operating Loss	<u>\$ (9.0)</u>	<u>\$ (33.2)</u>	<u>\$ (7.1)</u>	<u>\$ (27.1)</u>

- (a) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, these expenses do not generally require cash settlement, and, therefore, are not used by us to assess the profitability of our operations. We believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses as supplemental information.
- (b) For the nine months ended September 30, 2023, this adjustment eliminates the termination related charges of \$8.4 million in connection with the Program that we offered to certain employees during the first quarter of 2023, and \$0.8 million of one-time employee incentives. As this adjustment meaningfully impacted our operating results and are not expected to represent an ongoing operating expense or income to us, we believe our operating performance results are more usefully compared if this adjustment is excluded.

We present Adjusted Net Income (Loss) (including on a per share basis) as a further supplemental measure of our performance. We prepare Adjusted Net Income (Loss) (including on a per share basis) by adjusting net income (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 Income (Loss) (including on a per share basis) is particularly useful because it reflects the impact of our asset base and capital structure on our operating performance. We present Adjusted Net Income (Loss) (including on a per share basis) for a number of reasons, including:

- we use Adjusted Net Income (Loss) (including on a per share basis) in communications with our Board of Directors concerning our consolidated financial performance without the impact of non-cash expenses and the other items as we discussed below since we believe that it is a more consistent measure of our core operating results from period to period; and
- we believe that reporting Adjusted Net Income (Loss) (including on a per share basis) is useful to readers in evaluating our core operating results because it eliminates the effects of non-cash expenses as well as the other items we discuss below, such as foreign currency gains and losses, which are out of our control and can vary significantly from period to period.

Adjusted Net Income (Loss) (including on a per share basis) is not a measure defined in accordance with U.S. GAAP and should not be construed as an alternative to net income (loss) or any other performance measure derived in accordance with U.S. GAAP, or as an alternative to cash flows from operating activities as a measure of liquidity. We encourage you to evaluate each adjustment and the reasons we consider them appropriate. Other companies in our industry may calculate Adjusted Net Income (Loss) (including on a per share basis) differently than we do, limiting its usefulness as a comparative measure. In addition, in evaluating Adjusted Net Income (Loss) (including on a per share basis), you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. We define Adjusted Net Income (Loss) (including on a per share basis); for the periods indicated as net income (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.

The following table summarizes the adjustments to net loss that we make in order to calculate Adjusted Net Loss (including on a per share basis) for the periods indicated:

	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
	(Dollars in millions, except per share data)			
Net loss	\$ (9.6)	\$ (38.0)	\$ (5.2)	\$ (30.6)
Adjustments:				
Equity-based compensation expense(a)	2.0	4.1	2.2	5.4
Foreign currency loss (gain), net(b)	(5.1)	3.5	2.6	4.8
Derivative valuation loss (gain), net(c)	0.1	(0.1)	0.2	0.2
Early termination and other charges(d)	—	—	—	9.3
Income tax effect on non-GAAP adjustments(e)	(0.1)	(1.3)	(1.3)	(3.5)
Adjusted Net Loss	<u>\$ (12.8)</u>	<u>\$ (31.8)</u>	<u>\$ (1.6)</u>	<u>\$ (14.4)</u>
Reported loss per share – basic	\$ (0.26)	\$ (1.00)	\$ (0.13)	\$ (0.73)
Reported loss per share – diluted	\$ (0.26)	\$ (1.00)	\$ (0.13)	\$ (0.73)
Weighted average number of shares – basic	37,468,849	38,060,682	40,145,290	41,747,255
Weighted average number of shares – diluted	37,468,849	38,060,682	40,145,290	41,747,255
Adjusted loss per share – basic	\$ (0.34)	\$ (0.84)	\$ (0.04)	\$ (0.35)
Adjusted loss per share – diluted	\$ (0.34)	\$ (0.84)	\$ (0.04)	\$ (0.35)
Weighted average number of shares – basic	37,468,849	38,060,682	40,145,290	41,747,255
Weighted average number of shares – diluted	37,468,849	38,060,682	40,145,290	41,747,255

- (a) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, these expenses do not generally require cash settlement, and, therefore, are not used by us to assess the profitability of our operations. We believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses as supplemental information.

- (b) This adjustment mainly eliminates the impact of non-cash foreign currency translation associated with intercompany debt obligations and foreign currency denominated receivables and payables, as well as the cash impact of foreign currency transaction gains or losses on collection of such receivables and payment of such payables. Although we expect to incur foreign currency translation gains or losses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these primarily non-cash gains or losses, which we cannot control. Additionally, we believe the isolation of this adjustment provides investors with enhanced comparability to prior and future periods of our operating performance results.
- (c) This adjustment eliminates the impact of gain or loss recognized in income on derivatives, which represents derivatives value changes excluded from the risk being hedged. We enter into derivative transactions to mitigate foreign exchange risks. As our derivative transactions are limited to a certain portion of our expected cash flows denominated in U.S. dollars, and we do not enter into derivative transactions for trading or speculative purposes, we do not believe that these charges or gains are indicative of our core operating performance.
- (d) For the nine months ended September 30, 2023, this adjustment eliminates the termination related charges of \$8.4 million in connection with the Program that we offered to certain employees during the first quarter of 2023, and \$0.8 million of one-time employee incentives. As this adjustment meaningfully impacted our operating results and are not expected to represent an ongoing operating expense or income to us, we believe our operating performance results are more usefully compared if this adjustment is excluded.
- (e) For the nine months ended September 30, 2024 and 2023, income tax effect on non-GAAP adjustments were calculated by calculating the tax expense (benefit) of each jurisdiction with or without the non-GAAP adjustments. For nine months ended September 30, 2024, this adjustment eliminates the income tax effect on non-GAAP adjustments of negative \$1.3 million, which mainly related to one of our operating entities in Korea. For the nine months ended September 30, 2023, this adjustment eliminates the income tax effect on non-GAAP adjustments of negative \$3.5 million, which mainly related to our then primary operating entity in Korea.

We believe that all adjustments to net income (loss) used to calculate Adjusted Net Income (Loss) was applied consistently to the periods presented.

Adjusted Net Income (Loss) has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are:

- Adjusted Net Income (Loss) does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted Net Income (Loss) does not consider the potentially dilutive impact of issuing equity-based compensation to our management team and employees;
- Adjusted Net Income (Loss) does not reflect the costs of holding certain assets and liabilities in foreign currencies; and
- Other companies in our industry may calculate Adjusted Net Income (Loss) differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted Net Income (Loss) should not be considered as a measure of profitability of our business. We compensate for these limitations by relying primarily on our U.S. GAAP results and using Adjusted Net Income (Loss) only as a supplement.

## Factors Affecting Our Results of Operations

**Net Sales.** We derive substantially all of our sales (net of sales returns and allowances) from our standard products business. We outsource manufacturing of mobile OLED products to external 12-inch foundries. Our product inventory is primarily located in Korea and is available for drop shipment globally. Outside of Korea, we maintain limited product inventory, and our sales representatives generally relay orders to our fabrication facility in Korea for fulfillment. We have strategically located our sales offices near concentrations of major customers. Our sales offices are located in Korea, Japan, Taiwan and Greater China. Our network of authorized agents and distributors is in the United States, Europe and the Asia Pacific region.

We recognize revenue when a customer obtains control of the product, which is generally upon product shipment, delivery at the customer's location or upon customer acceptance, depending on the terms of the arrangement. For the nine months ended September 30, 2024 and 2023, we sold products to 158 and 157 customers, respectively, and our net sales to our ten largest customers represented 72% and 70% of our net sales—standard products business, respectively.

We are currently in the process of winding down the Transitional Fab 3 Foundry Services, which represented 3.7% and 4.9% of our total revenues for the three and nine months ended September 30, 2024, respectively.

**Gross Profit.** Our overall gross profit generally fluctuates as a result of changes in overall sales volumes and in the average selling prices of our products and services. Other factors that influence our gross profit include changes in product mix, the introduction of new products and services and subsequent generations of existing products and services, shifts in the utilization of our manufacturing facility and the yields achieved by our manufacturing operations, changes in material, labor and other manufacturing costs including outsourced manufacturing expenses, and variation in depreciation expense.

**Average Selling Prices.** Average selling prices for our products tend to be highest at the time of introduction of new products which utilize the latest technology and tend to decrease over time as such products mature in the market and are replaced by next generation products. We strive to offset the impact of declining selling prices for existing products through our product development activities and by introducing new products that command selling prices above the average selling price of our existing products. In addition, we seek to manage our inventories and manufacturing capacity so as to preclude losses from product and productive capacity obsolescence.

**Material Costs.** Our material costs consist of costs of raw materials, such as silicon wafers, chemicals, gases and tape and packaging supplies. We use processes that require specialized raw materials, such as silicon wafers, that are generally available from a limited number of suppliers. If demand increases or supplies decrease, the costs of our raw materials could increase significantly.

**Labor Costs.** A significant portion of our employees are located in Korea. Under Korean labor laws, most employees and certain executive officers with one or more years of service are entitled to severance benefits upon the termination of their employment based on their length of service and rate of pay. As of September 30, 2024, 95% of our employees were eligible for severance benefits.

**Depreciation Expense.** We periodically evaluate the carrying values of long-lived assets, including property, plant and equipment and intangible assets, as well as the related depreciation periods. We depreciated our property, plant and equipment using the straight-line method over the estimated useful lives of our assets. Depreciation rates vary from 30-40 years on buildings to 3-12 years for certain equipment and assets. Our evaluation of carrying values is based on various analyses including cash flow and profitability projections. If our projections indicate that future undiscounted cash flows are not sufficient to recover the carrying value of the related long-lived assets, the carrying value of the assets is impaired and will be reduced, with the reduction charged to expense so that the carrying value is equal to fair value.

**Selling Expenses.** We sell our products worldwide through a direct sales force as well as a network of sales agents and representatives to OEMs, including major branded customers and contract manufacturers, and indirectly through distributors. Selling expenses consist primarily of the personnel costs for the members of our direct sales force, a network of sales representatives and other costs of distribution. Personnel costs include base salary, benefits and incentive compensation.

**General and Administrative Expenses.** General and administrative expenses consist of the costs of various corporate operations, including finance, legal, human resources and other administrative functions. These expenses primarily consist of payroll-related expenses, consulting and other professional fees and office facility-related expenses.

**Research and Development.** The rapid technological change and product obsolescence that characterize our industry require us to make continuous investments in research and development. Product development time frames vary but, in general, we incur research and development costs one to two years before generating sales from the associated new products. These expenses include personnel costs for members of our engineering workforce, cost of photomasks, silicon wafers and other non-recurring engineering

charges related to product design. Additionally, we develop base line process technology through experimentation and through the design and use of characterization wafers that help achieve commercially feasible yields for new products. The majority of research and development expenses of our display IC business are material and design-related costs for OLED display driver IC product development involving 28-nanometer or finer processes. The majority of research and development expenses of our power IC business are material and design-related costs for power IC products. Power IC uses standard BCD process technologies which can be sourced from multiple foundries. The majority of research and development expenses of our power discrete business are certain equipment, material and design-related costs for power discrete products.

**Impact of Foreign Currency Exchange Rates on Reported Results of Operations.** Historically, a portion of our revenues and cost of sales and greater than the majority of our operating expenses have been denominated in non-U.S. currencies, principally the Korean won, and we expect that this will remain true in the future. Because we report our results of operations in U.S. dollars converted from our non-U.S. revenues and expenses based on monthly average exchange rates, changes in the exchange rate between the Korean won and the U.S. dollar could materially impact our reported results of operations and distort period to period comparisons. In particular, because of the difference in the amount of our consolidated revenues and expenses that are in U.S. dollars relative to Korean won, depreciation in the U.S. dollar relative to the Korean won could result in a material increase in reported costs relative to revenues, and therefore could cause our profit margins and operating income to appear to decline materially, particularly relative to prior periods. The converse is true if the U.S. dollar were to appreciate relative to the Korean won. Moreover, our foreign currency gain or loss would be affected by changes in the exchange rate between the Korean won and the U.S. dollar as a substantial portion of non-cash translation gain or loss is associated with the intercompany long-term loans to one of our Korean subsidiaries, Magnachip Semiconductor, Ltd. or MSK, which is denominated in U.S. dollars. As of September 30, 2024, the outstanding intercompany loan balance including accrued interest between MSK and our Dutch subsidiary was \$259.7 million. As a result of such foreign currency fluctuations, it could be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our stock could be adversely affected.

From time to time, we may engage in exchange rate hedging activities in an effort to mitigate the impact of exchange rate fluctuations. Our Korean subsidiary, Magnachip Semiconductor, Ltd., enters into foreign currency zero cost collar contracts in order to mitigate a portion of the impact of U.S. dollar-Korean won exchange rate fluctuations on our operating results. Obligations under these foreign currency zero cost collar contracts must be cash collateralized if our exposure exceeds certain specified thresholds. These zero cost collar contracts may be terminated by a counterparty in a number of circumstances, including if our total cash and cash equivalents is less than \$30.0 million at the end of a fiscal quarter unless a waiver is obtained from the counterparty. We cannot assure that any hedging technique we implement will be effective. If our hedging activities are not effective, changes in currency exchange rates may have a more significant impact on our results of operations.

**Foreign Currency Gain or Loss.** Foreign currency translation gains or losses on transactions by us or our subsidiaries in a currency other than our or our subsidiaries' functional currency are included in foreign currency gain (loss), net in our statements of operations. A substantial portion of this net foreign currency gain or loss relates to non-cash translation gain or loss related to the principal balance of intercompany balances at our Korean subsidiary, Magnachip Semiconductor, Ltd., that are denominated in U.S. dollars. This gain or loss results from fluctuations in the exchange rate between the Korean won and U.S. dollar.

**Income Taxes.** We record our income taxes in each of the tax jurisdictions in which we operate. This process involves using an asset and liability approach whereby deferred tax assets and liabilities are recorded for differences in the financial reporting bases and tax basis of our assets and liabilities. We exercise significant management judgment in determining our provision for income taxes, deferred tax assets and liabilities. We assess whether it is more likely than not that the deferred tax assets existing at the period-end will be realized in future periods. In such assessment, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent results of operations. In the event we were to determine that we would be able to realize the deferred income tax assets in the future in excess of their net recorded amount, we would adjust the valuation allowance, which would reduce the provision for income taxes.

We are subject to income-or non-income-based tax examinations by tax authorities of the U.S., Korea and multiple other foreign jurisdictions for all open tax years. Significant estimates and judgments are required in determining our worldwide provision for income-or non-income based taxes. Some of these estimates are based on interpretations of existing tax laws or regulations. The ultimate amount of tax liability may be uncertain as a result.

**Capital Expenditures.** We primarily invest in manufacturing equipment, software design tools and other tangible assets mainly for fabrication facility maintenance, capacity expansion and technology improvement. Capacity expansions and technology improvements typically occur in anticipation of increases in demand. We typically pay for capital expenditures in partial installments with portions due on order, delivery and final acceptance. Our capital expenditures mainly include our payments for the purchase of property, plant and equipment.

**Inventories.** We monitor our inventory levels in light of product development changes and market expectations. We may be required to take additional charges for quantities in excess of demand, cost in excess of market value and product age. Our analysis may take into consideration historical usage, expected demand, anticipated sales price, new product development schedules, the effect new products might have on the sales of existing products, product age, customer design activity, customer concentration and other factors. These forecasts require us to estimate our ability to predict demand for current and future products and compare those estimates with our current inventory levels and inventory purchase commitments. Our forecasts for our inventory may differ from actual inventory use.

## Results of Operations – Comparison of Three Months Ended September 30, 2024 and 2023

The following table sets forth consolidated results of operations for the three months ended September 30, 2024 and 2023:

	Three Months Ended September 30, 2024		Three Months Ended September 30, 2023		Change Amount
	Amount	% of Total Revenues	Amount	% of Total Revenues	
(Dollars in millions)					
<b>Revenues</b>					
Net sales – standard products business	\$ 64.0	96.3%	\$ 51.6	84.3%	\$ 12.4
Net sales – transitional Fab 3 foundry services	2.4	3.7	9.6	15.7	(7.2)
Total revenues	<u>66.5</u>	100.0	<u>61.2</u>	100.0	<u>5.2</u>
<b>Cost of sales</b>					
Cost of sales – standard products business	48.4	72.8	36.8	60.1	11.6
Cost of sales – transitional Fab 3 foundry services	2.6	3.9	9.9	16.2	(7.3)
Total cost of sales	<u>51.0</u>	76.7	<u>46.8</u>	76.4	<u>4.2</u>
Gross profit	15.5	23.3	14.5	23.6	1.0
Selling, general and administrative expenses	12.1	18.2	12.1	19.7	0.0
Research and development expenses	14.4	21.6	11.6	19.0	2.7
Operating loss	(11.0)	(16.6)	(9.2)	(15.1)	(1.8)
Interest income	2.1	3.1	2.4	3.9	(0.3)
Interest expense	(0.6)	(0.9)	(0.2)	(0.3)	(0.4)
Foreign currency gain (loss), net	5.1	7.6	(2.6)	(4.2)	7.6
Others, net	(0.0)	(0.0)	0.1	0.1	(0.1)
	<u>6.5</u>	9.8	<u>(0.3)</u>	(0.5)	<u>6.8</u>
Loss before income tax expense (benefit)	(4.5)	(6.8)	(9.5)	(15.6)	5.0
Income tax expense (benefit)	5.1	7.7	(4.4)	(7.1)	9.5
Net loss	<u>\$ (9.6)</u>	(14.5)	<u>\$ (5.2)</u>	(8.4)	<u>\$ (4.5)</u>

	Three Months Ended September 30, 2024		Three Months Ended September 30, 2023		Change Amount
	Amount	% of Total Revenues	Amount	% of Total Revenues	
(Dollars in millions)					
<b>Revenues</b>					
Net sales – standard products business					
Mixed-Signal Solutions	\$ 16.4	24.7%	\$ 10.6	17.4%	\$ 5.8
Power Analog Solutions	47.6	71.6	41.0	66.9	6.6
Total standard products business	<u>64.0</u>	96.3	<u>51.6</u>	84.3	<u>12.4</u>
Net sales – transitional Fab 3 foundry services	2.4	3.7	9.6	15.7	(7.2)
Total cost of sales	<u>\$ 66.5</u>	100.0%	<u>\$ 61.2</u>	100.0%	<u>\$ 5.2</u>

	Three Months Ended September 30, 2024		Three Months Ended September 30, 2023		Change Amount
	Amount	% of Net Sales	Amount	% of Net Sales	
(Dollars in millions)					
<b>Gross Profit</b>					
Gross profit – standard products business					
Mixed-Signal Solutions	\$ 6.4	38.7%	\$ 3.1	28.8%	\$ 3.3
Power Analog Solutions	9.2	19.4	11.7	28.6	(2.5)
Total standard products business	<u>15.6</u>	24.4	<u>14.8</u>	28.7	<u>0.8</u>
Gross profit – transitional Fab 3 foundry services	(0.2)	(6.5)	(0.3)	(3.2)	0.2
Total gross profit	<u>\$ 15.5</u>	23.3%	<u>\$ 14.5</u>	23.6%	<u>\$ 1.0</u>



## Revenues

Total revenues were \$66.5 million for the three months ended September 30, 2024, a \$5.2 million, or 8.5%, increase compared to \$61.2 million for the three months ended September 30, 2023.

**The standard products business.** Net sales from our standard products business were \$64.0 million for the three months ended September 30, 2024, a \$12.4 million, or 24.0%, increase compared to \$51.6 million for the three months ended September 30, 2023.

Net sales from our Mixed-Signal Solutions business line increased from \$10.6 million for the three months ended September 30, 2023 to \$16.4 million for the three months ended September 30, 2024. The increase in net sales from our Mixed-Signal Solutions business line was primarily attributable to a higher demand for automotive OLED display driver ICs and mobile OLED display driver ICs, which was offset in part by weak demand for our auto-LCD display driver ICs. A higher demand for our Power IC products, primarily for OLED IT devices, also had a favorable impact on net sales.

Net sales from our Power Analog Solutions business line increased to \$47.6 million for the three months ended September 30, 2024 compared to \$41.0 million for the three months ended September 30, 2023. The increase in net sales from our Power Analog Solutions business line was attributable to a higher demand for power products such as MOSFETs, including high-end MOSFETs in the communication and consumer applications. A higher demand for IGBTs for solar inverters also had a favorable impact on net sales.

**The transitional Fab 3 foundry services.** Net sales from the transitional Fab 3 foundry services were \$2.4 million and \$9.6 million for the three months ended September 30, 2024 and 2023, respectively.

## Gross Profit

Total gross profit was \$15.5 million for the three months ended September 30, 2024 compared to \$14.5 million for the three months ended September 30, 2023, a \$1.0 million, or 6.8%, increase. Gross profit as a percentage of net sales for the three months ended September 30, 2024 decreased slightly to 23.3% compared to 23.6% for the three months ended September 30, 2023.

**The standard products business.** Gross profit from our standard products business was \$15.6 million for the three months ended September 30, 2024, which represented a \$0.8 million, or 5.6%, increase from gross profit of \$14.8 million for the three months ended September 30, 2023. Gross profit as a percentage of net sales for the three months ended September 30, 2024 decreased to 24.4% compared to 28.7% for the three months ended September 30, 2023.

Gross profit from our Mixed-Signal Solutions business line was \$6.4 million for the three months ended September 30, 2024, which represented a \$3.3 million, or 107.6%, increase from gross profit of \$3.1 million for the three months ended September 30, 2023. Gross profit as a percentage of net sales for the three months ended September 30, 2024 increased to 38.7% compared to 28.8% for the three months ended September 30, 2023. The year-over-year increase in gross profit as a percentage of net sales was primarily attributable to a favorable product mix. Additionally, we recognized certain inventory reserve related to 12-inch display products resulting from lower demand for China smartphones in the third quarter of 2023.

Gross profit from our Power Analog Solutions business line was \$9.2 million for the three months ended September 30, 2024, which represented a \$2.5 million, or 21.1%, decrease from gross profit of \$11.7 million for the three months ended September 30, 2023. Gross profit as a percentage of net sales for the three months ended September 30, 2024 decreased to 19.4% compared to 28.6% for the three months ended September 30, 2023. The year-over-year decrease in gross profit as a percentage of net sales was primarily attributable to a lower utilization rate of our internal fabrication facility in Gumi from the wind-down of transitional foundry services and an unfavorable product mix.

### Net Sales – Standard Products Business by Geographic Region

We report net sales – standard products business by geographic region based on the location to which the products are billed. The following table sets forth our net sales—standard products business by geographic region and the percentage of total net sales—standard products business represented by each geographic region for the three months ended September 30, 2024 and 2023:

	Three Months Ended September 30, 2024		Three Months Ended September 30, 2023		Change Amount
	Amount	% of Net Sales – standard products business	Amount	% of Net Sales – standard products business	
	(Dollars in millions)				
Korea	\$ 25.1	39.1%	\$ 19.2	37.3%	\$ 5.8
Asia Pacific (other than Korea)	37.0	57.9	29.9	57.8	7.2
United States	0.7	1.0	1.2	2.4	(0.5)
Europe	1.2	1.9	1.3	2.5	(0.1)
	<u>\$ 64.0</u>	<u>100.0%</u>	<u>\$ 51.6</u>	<u>100.0%</u>	<u>\$ 12.4</u>

Net sales – standard products business in Korea increased from \$19.2 million for the three months ended September 30, 2023 to \$25.1 million for the three months ended September 30, 2024, or by \$5.8 million, or 30.2%, primarily due to a higher demand for power products such as MOSFETs, including high-end MOSFETs, primarily for smartphone and home appliance. A higher demand for our mobile OLED display driver IC and Power IC products also had a favorable impact on net sales.

Net sales – standard products business in Asia Pacific (other than Korea) increased from \$29.9 million in the three months ended September 30, 2023 to \$37.0 million for the three months ended September 30, 2024, or by \$7.2 million, or 24.1%, primarily due to a higher demand for automotive OLED display driver ICs. A higher demand for power products such as MOSFETs, including high-end MOSFETs in the computing and industrial applications, and IGBTs for solar inverters also had a favorable impact on net sales.

### Operating Expenses

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses were \$12.1 million, or 18.2% of total revenues, for the three months ended September 30, 2024, which remained almost flat, compared to \$12.1 million, or 19.7% of total revenues, for the three months ended September 30, 2023.

**Research and Development Expenses.** Research and development expenses were \$14.4 million, or 21.6% of total revenues, for the three months ended September 30, 2024, compared to \$11.6 million, or 19.0% of total revenues, for the three months ended September 30, 2023. The increase of \$2.7 million, or 23.6%, was mainly attributable to an increase in material costs for our 28-nanometer OLED display driver ICs based on the timing of development activities.

### Operating Loss

As a result of the foregoing, operating loss of \$11.0 million was recorded for the three months ended September 30, 2024 compared to operating loss of \$9.2 million for the three months ended September 30, 2023. As discussed above, the increase in operating loss of \$1.8 million resulted primarily from a \$2.7 million increase in research and development expenses, which was offset in part by a \$1.0 million increase in gross profit.

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**Other Income (Expense)**

**Interest Income.** Interest income was \$2.1 million and \$2.4 million for the three months ended September 30, 2024 and September 30, 2023, respectively.

**Interest Expense.** Interest expense was \$0.6 million and \$0.2 million for the three months ended September 30, 2024 and September 30, 2023, respectively.

**Foreign Currency Gain (Loss), Net.** Net foreign currency gain for the three months ended September 30, 2024 was \$5.1 million compared to net foreign currency loss of \$2.6 million for the three months ended September 30, 2023.

A substantial portion of our net foreign currency gain or loss is non-cash translation gain or loss associated with intercompany long-term loans to one of our Korean subsidiaries, which are denominated in U.S. dollars, and are affected by changes in the exchange rate between the Korean won and the U.S. dollar. As of September 30, 2024 and September 30, 2023, the outstanding intercompany loan balances, including accrued interest between our Korean subsidiary, Magnachip Semiconductor, Ltd., and our Dutch subsidiary, were \$259.7 million and \$281.7 million, respectively. Foreign currency translation gain or loss from intercompany balances were included in determining our consolidated net income (loss) since the intercompany balances were not considered long-term investments in nature because management intended to settle these intercompany balances at their respective maturity dates.

**Income Tax Expense (Benefit)**

Income tax expense was \$5.1 million for the three months ended September 30, 2024, which was primarily related to a decrease in tax benefits from pre-tax loss of one of our operating entities in Korea and a valuation allowance established against the deferred tax assets of the other operating entity in Korea, as a result of its assessment of realizability of the deferred tax assets in the future.

Income tax benefit was \$4.4 million for the three months ended September 30, 2023, which was primarily attributable to the estimated taxable loss in our then primary operating entity in Korea for the respective period.

**Net Loss**

As a result of the foregoing, a net loss of \$9.6 million was recorded for the three months ended September 30, 2024 compared to a net loss of \$5.2 million for the three months ended September 30, 2023. As discussed above, the \$4.5 million increase in net loss was primarily attributable to a \$9.5 million decrease in income tax benefit and a \$1.8 million increase in operating loss, which was offset in part by a \$7.6 million improvement in net foreign currency loss.

## Results of Operations – Comparison of Nine Months Ended September 30, 2024 and 2023

The following table sets forth consolidated results of operations for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30, 2024		Nine Months Ended September 30, 2023		Change Amount
	Amount	% of Total Revenues	Amount	% of Total Revenues	
(Dollars in millions)					
<b>Revenues</b>					
Net sales – standard products business	\$ 160.4	95.1%	\$ 154.5	86.2%	\$ 5.9
Net sales – transitional Fab 3 foundry services	8.3	4.9	24.7	13.8	(16.4)
Total revenues	<u>168.7</u>	100.0	<u>179.2</u>	100.0	<u>(10.5)</u>
<b>Cost of sales</b>					
Cost of sales – standard products business	123.4	73.1	112.0	62.5	11.4
Cost of sales – transitional Fab 3 foundry services	9.3	5.5	27.1	15.1	(17.8)
Total cost of sales	<u>132.7</u>	78.6	<u>139.1</u>	77.6	<u>(6.4)</u>
Gross profit	36.0	21.4	40.1	22.4	(4.1)
Selling, general and administrative expenses	35.1	20.8	36.4	20.3	(1.3)
Research and development expenses	38.2	22.7	36.2	20.2	2.0
Early termination and other charges	—	—	9.3	5.2	(9.3)
Operating loss	<u>(37.3)</u>	(22.1)	<u>(41.7)</u>	(23.3)	4.4
Interest income	6.5	3.8	7.9	4.4	(1.4)
Interest expense	(1.4)	(0.8)	(0.6)	(0.4)	(0.7)
Foreign currency loss, net	(3.5)	(2.1)	(4.8)	(2.7)	1.3
Others, net	0.1	0.1	0.1	0.0	0.1
	<u>1.8</u>	1.0	<u>2.6</u>	1.4	<u>(0.8)</u>
Loss before income tax expense (benefit)	<u>(35.5)</u>	(21.1)	<u>(39.2)</u>	(21.8)	3.6
Income tax expense (benefit)	2.5	1.5	(8.6)	(4.8)	11.1
Net loss	<u>\$ (38.0)</u>	(22.5)	<u>\$ (30.6)</u>	(17.1)	<u>\$ (7.4)</u>

	Nine Months Ended September 30, 2024		Nine Months Ended September 30, 2023		Change Amount
	Amount	% of Total Revenues	Amount	% of Total Revenues	
(Dollars in millions)					
<b>Revenues</b>					
Net sales – standard products business					
Mixed-Signal Solutions	\$ 37.0	22.0%	\$ 35.8	20.0%	\$ 1.2
Power Analog Solutions	123.3	73.1	118.7	66.2	4.6
Total standard products business	<u>160.4</u>	95.1	<u>154.5</u>	86.2	5.9
Net sales – transitional Fab 3 foundry services	8.3	4.9	24.7	13.8	(16.4)
Total cost of sales	<u>\$ 168.7</u>	100.0%	<u>\$ 179.2</u>	100.0%	<u>\$ (10.5)</u>

	Nine Months Ended September 30, 2024		Nine Months Ended September 30, 2023		Change Amount
	Amount	% of Net Sales	Amount	% of Net Sales	
(Dollars in millions)					
<b>Gross Profit</b>					
Gross profit – standard products business					
Mixed-Signal Solutions	\$ 14.4	38.9%	\$ 11.4	31.9%	\$ 3.0
Power Analog Solutions	22.6	18.3	31.1	26.2	(8.5)
Total standard products business	<u>37.0</u>	23.1	<u>42.5</u>	27.5	<u>(5.5)</u>
Gross profit – transitional Fab 3 foundry services	(1.0)	(11.6)	(2.4)	(9.7)	1.4
Total gross profit	<u>\$ 36.0</u>	21.4%	<u>\$ 40.1</u>	22.4%	<u>\$ (4.1)</u>

## Revenues

Total revenues were \$168.7 million for the nine months ended September 30, 2024, a \$10.5 million, or 5.9%, decrease compared to \$179.2 million for the nine months ended September 30, 2023.

**The standard products business.** Net sales from our standard products business were \$160.4 million for the nine months ended September 30, 2024, a \$5.9 million, or 3.8%, increase compared to \$154.5 million for the nine months ended September 30, 2023.

Net sales from our Mixed-Signal Solutions business line increased from \$35.8 million for the nine months ended September 30, 2023 to \$37.0 million for the nine months ended September 30, 2024. The increase in net sales from our Mixed-Signal Solutions business line was primarily attributable to a higher demand for our Power IC products, primarily for televisions and OLED IT devices, and a higher demand for automotive OLED display driver ICs. This increase was offset in part by a decrease in revenue from our mobile OLED display driver ICs stemmed from slower than expected new design-wins and lower customer demand for legacy products, and weak demand for our auto-LCD display driver ICs also had an unfavorable impact on net sales.

Net sales from our Power Analog Solutions business line increased from \$118.7 million for the nine months ended September 30, 2023 to \$123.3 million for the nine months ended September 30, 2024. The increase in net sales from our Power Analog Solutions business line was attributable to a higher demand for power products such as MOSFETs, including high-end MOSFETs in the communication and consumer applications.

**The transitional Fab 3 foundry services.** Net sales from the transitional Fab 3 foundry services were \$8.3 million and \$24.7 million for the nine months ended September 30, 2024 and 2023, respectively.

## Gross Profit

Total gross profit was \$36.0 million for the nine months ended September 30, 2024 compared to \$40.1 million for the nine months ended September 30, 2023, a \$4.1 million, or 10.2%, decrease. Gross profit as a percentage of net sales for the nine months ended September 30, 2024 decreased to 21.4% compared to 22.4% for the nine months ended September 30, 2023.

**The standard products business.** Gross profit from our standard products business was \$37.0 million for the nine months ended September 30, 2024, which represented a \$5.5 million, or 13.0%, decrease from gross profit of \$42.5 million for the nine months ended September 30, 2023. Gross profit as a percentage of net sales for the nine months ended September 30, 2024 decreased to 23.1% compared to 27.5% for the nine months ended September 30, 2023.

Gross profit from our Mixed-Signal Solutions business line was \$14.4 million for the nine months ended September 30, 2024, which represented a \$3.0 million, or 25.9%, increase from gross profit of \$11.4 million for the nine months ended September 30, 2023. Gross profit as a percentage of net sales for the nine months ended September 30, 2024 increased to 38.9% compared to 31.9% for the nine months ended September 30, 2023. The year-over-year increase in gross profit as a percentage of net sales was primarily attributable to certain inventory reserve related to 12-inch display products resulting from lower demand for China smartphones for the nine months ended September 30, 2023.

Gross profit from our Power Analog Solutions business line was \$22.6 million for the nine months ended September 30, 2024, which represented an \$8.5 million, or 27.3%, decrease from gross profit of \$31.1 million for the nine months ended September 30, 2023. Gross profit as a percentage of net sales for the nine months ended September 30, 2024 decreased to 18.3% compared to 26.2% for the nine months ended September 30, 2023. The year-over-year decrease in gross profit as a percentage of net sales was primarily attributable to a lower utilization rate of our internal fabrication facility in Gumi from the wind-down of transitional foundry services and an unfavorable product mix.

## Net Sales – Standard Products Business by Geographic Region

We report net sales – standard products business by geographic region based on the location to which the products are billed. The following table sets forth our net sales—standard products business by geographic region and the percentage of total net sales—standard products business represented by each geographic region for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30, 2024		Nine Months Ended September 30, 2023		Change Amount
	Amount	% of Net Sales – standard products business	Amount	% of Net Sales – standard products business	
(Dollars in millions)					
Korea	\$ 63.2	39.4%	\$ 50.1	32.5%	\$ 13.1
Asia Pacific (other than Korea)	91.9	57.3	96.8	62.6	(4.9)
United States	1.3	0.8	2.5	1.6	(1.2)
Europe	3.9	2.4	5.1	3.3	(1.2)
	<u>\$ 160.4</u>	<u>100.0%</u>	<u>\$ 154.5</u>	<u>100.0%</u>	<u>\$ 5.9</u>

Net sales – standard products business in Korea increased from \$50.1 million for the nine months ended September 30, 2023 to \$63.2 million for the nine months ended September 30, 2024, or by \$13.1 million, or 26.1%, primarily due to a higher demand for power products such as MOSFETs, including high-end MOSFETs, primarily for smartphone and home appliance. A higher demand for our Power IC products, primarily for televisions and OLED IT devices, also had a favorable impact on net sales.

Net sales – standard products business in Asia Pacific (other than Korea) decreased from \$96.8 million in the nine months ended September 30, 2023 to \$91.9 million for the nine months ended September 30, 2024, or by \$4.9 million, or 5.0%, primarily due to a decrease in revenue from our mobile OLED display driver ICs and auto-LCD display driver ICs, which was offset in part by a higher demand for automotive OLED display driver ICs. The decreased demand for our power products such as MOSFETs, mainly for e-bikes, also had an unfavorable impact on net sales.

### Operating Expenses

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses were \$35.1 million, or 20.8% of total revenues, for the nine months ended September 30, 2024, compared to \$36.4 million, or 20.3% of total revenues, for the nine months ended September 30, 2023. The decrease of \$1.3 million, or 3.6%, was primarily attributable to a decrease in employee compensation including certain incentives and benefit related accruals, which was offset in part by an increase in professional fees mainly comprised of legal and consulting fees.

**Research and Development Expenses.** Research and development expenses were \$38.2 million, or 22.7% of total revenues, for the nine months ended September 30, 2024, compared to \$36.2 million, or 20.2% of total revenues, for the nine months ended September 30, 2023. The increase of \$2.0 million, or 5.7%, was mainly attributable to an increase in material costs for our 28-nanometer OLED display driver ICs based on the timing of development activities.

**Early Termination and Other Charges.** For the nine months ended September 30, 2023, we recorded \$8.4 million of termination related charges in connection with the Program that we offered to certain employees during the first quarter of 2023. During the same period, we also recorded \$0.8 million of one-time employee incentives.

### Operating Loss

As a result of the foregoing, operating loss of \$37.3 million was recorded for the nine months ended September 30, 2024 compared to operating loss of \$41.7 million for the nine months ended September 30, 2023. As discussed above, the decrease in operating loss of \$4.4 million resulted primarily from a \$9.3 million decrease in early termination and other charges and a \$1.3 million decrease in selling, general and administrative expenses, which was offset in part by a \$4.1 million decrease in gross profit and a \$2.0 million increase in research and development expenses.

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**Other Income (Expense)**

**Interest Income.** Interest income was \$6.5 million and \$7.9 million for the nine months ended September 30, 2024 and September 30, 2023, respectively.

**Interest Expense.** Interest expense was \$1.4 million and \$0.6 million for the nine months ended September 30, 2024 and September 30, 2023, respectively.

**Foreign Currency Loss, Net.** Net foreign currency loss for the nine months ended September 30, 2024 was \$3.5 million compared to net foreign currency loss of \$4.8 million for the nine months ended September 30, 2023. The net foreign currency loss for the nine months ended September 30, 2024 and September 30, 2023 was due to the depreciation in value of the Korean won relative to the U.S. dollar during the period.

A substantial portion of our net foreign currency gain or loss is non-cash translation gain or loss associated with intercompany long-term loans to one of our Korean subsidiaries, which are denominated in U.S. dollars, and are affected by changes in the exchange rate between the Korean won and the U.S. dollar. As of September 30, 2024 and September 30, 2023, the outstanding intercompany loan balances, including accrued interest between our Korean subsidiary, Magnachip Semiconductor, Ltd., and our Dutch subsidiary, were \$259.7 million and \$281.7 million, respectively. Foreign currency translation gain or loss from intercompany balances were included in determining our consolidated net income (loss) since the intercompany balances were not considered long-term investments in nature because management intended to settle these intercompany balances at their respective maturity dates.

**Income Tax Expense (Benefit)**

Income tax expense was \$2.5 million for the nine months ended September 30, 2024, which was primarily related to a decrease in tax benefits from pre-tax loss of one of our operating entities in Korea and a valuation allowance established against the deferred tax assets of the other operating entity in Korea, as a result of its assessment of realizability of the deferred tax assets in the future.

Income tax benefit was \$8.6 million for the nine months ended September 30, 2023, which was primarily attributable to the estimated taxable loss in our then primary operating entity in Korea for the respective period.

**Net Loss**

As a result of the foregoing, a net loss of \$38.0 million was recorded for the nine months ended September 30, 2024 compared to a net loss of \$30.6 million for the nine months ended September 30, 2023. As discussed above, the \$7.4 million increase in net loss was primarily attributable to an \$11.1 million decrease in income tax benefit and a \$1.4 million decrease in interest income, which was offset in part by a \$4.4 million decrease in operating loss and a \$1.3 million improvement in net foreign currency loss.

## **Liquidity and Capital Resources**

Our principal capital requirements are to fund sales and marketing, invest in research and development and capital equipment, to make debt service payments and to fund working capital needs. We calculate working capital as current assets less current liabilities.

Our principal sources of liquidity are our cash, cash equivalents, cash flows from operations and financing activities. Our ability to manage cash and cash equivalents may be limited, as our primary cash flows are dictated by the terms of our sales and supply agreements, contractual obligations, debt instruments and legal and regulatory requirements. From time to time, we may sell accounts receivable to third parties under factoring agreements or engage in accounts receivable discounting to facilitate the collection of cash. In addition, from time to time, we may make payments to our vendors on extended terms with their consent. As of September 30, 2024, we did not have any accounts payable on extended terms or payment deferral with our vendors.

As of June 29, 2018, our Korean subsidiary, Magnachip Semiconductor, Ltd., entered into an arrangement whereby it (i) acquired a water treatment facility from SK hynix for \$4.2 million to support our fabrication facility in Gumi, Korea, and (ii) subsequently sold the water treatment facility for \$4.2 million to a third party management company that we engaged to run the facility for a 10-year term beginning July 1, 2018. As of September 30, 2024, the outstanding obligation of this arrangement is approximately \$16.6 million for remaining service term through 2028.

On March 26, 2024, our Korean subsidiary, Magnachip Semiconductor, Ltd., executed a Standard Credit Agreement (together with its General Terms and Conditions, the "Loan Agreement") with Korea Development Bank ("KDB"). The Loan Agreement provides for a working capital term loan (the "Term Loan") of KRW 40,000,000,000 (approximately \$30.3 million based on the KRW/USD exchange rate of 1,319.6:1 as of September 30, 2024 as quoted by KEB Hana Bank). The Term Loan requires monthly interest-only payments and matures on March 26, 2027, at which time the full principal balance will be due and payable.

As of September 30, 2024, cash and cash equivalents held by our Korean subsidiaries were \$108.7 million, which represents 90% of our total cash and cash equivalents on a consolidated basis. We also have invested \$30.0 million in short-term financial instruments, which has a maturity date in November 2024. We currently believe that we will have sufficient cash reserves from cash on hand and from a short-term investment to fund our operations as well as capital expenditures for the next 12 months and the foreseeable future.

### ***Working Capital***

Our working capital balance as of September 30, 2024 was \$191.7 million compared to \$198.5 million as of December 31, 2023. The decrease in working capital balance was mainly attributable to a \$7.0 million decrease in cash and cash equivalents and short-term financial instruments, primarily as a result of \$8.9 million of stock repurchases under our stock repurchase program.

### ***Cash Flows from Operating Activities***

Cash outflow used in operating activities totaled \$18.0 million for the nine months ended September 30, 2024, compared to \$0.2 million of cash outflow used in operating activities for the nine months ended September 30, 2023. The net operating cash outflow for the nine months ended September 30, 2024 reflects our net loss of \$38.0 million, as adjusted favorably by \$29.0 million, which mainly consisted of depreciation and amortization, provision for severance benefits, provision for inventory reserves, net foreign currency loss and stock-based compensation, and net unfavorable impact of \$9.0 million from changes of operating assets and liabilities.

### ***Cash Flows from Investing Activities***

Cash outflow used in investing activities totaled \$35.4 million for the nine months ended September 30, 2024, compared to \$4.6 million of cash outflow used in investing activities for the nine months ended September 30, 2023. The \$30.8 million increase in cash outflow was primarily attributable to a \$30.0 million increase in short-term financial instruments and a \$1.9 million increase in purchase of property, plant and equipment, which was offset in part by a \$1.3 million net decrease in guarantee deposits.

### ***Cash Flows from Financing Activities***

Cash inflow provided by financing activities totaled \$20.1 million for the nine months ended September 30, 2024, compared to \$43.5 million of cash outflow used in financing activities for the nine months ended September 30, 2023. The financing cash inflow for the nine months ended September 30, 2024 was primarily attributable to the \$30.1 million of proceeds received from the new Term Loan with KDB, which was offset in part by a payment of \$8.9 million for the repurchases of our common stock pursuant to our stock repurchase program and a payment of \$0.6 million for the repurchase of our common stock to satisfy tax withholding obligations in



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connection with the vesting of restricted stock units. The financing cash outflow for the nine months ended September 30, 2023 was primarily attributable to a payment of \$42.7 million for the repurchases of our common stock pursuant to our stock repurchase program and a payment of \$0.4 million for the repurchase of our common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock units.

***Capital Expenditures***

We routinely make capital expenditures for fabrication facility maintenance, enhancement of our existing facility and reinforcement of our global research and development capability. For the nine months ended September 30, 2024, capital expenditures for property, plant and equipment were \$4.2 million, a \$1.9 million, or 83.1%, increase from \$2.3 million for the nine months ended September 30, 2023. The capital expenditures for the nine months ended September 30, 2024 also included expenditures related to setting up our newly established operating entity in China.

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## Critical Accounting Policies and Estimates

Preparing financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting periods and the related disclosures in our consolidated financial statements and accompanying notes.

We believe that our significant accounting policies, which are described further in Note 1 to our consolidated financial statements in our Annual Report on Form 10-K for our fiscal year ended December 31, 2023, or our 2023 Form 10-K, are critical due to the fact that they involve a high degree of judgment and estimates about the effects of matters that are inherently uncertain. We base these estimates and judgments on historical experience, knowledge of current conditions and other assumptions and information that we believe to be reasonable. Estimates and assumptions about future events and their effects cannot be determined with certainty. Accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as the business environment in which we operate changes.

A description of our critical accounting policies that involve significant management judgement appears in our 2023 Form 10-K, under “Management’s Discussion and Analysis of Financial Conditions and Reports of Operations—Critical Accounting Policies and Estimates.” There have been no material changes to our critical accounting policies and estimates as compared to our critical accounting policies and estimates included in our 2023 Form 10-K.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to the market risk that the value of a financial instrument will fluctuate due to changes in market conditions, primarily from changes in foreign currency exchange rates and interest rates. In the normal course of our business, we are subject to market risks associated with interest rate movements and currency movements on our assets and liabilities.

***Foreign Currency Exposures***

We have exposure to foreign currency exchange rate fluctuations on net income from our subsidiaries denominated in currencies other than U.S. dollars, as our foreign subsidiaries in Korea, Taiwan, China, Japan and Hong Kong use local currency as their functional currency. From time to time these subsidiaries have cash and financial instruments in local currency. The amounts held in Japan, Taiwan, Hong Kong and China are not material in regards to foreign currency movements. However, based on the cash and financial instruments balance at September 30, 2024 for our Korean subsidiaries, a 10% devaluation of the Korean won against the U.S. dollar would have resulted in a decrease of \$0.5 million in our U.S. dollar financial instruments and cash balances.

See “Note 7. Derivative Financial Instruments” to our consolidated financial statements under “Item 1. Interim Consolidated Financial Statements” and “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Impact of Foreign Currency Exchange Rates on Reported Results of Operations” for additional information regarding our foreign exchange hedging activities.

***Interest Rate Exposures***

As of September 30, 2024, \$30.3 million aggregate principal amount of our Term Loan was outstanding. The Term Loan bears interest at a variable rate equal to the 3-month CD rate quoted by KDB, plus 1.21%, which rate is adjusted quarterly until the Term Loan mature on March 26, 2027. We have interest rate exposure with respect to the \$30.3 million of our variable interest rate debt outstanding under our Term Loan as of September 30, 2024. A 50 basis point increase in interest rates would increase our expected annual interest expense for the next 12 months by approximately \$0.1 million.

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**Item 4. Controls and Procedures*****Evaluation of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Report, we carried out an evaluation under the supervision of and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, as of September 30, 2024, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2024.

***Changes in Internal Control Over Financial Reporting***

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### **Item 1. Legal Proceedings**

For a discussion of legal proceedings, see “Part I: Item 3. Legal Proceedings” of our 2023 Form 10-K.

See also “Item 1A. Risk Factors” in this Report and “Part I: Item 1A. Risk Factors” of our 2023 Form 10-K for additional information.

### **Item 1A. Risk Factors**

The Company is subject to risks and uncertainties, any of which could have a significant or material adverse effect on our business, financial condition, liquidity or consolidated financial statements.

In addition to the other information contained in this Report and the other reports and materials the Company files with the SEC, investors should carefully consider the risk factors disclosed in Part I, Item 1A of our 2023 Form 10-K as well as in our subsequent filings with the SEC. The risks described herein and therein are not the only ones we face.

There have been no material changes to the risk factors disclosed in Part I, Item 1A of our 2023 Form 10-K and Part II, Item 1A of our Quarterly Report on Form 10-Q filed on May 10, 2024.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

The following table shows the monthly activity related to our repurchases of common stock for the quarter ended September 30, 2024.

<u>Period</u>	<u>Total Number of Shares Purchased(1)</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)</u>	<u>Approximate dollar value of Shares that may yet be Purchased under the Plans or Programs (in thousands)(2)</u>
July 2024(1)	356,091	\$ 4.91	350,465	\$ 28,282
August 2024	44,772	\$ 4.86	44,772	\$ 28,065
September 2024	123,212	\$ 4.56	123,212	\$ 27,503
Total	<u>524,075</u>	<u>\$ 4.83</u>	<u>518,449</u>	<u>\$ 27,503</u>

- (1) Includes 5,626 shares withheld to satisfy tax withholding obligations in connection with the vesting of restricted stock units issued under our equity incentive plans.
- (2) On July 19, 2023, the Company's Board of Directors authorized a new \$50 million stock buyback program. Purchases have been and will be made in the open market or through privately negotiated transactions, depending upon market conditions and other factors. In connection with the repurchase program, the Company established a stock trading plan with Needham & Company, LLC in accordance with Rule 10b5-1 under the Exchange Act.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

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**Item 5. Other Information**

*Securities Trading Plans of Directors and Executive Officers*

During our last fiscal quarter, no director or officer, as defined in Rule 16a-1(f), adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” each as defined in Regulation S-K Item 408.

**Item 6. Exhibits.**

<b>Exhibit Number</b>	<b>Description</b>
10.1	<a href="#"><u>Separation Agreement, dated as of July 29, 2024, by and among Magnachip Semiconductor Corporation, Magnachip Semiconductor, Ltd., Magnachip Mixed-Signal, Ltd. and Woungmoo Lee (incorporated by reference to our Current Report on Form 8-K filed on July 31, 2024).</u></a>
10.2	<a href="#"><u>Consulting Agreement, dated as of August 1, 2024, by and between Magnachip Mixed-Signal, Ltd. and Woungmoo Lee (incorporated by reference to our Current Report on Form 8-K filed on July 31, 2024).</u></a>
31.1#	<a href="#"><u>Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 of the Principal Executive Officer.</u></a>
31.2#	<a href="#"><u>Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 of the Principal Financial Officer.</u></a>
32.1†	<a href="#"><u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Principal Executive Officer.</u></a>
32.2†	<a href="#"><u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Principal Financial Officer.</u></a>
101.INS#	Inline XBRL Instance Document.
101.SCH#	Inline XBRL Taxonomy Extension Schema Document.
101.CAL#	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF#	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB#	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE#	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

## Footnotes:

- # Filed herewith  
† Furnished herewith



**SIGNATURES**

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 thereunto duly authorized.

MAGNACHIP SEMICONDUCTOR CORPORATION  
(Registrant)

Dated: November 7, 2024

By: /s/ Young-Joon Kim  
Young-Joon Kim  
Chief Executive Officer  
(Principal Executive Officer)

Dated: November 7, 2024

By: /s/ Shin Young Park  
Shin Young Park  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO  
SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Young-Joon Kim, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Magnachip Semiconductor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 7, 2024

/s/ Young-Joon Kim

Young-Joon Kim  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO  
SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Shin Young Park, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Magnachip Semiconductor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 7, 2024

/s/ Shin Young Park

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Shin Young Park  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Magnachip Semiconductor Corporation (the “**Company**”) hereby certifies, to such officer’s knowledge, that:

(i) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “**Report**”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: November 7, 2024

/s/ Young-Joon Kim

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Young-Joon Kim  
Chief Executive Officer  
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C § 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Magnachip Semiconductor Corporation (the “**Company**”) hereby certifies, to such officer’s knowledge, that:

(i) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “**Report**”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: November 7, 2024

/s/ Shin Young Park

Shin Young Park

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C § 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.